

MASTER THESIS



universität
wien

Titel der Master Thesis / Title of the Master's Thesis

“The impact of Brexit according to Albanian Economy”

verfasst von / submitted by

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angestrebter akademischer Grad / in partial fulfilment of the requirements for the
degree of

Master of Laws (LL.M.)

Wien, 2023/ Vienna 2023

Studienkennzahl lt. Studienblatt /
Postgraduate programme code as it appears on
the student record sheet:

UA 992 548

Universitätslehrgang lt. Studienblatt /
Postgraduate programme as it appears on
the student record sheet:

Europäisches und Internationales
Wirtschaftsrecht /
European and International Business Law

Betreut von / Supervisor:

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LIST OF ABBREVIATIONS

Art - Article

CAC - Corporate Affairs Commission

EBRD - European Bank for Reconstruction and Development

EC - European Commission

ECB - European Central Bank

ECJ - European Court of Justice

EP - European Parliament

EU - European Union

FDI - Foreign Direct Investments

FTSE - Financial Times Stock Exchange

GDP - Gross Domestic Product

INSTAT – Institute of Statistics Albania

IOD - International Observers of the Organization for the Cooperation and Development

PPPs - Public Private Partnerships

UK - United Kingdom

WTO - World Trade Organization

CHAPTER 1: Introduction to the topic

1. An overview of the European Union and Brexit

The European Union is a political and economic organization consisting of 27 member states located mostly in Europe.¹ It is often referred to as a *ssui generis* political entity due to its characteristics.²

The establishment of the internal single market of the European Union was made possible through the use of a legal framework and common legislation that apply to all member states. The goal of the EU's policies is to ensure that the free movement of goods, capital, and people within the internal market is maintained. It also aims to develop a common policy framework for agriculture, fisheries, and regional development.³

The eurozone is a group composed of the 20 EU member states that have fully implemented the economic and monetary union and use the euro currency.⁴ Containing 5.8 per cent of the world population in 2020, the EU generated a nominal gross domestic product (GDP) of around US\$17.1 trillion in 2021, constituting approximately 18 per cent of global nominal GDP.⁵

Additionally, all EU states especially Bulgaria has a very high Human Development Index according to the United Nations Development Programme. The term "British exit" refers to the country's departure from the European Union. It occurred on June 23, 2016⁶. The

¹ "What it is and what it does?", European Commission(2019),Chapter 3, < https://learning-corner.learning.europa.eu/learning-materials/top-publications-18-118-year-olds/european-union-what-it-and-what-it-does_en > accessed 28 November 2022

² Note: *sui generis* means unique

³ Stanley Hoffmann, "Obstinate or Obsolete?", The Fate of the Nation-State and the Case of Western Europe, Vol. 95, No. 3, Tradition and Change (Summer, 1966), pp. 862-915 < <https://www.jstor.org/stable/i20026994> > accessed 28 November 2022

⁴ "What is the Euro Area?", European Commission < https://economy-finance.ec.europa.eu/euro/what-euro-area_en > accessed 28 November 2022

⁵ Ibid

⁶ Ibid

residents of the UK voted to leave the EU due to the free trade agreement that the country had with the organization.

However, they also wanted to limit the immigration that they could receive. The residents decided that the benefits of free trade weren't enough to offset the costs of free movement of immigration. The vote was 17.4 million in favor of leaving vs. 16.1 million who voted to remain.⁷

In 2015, the UK's Prime Minister David Cameron called for a referendum. The majority of the pro-EU voters were older, working-class individuals in the countryside⁸. They were worried that the free movement of people from other countries would lead to them taking jobs and benefits. Many small businesses were also unhappy with the fees that the EU charged them. They believe that leaving the organization would create jobs. Those who voted to remain in the EU mainly resided in Northern Ireland, Scotland, and London. They liked the free trade agreement the EU had with it, and they believed that leaving would damage the UK's global reputation. The UK's exit from the European Union was a complex process. After the country's voters decided to leave the EU, Theresa May submitted the notification of withdrawal on March 29, 2017. She then tried to negotiate a new relationship with the EU, but she was unsuccessful.⁹

Although, in July 2019, Boris Johnson became the Prime Minister of the UK. He was able to get the approval of Parliament for the withdrawal agreement with the EU. After becoming the Prime Minister, Johnson led the Conservative Party to a majority in the general election.¹⁰

Firstly, the UK's exit from the EU was officially concluded on January 23, 2020.¹¹ After the Royal Assent was received, the bill was then sent to the Queen for approval. On December

⁷ "Results and Turnout at the EU Referendum", The Electoral Commission,(2019) < <https://www.electoralcommission.org.uk/who-we-are-and-what-we-do/elections-and-referendums/past-elections-and-referendums/eu-referendum/results-and-turnout-eu-referendum> > accessed 29 December 2022

⁸ Matthew Goodwin and Oliver Heath,"*Brexit Vote Explained : Poverty, low skills and lack of opportunities*", Joseph Rowntre Foundation, < <https://www.jrf.org.uk/report/brexit-vote-explained-poverty-low-skills-and-lack-of-opportunities> > accessed 17 November 2022

⁹ Alasdair Sanford, "What's been the impact — and how did it happen?" "Post-Brexit Guide" < <https://www.euronews.com/my-europe/2022/12/29/brexit-draft-deal-first-of-many-hurdles-to-a-smooth-exit> > accessed 29 December 2022

¹⁰ Sarah Lyall and Stephen Castle ,"*Boris Johnson Becomes U.K. Prime Minister, Replacing Theresa May*", The New York Times ,(2019) < <https://www.nytimes.com/2019/07/24/world/europe/britain-johnson-may-prime-minister.html> > accessed 24 July 2022

¹¹ Nigel Walker, "*Brexit timeline: Events leading to the UK's exit from EU*", House of Commons Library(2021),page 12,13, < <https://researchbriefings.files.parliament.uk/documents/CBP-7960/CBP-7960.pdf> > accessed 24 July 2022

24, the UK and the EU agreed on a trade agreement. The transition period, which ended on December 31, 2020, ended with the signing of the agreement.¹²

Secondly, the Trade and Cooperation Agreement, which took effect on January 1, 2021, was a framework for international trade.¹³ It has provided cooperation and governance. However, it does not cover defense and foreign policy.

The UK exited the European Union's single market and customs union. It has a trade agreement that allows for zero tariffs and quotas on goods that meet the appropriate rules of origin.¹⁴ The UK's exit from the EU has strained the relationship between Northern Ireland, which is a member of the organization, and the Republic of Ireland.¹⁵ Under the new agreement, Northern Ireland will adopt the EU's customs rules. However, there is a border between the two countries in the Irish Sea. The free movement of people between the UK and the EU has ended. European nationals residing in the country must now apply for a residence permit from the UK.¹⁶

Before traveling to the U.K or the EU, travelers must have passports that are ready to show at the border, and business people must establish a local subsidiary in the country they are visiting. Certain services, such as broadcasting and telecommunications, may also be subject to tax. The UK is required to pay around 34 billion pounds in the divorce bill by 2064. This amount is part of the country's remaining financial commitments to the EU.¹⁷

Although the UK no longer has a legal presence in the EU, it will still cooperate with the organization on various criminal justice and law enforcement matters. The agreement has also established a joint council to ensure that the agreement is properly interpreted and

¹² "Council adopts decision on the signing", European Council of the European Union(2020) < <https://www.consilium.europa.eu/en/press/press-releases/2020/12/29/eu-uk-trade-and-cooperation-agreement-council-adopts-decision-on-the-signing/> > accessed 17 November 2022

¹³ "Protecting the EU's Interests, ensuring fair competition, and continued cooperation in areas of mutual interest" European Commission (1 May 2021) < https://commission.europa.eu/strategy-and-policy/relations-non-eu-countries/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en > accessed 17 November 2022

¹⁴ Ibid

¹⁵ The Protocol on Ireland and Northern Ireland explained,European Council(17 November 2022) < <https://www.consilium.europa.eu/en/policies/eu-relations-with-the-united-kingdom/the-eu-uk-withdrawal-agreement/the-protocol-on-ireland-and-northern-ireland-explained/> > accessed on 28 November 2022

¹⁶ "Apply to the EU Settlement Scheme, "(settled and pre-settled status), Gov.Uk < <https://www.gov.uk/settled-status-eu-citizens-families> > accessed 20 November 2022

¹⁷ Matthew Keep, Brexit: "*The financial settlement- in detail*", House of Common Library, UK Parliament (2020)< <https://commonslibrary.parliament.uk/research-briefings/cbp-8039/> > accessed 20 November 2022

applied. This includes the enforcement of the rules for retaliation.¹⁸ Because of Brexit effects, the UK has suffered a lot. Many businesses have relocated to the EU, and the country's economy has slowed. There are also varying consequences for Scotland, Ireland, and London. The UK's exit from the European Union has been regarded as its biggest deprivation and the country's economy has been negatively affected.

Also, the government estimated that the country's economy would shrink by around 6.7% because of Brexit.¹⁹ It assumed that the free trade agreement would continue, but it would restrict immigration.

The value of the British pound has depreciated following the referendum. It went from \$1.48 to \$1.36 on the day of the vote.²⁰ This has led to higher prices for imported goods.

The effects of Brexit on the UK's young workers are also significant. In Germany, there is a projected labor shortage of around 3 million skilled workers by 2030.²¹ These jobs aren't available to UK workers after the Brexit. Due to the lack of qualified and experienced workers, employers have had a hard time finding them. One of the main reasons why this has happened is due to the number of European Union workers leaving the country. The UK must negotiate new trade deals with other countries outside the EU in order to maintain a competitive trade position. The Northern Ireland is an integral part of the United Kingdom. The Republic of Ireland, on the other hand, is a part of the EU. The agreement prevents a customs border between the two countries.²²

Although, many international companies are not likely to use London as an entry point into the European Union's market due to the uncertainty surrounding the country's exit. Some

¹⁸ EU-UK Trade and Cooperation Agreement: Protecting European Interests, Ensuring Fair Competition, and Continued Cooperation in Areas of Mutual Interest, European Commission(2020)

¹⁹ Gross Domestic Product: q-on-q4 growth rate CVM SA %,Office for National Statistics(2021) < <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihyr/pn2> > accessed 20 November 2022

²⁰ Historical Rates for the U.K. Pound”,Board of Governors of the Federal Reserve System(2019) <

https://www.cso.ie/en/media/csoie/newsevents/documents/census2016profile6-commutinginireland/Cross_Border_Commuters_2016_v2.pdf > accessed 20 November 2022

²¹ Report: What the Future of Work Will Mean for Jobs, Skills, and Wages: Jobs Lost, Jobs Gained, McKinsey Global Institute,(2017), Page 72. <

<https://www.mckinsey.com/~media/mckinsey/industries/public%20and%20social%20sector/our%20insights/what%20the%20future%20of%20work%20will%20mean%20for%20jobs%20skills%20and%20wages/mgi-jobs-lost-jobs-gained-report-december-6-2017.pdf> > accessed 20 November 2022

²² Cross-Border Commuters, Republic of Ireland Central Statistics Office (2016), < https://www.cso.ie/en/media/csoie/newsevents/documents/census2016profile6-commutinginireland/Cross_Border_Commuters_2016_v2.pdf > accessed 20 November 2022

companies, have relocated their clients to Ireland. Bank of America also moved some of its bankers to Dublin.

Despite the UK's exit from the EU, Scotland voted to stay in the organization. The Scottish government wanted to stay in the EU as it believed that it was the best for the country. If Scotland were to leave the UK, it would have to hold a referendum on its independence.²³ It would then have to apply for membership of the EU on its own. The result of Brexit has weakened the forces in the European Union that support integration. Right-wing groups in Germany and France are also threatening to force an anti-EU vote if they gain enough ground.²⁴ This could cause the two countries to leave the EU, which would have a negative impact on the entire region.

Despite the recent political developments in the UK, the majority of European Union citizens still support the organization. A survey conducted by the Pew Research Center revealed that over 75% of Europeans believe that the EU promotes peace. More than half of them also believe that the UK's role in the union is diminishing.²⁵

Tensions have been built between the UK and the EU for a long time. In February 2016, Prime Minister David Cameron of the UK announced that a referendum would be held on whether or not the country would stay in the EU. On June 23, 2016, the voters decided to leave the EU. After the results of the referendum were announced, formal discussions about the country's exit from the bloc started in February 2017.²⁶

The UK's decision to leave the European Union has significantly changed the nature of the relationship between the country and the rest of Europe. It has created new trade restrictions and limits the freedom of movement for British citizens residing in the EU. The full impact of the withdrawal has yet to be seen.

²³ Brexit", Scottish Government(2020), < <https://www.gov.scot/brexit/> > ,accessed 20 November 2022

²⁴Mike Hope "*The economic Impact on Brexit* ", Glaeconomics(2019) < <https://www.london.gov.uk/sites/default/files/brexit-analysis-final.pdf> > accessed 20 November 2022

²⁵ Richard Wike, Janel Fetterlof, Moira Fagan" *Europeans Credit EU With Promoting Peace and Prosperity, but Say Brussels Is Out of Touch With Its Citizens*",Pew Research Center (2019), < <https://www.pewresearch.org/global/2019/03/19/europeans-credit-eu-with-promoting-peace-and-prosperity-but-say-brussels-is-out-of-touch-with-its-citizens/> > accessed 21 November 2022

²⁶ Jenny Gesley, Ellen Terell, "*BREXIT: Sources of Information*",Library of Congress"(2016) < <https://guides.loc.gov/brexit> > accessed 21 November 2022

Also, many of voters who supported Brexit in 2016, support for the UK's exit from the European Union has continued to grow.²⁷ It's also been supported by populist and conservative voters, as well as low-skilled individuals who feel left out of the country's new economic system. Also, the European Union's population decreased by 13% from January 1, 2019, to January 1, 2020.²⁸ This is due to the impact of the country's exit from the EU. If the population had remained the same as it was before the withdrawal, there would have been a net increase.

The population area of the European Union is approximately 51 million square kilometers. With the United Kingdom as a member, it has a total population of approximately 430 million square kilometers. On the other hand, without the Kingdom, the EU's GDP per capita is around 15.9 trillion.²⁹

The country's 2016 referendum was held on the issue of withdrawal. The negotiations for the withdrawal agreement were also carried out. In 2016, the UK's contribution to the European Union's budget was 19.4 billion. After taking into account the country's rebate, the UK's contribution to the budget fell to around 5%. Germany, which currently has the largest share of the cash, is expected to be asked to provide the most amount of the cash, at around 2.5 billion.³⁰

On the day of the referendum, the British pound was at \$1.48. It then fell to \$1.36 on the following day.³¹ This has resulted in higher prices for imported goods.

The number of people who are EU-born working in the UK has decreased significantly. This has caused a hard time finding applicants for certain jobs. The UK is required to negotiate new trade deals with other countries outside the European Union. There are over 45 trade agreements already in place with over 70 nations. The UK and the Republic of Ireland have an agreement that prevents the border between the two countries from becoming a customs

²⁷ Ibid

²⁸ Tables, Graphs and Maps Interface, Eurostat , < <https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?sessionId=4H3uDEf0tiWM5A07YDfiOpvSpTMKlQTai3mwvriCt7TwL-7TZa3g!-1987023697?tab=table&plugin=1&pcode=tec00001&language=en> > accessed 20 November 2022

²⁹ Sabine Siebold, Kate Abnett, “*Feuding EU fails to plug Brexit hole in new budget*”, Reuters(February 21, 2020), < <https://www.reuters.com/article/us-eu-budget-idUSKBN20F13X> > accessed 20 November 2022

³⁰ “From Trade to Migration,How may Brexit hit the EU eeconomy”, Reuters(2016) < <https://www.reuters.com/?edition-redirect=uk> > accessed 22 November 2022

³¹ Ibid

border.³² A customs border would have caused tensions in Northern Ireland to flare up once more. During the past 30 years, there was a conflict between pro-British Protestants and Catholics in the region. After the peace agreement of 1998, no border was established between Ireland and Northern Ireland.³³

The UK's financial center of London has been experiencing a negative impact from Brexit. In 2018, it only experienced a 1.4% growth rate, and it was close to zero in 2019.³⁴ Business investment in the area decreased by 11% from 2016 to 2019.³⁵ In the UK, Scotland voted to stay in the European Union. The Scottish government supported this decision, as it believed that the country's continued membership would benefit both the UK and Scotland.

As we mentioned above, many people who voted to stay in the EU believe that the country's economic hardships would be worse if it leaves the organization. On December 10, 2018, The European Court of Justice gave the UK the power to revoke its withdrawal request. The main sticking point in the negotiations was the border between the Republic of Ireland and the UK's Northern Ireland.³⁶

Despite occasional interruptions, Albanian market has increased steadily since the fall of communism.³⁷ The transition from deliberate to demanded market proved more difficult than anticipated. Albania has made big reforms in the direction of loose and open inquiry.

Albania's strategic and political motive is her EU magnificence, and the USA is now a competitor. The EU integration system put pressure on the necessary reforms and efforts to advance rank. However, structural profitability issues, low productivity, competitiveness, unequal opportunities, the rule of law, and governance continue to effect the country. It's worth mentioning that EU has seven important institutions which work together to address the common interests of the EU and European people.

³² Ibid

³³ Ibid

³⁴ Ibid

³⁵ "Brexit and Financial Services", Complyport (2021) < https://complyport.com/how-will-brexite-affect-financial-services-firms-like-yours/?matchtype=financial%20brexit&c&gclid=CjwKCAiA8OmdBhAgEiwAShr4044XlAjE9LA43gm1lGzSds5tR9V_KJ64w7oiJbqRknnIr-IIObvzkxoCOowQAvD_BwE > accessed 23 November 2022

³⁶ Ibid

³⁷ Dorina Kripa "Brexit Study", University of Tirana, (2016)< http://www.asecu.gr/files/13th_conf_files/Brexit-and-its-Potential-Impact-on-the-Albanian-Economy.pdf > accessed 2 December 2022

1. The European Commission is responsible for making laws, implementing decisions, and protecting EU treaties.
2. The European Parliament, which swiftly elected the EU's parliamentary framework.
3. The Council of the European Union, which oversees the intergovernmental regions of EU and has monetary powers over EU.
4. In EU litigation, the European Court of Justice is the best courtroom docket in the EU.
5. The European Council, unites the EU's overall political path and objectives.
6. The European Central Bank is the primary financial institution of the euro currency and implements the financial coverage of the eurozone, which includes 19 EU member states and is one of the world's biggest foreign exchange regions.
7. The Court of Auditors is an audit organization. Its primary challenge is to determine whether or not EU funds are successfully applied from the outside.³⁸

The UK has already opted out of numerous fundamental EU decisions, which include the single currency, the euro, and the Schengen Agreement. However, until the opportunity of a referendum on whether or not to stay within the EU becomes a reality, it will likely be very difficult.

Leavers emphasize problems which includes countrywide pride, protection and sovereignty, however there also are financial reasons. The concept is that Brexit should store Britain £350m a week.³⁹ The end result amazed maximum observers, regardless of the truth that EU family members with Britain were a supply of anxiety considering the fact that she joined the European Economic Community in 1 January 1973.⁴⁰ It is crucial to differentiate among Brexit and Grexit, that is Greece's ability go out from the eurozone. Brexit makes up her 19 of her 28 member states withinside the EU.

To sum up, the UK isn't a member of the Eurozone, so Brexit could now no longer at once damage the Euro currency. To depart the EU, the United Kingdom need to invoke Article 50

³⁸ Activity Report, European Court of Auditors, (2017) < <https://op.europa.eu/webpub/eca/annual-activity-report-2017/en/> > accessed 17 July 2022

³⁹ Council Strategy and Medium Term Financial Strategy 2021/22 – 2023/24 , Gloucestershire County Council, < <https://glostext.gloucestershire.gov.uk/documents/b18606/Policy%20and%20Budget%20Framework%20-%20Medium%20Term%20Financial%20Strategy%20Wednesday%2017-Feb-2021%2010.00%20County%20Co.pdf?T=9> > accessed 17 July 2022.

⁴⁰ The EEC and the Single European Act, UK Parliament, (1 January 1973) < <https://www.parliament.uk/about/living-heritage/evolutionofparliament/legislative scrutiny/parliament-and-europe/overview/britain-and-eeec-to-single-european-act/> > accessed 17 July 2022

of the Lisbon Treaty. This offers many years to attain as an settlement at the phrases of the break up among the parties. Article 50 is a approach for all nations wishing to depart the EU. It became installed below the Lisbon Treaty, signed and entered in force through all her EU Member States in 2009.⁴¹

1.2. The market's reaction to Brexit

Despite the fact that Brexit has had a macroeconomic impact on the UK economy, both pro- and anti-Brexit forces have discussed the impact on the industry. Brexit opponents used to believe that the country's exit from the European Union would mean the end of trade links between the UK and the EU, which would harm the performance of UK firms with foreign sales.⁴²

Moreover, the UK has a trade deficit with the EU, which is why it's in the interest of the bloc to maintain its trade ties with the country after it leaves. In other words, the country will be able to negotiate trade deals with other countries after it leaves the EU. Firms with foreign sales in the United Kingdom used to benefit from the free flow of foreign capital. According to the opponents of Brexit, many firms relied on the cheap labor force of the EU to boost the country's economy.

Due to the significance of the UK's exit from the EU, a comprehensive study of the stock market's reaction to the process is needed to provide a more accurate view of the country's economic and political situation. For instance, investors' reactions to the Brexit process for UK firms that are dependent on foreign sales are not included in the current literature. We then try to answer the questions: Is the Brexit process an underperformance issue for UK firms?

The cost of the Brexit process is also a major concern for UK firms that rely on foreign sales. For instance, are the costs of the withdrawal significantly different for firms that rely on

⁴¹ Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community, (2007), OJ 1 306/01

⁴² Oliver Wright, "How has Britain fared outside the EU", The Times(2021) < https://www.thetimes.co.uk/article/brexit-one-year-on-historic-deal-last-christmas-eve-was-just-the-beginning-j9m0hm2zc?gclid=Cj0KCQiA5NSdBhDfARIsALzs2ECdLkHkBKd8lvnZIrGGLpaWiItlPMmABb9mo504VZTebjmWfLOW0fsaApCfEALw_wcB > accessed 24 October 2022

international trade and foreign labor? It has had a huge impact on markets around the world. In the first half of 2016, European stock market indices rose somewhat until early June (Financial Times, 2016). Stocks fell almost 10% in the aftermath of Brexit and have just recovered to mid-June levels.⁴³

It's worth mentioning that exchange fees had been hit hard with the help of the Brexit referendum result. For example, the pound fell to a 30-month low against the world's biggest currency, the United States dollar, because it emerged that Britain had decided to leave the European Union. By the close in New York, the pound had recovered from its lows, losing 8% to trade just under \$1.37. The chart below summarizes her 10-month inventory index's overall performance after the Brexit referendum.⁴⁴

The goal is to provide a framework for the movement of major fairness indices using weekly data from June 23, 2016 to March 17, 2017, and to investigate the impact of the Brexit vote on those indices. We can evaluate 10-month traits in those indices of the instantaneous reaction to the referendum to determine whether or not the effect is transient or long-term. The following indexes are problematic for this review: 1) DAX, a blue-chip inventory marketplace index comprising 30 of the most important German organizations traded at the Frankfurt Stock Exchange CAC 40, a benchmark index for the French stock market, is a capitalization-weighted index of the top forty Euronext Paris shares. The FTSE 100 is an index that represents the pinnacle of one hundred companies listed on the London Stock Exchange.⁴⁵ These indices had been selected due to the fact they constitute main shares from the EU, UK, France and Germany. The desk under suggests a number of the homes of the above index (Table 1).

⁴³ Trade and Cooperation Agreement between the European Union and the European Atomic Energy Community, of the one part, and the United Kingdom of Great Britain and Northern Ireland, of the other part, Document 22021A0430(01), European Union (30 December 2020)

⁴⁴ Ibid

⁴⁵ “*What is France's CAC 40 Index?*”, The Balance(2022) < <https://www.thebalancemoney.com/what-is-france-s-cac-40-index-1979170> > accessed 22 March 2022

Table 1 summarizes information about stock indices.

INDEX	COUNTRY	CURRENCY	AVERAGE PRICE	AVERAGE RETURN	STANDARD DEVIATION
DAX	Germany	EUR	10.957,45	0,57%	1,97%
CAC 40	France	EUR	4.625,88	0,45%	1,83%
FTSE 100	Great Britain	GBP	6.982,38	0,3%	1,4%

A) Deployment of DAX after Brexit referendum

After calculating the standart deviation and average return of German stocks to arrive at the conclusion that the DZ had an average return of 0,5% during the period from June 23, 2016.

The first day following the referendum result, the DZ decreased by around 700 points. The lowest price that the index had recorded during that period was 9,557.00, and this represented a drop of over 682%. As indicated by our calculations, the average price of the index during the period that we have been analyzing was 10.955,45. This is 15% higher than the price during the days immediately following the Brexit shock.⁴⁶

Even though the DZ decreased by around 700 points following the referendum result, the impact of the Brexit shock on the stock market may have been short-lived.

B) Trends in CAC 40 after Brexit referendum

After the referendum results, the CAC 40 index decreased by about 350 points. It closed at 4,115.80, down by 7,84%.⁴⁷ During the period, the average return of the stock was 0,45%, with a standard deviation over 1,83%. The index recovered after the first few days following the referendum result.

⁴⁶ Dax Performance Index, Yahoo Finance < <https://finance.yahoo.com/quote/%5EGDAXI/> > accessed 3 November 2022

⁴⁷ Arjun Kharpal “Europe stocks plummet to close 7% lower after Brexit vote”, CNBC (2016), < <https://www.cnbc.com/2016/06/24/ftse-stocks-markets-fall-brexite-wins-eu-referendum-pound-euro-dollar-plummets-gold-spike-oil-price.html> >, accessed 3 November 2022

C) FTSE 100 after the Brexit referendum

The first few days following the referendum, the London Stock Exchange's benchmark index, the FFT 100, started down by around 9%.⁴⁸ However, it recovered to close down with a decrease of around 3% due to the high number companies that denominate assets in US dollars.

For the period from the start of the Referendum until the end of the month, the average return of the London Stock Exchange's benchmark index was 0,3%. It is lower than the returns of the other two indexes and the standard deviation of 1,4%, which is the lowest among them.⁴⁹ From the chart below, we can see that the prices of the index have fluctuated throughout the period. However, we do not believe that the strong impact from the first days has continued.

As a conclusion, the results of the referendum affected the stock prices of different countries, such as the UK, France, and Germany. Although the stock prices recovered from their initial lows within a couple of weeks, experts noted that the recovery is only partial.

Despite the positive effects of the referendum, experts still believe that the uncertainty regarding the future of the European Union financial infrastructure and the possible impact of the UK's exit on the market remains. On March 29, 2017, Theresa May announced that the UK will begin the process of leaving the European Union by formally establishing the Article 50 of the Lisbon Treaty.⁵⁰ This will trigger a two-year process of negotiations. The uncertainty surrounding the outcome of the referendum is also higher due to the fact that no other country has officially exited the European Union.

1.3. Relations between Albania and European Union

Since 2020, the EU and Albania are working together to implement reforms needed for the country's entry.⁵¹

⁴⁸ Ibid

⁴⁹ Ibid

⁵⁰ Ibid

⁵¹ “Commission welcomes the green light to opening of accession to talk with Albania and Northern Macedonia”, European Commission(2020), < https://ec.europa.eu/commission/presscorner/detail/pt/ip_20_519 > accessed on 25 March 2022

However, following the European Council's decision in June 2014, Albania became a candidate country for membership of the EU.⁵² In 2020, the negotiations for the country's accession started. The opening of the negotiations for Albania's membership in the EU was a result of the country's progress and the recognition of its efforts. It also encouraged the country to carry out further reforms and prepare for its entry. Sustainable and constructive political dialogue is needed to continue the reforms and consolidate the country's progress. After the adoption by the Council of the comprehensive negotiating framework, the first intergovernmental meetings will be held.⁵³

In June 2006, the two sides signed an agreement that supersedes the interim agreement on trade and related matters. The Stabilisation & Association Agreement came into effect in April 2009.⁵⁴ The candidate status of Albania in the EU has encouraged foreign investments and job creation. As a candidate country for the EU, Albania is able to benefit from the various measures and activities of the organization. It is also developing strategic investments and carrying out comprehensive reforms as part of its efforts to join the EU.

In other words, the European Union values the rule of law, democracy, and human rights. These are core principles of the organization and play a significant role in the relations between the EU and Albania. The EU Delegation to the country is responsible for promoting and protecting the rights of its advocates. Through its activities, the EU Delegation is able to collect, verify, and share information about human rights violations in Albania. It also regularly engages with the country's authorities and other international organizations to promote and protect the rights of its citizens.⁵⁵

As a matter of fact, the consultations and involvement with human rights defenders, the EU Delegation can advise and assist them with their concerns related to the protection of human rights. It also informs them about the available financial resources and the application procedure. The delegation is dedicated to understanding the needs of these individuals and developing effective assistance programs for them.

⁵² EU Membership Application for Albania, European Council (2009), < <https://www.consilium.europa.eu/en/policies/enlargement/albania/> > accessed 14 September 2022

⁵³ Agreement on trade and trade-related matters between the European Community, of the one part, and the Republic of Albania, European Council, (12 June 2006), p.580,

⁵⁴ Ibid

⁵⁵ Ibid

Although, the delegation provides financial and political support to the various initiatives and activities of human rights defenders. It also encourages the authorities to create favorable conditions for their protection. The delegation advocates for the involvement of civil society groups in the country's policy-making process.

It is important to recognize and support the efforts of civil society groups in promoting and protecting the rights of its citizens, the EU Delegation offers financial assistance to these organizations. It also conducts public awareness campaigns about the importance of human rights in Albania. The delegation regularly updates its website with information about the various funding opportunities for human rights defenders in the country. The monitoring mission known as the International Monitoring Operation is based on the provisions of the Treaty of the European Union's Article B.⁵⁶ It will be carried out through the cooperation of its partners, which will include the EU Commission.

We can see that by following a notification from the Council of Ministers, the International Observers of the Organization for the Cooperation and Development (IOD) are appointed. These individuals have at least 15 years' experience as prosecutors or judges in their home countries.⁵⁷ Through the legal framework, the international observers are authorized to provide their own opinions and findings related to the vetting process. They are also allowed to participate in public hearings held by the vetting bodies.

1.3.1 Overview of Albania's Growth Strategy

The records of the improvement of financial system within the twentieth century indicates that a few international locations accelerated from enormously low ranges of improvement. This isn't always actual for all international locations. Some have failed of their efforts to transport forward. Politicians and pundits hold to discuss the way to revitalize

⁵⁶ Treaty on European Union and the Treaty on the Functioning of the European Union - Consolidated version of the Treaty on European Union, Declarations annexed to the Final Act of the Intergovernmental Conference which adopted the Treaty of Lisbon, signed on 13 December 2007 - *Official Journal C 326* , 26/10/2012 P. 0001 - 0390

⁵⁷ Co-ordination between the International Criminal Court and the Council of Europe, Directorate General Human Rights and Rule of Law,(2022) < <https://www.coe.int/en/web/human-rights-rule-of-law/-/co-ordination-between-international-criminal-court-s-prosecutor-and-council-of-europe-director-general-of-human-rights-and-rule-of-law-to-assist-the-p> > accessed 17 November 2022

monetary hobby and whether or not the reassets of boom are long-time period and reliable. Why are a few international locations wealthy and others are not?

Accumulating capital, making an investment in human resources, and introducing new technology can all be a part of a fast response. Good governance is a key component and is explored in greater element on this study. A country`s improvement is associated with adjustments withinside the monetary shape and the sector`s contribution.

Productivity is enhancing and the financial system is moving from labor-in depth industries to greater capital-in depth high-tech companies. Albania's financial system is small, service-oriented, and has a burgeoning tourism industry. The creation sector's contribution has multiplied drastically during the last years, pushed through public and donor funding to mitigate the effect of the 2019 earthquake, in addition to multiplied hobby in tourism and assets improvement.⁵⁸

Although agriculture has declined significantly from 36% to 19% of GDP value added over the past decade, agriculture remains important to economic activity and accounts for 36%.

⁵⁸ Annual Report of the Bank of Albania, Albanian National Bank (2016) < https://www.bankofalbania.org/Publications/Periodic/Annual_Report/ > accessed 8 November 2022

CHAPTER 2: Albania and Brexit

2. Albania Development

Today, Albania is a developing and democratic country in the Balkans. After the end of World War I, it became a communist nation for almost four decades. It was also a part of the movement that led to the fall of the Soviet Union. Even though it was a communist nation, the anti-communism protests were carried out in the country.⁵⁹ The popular protest that started in 1989 led to the communist regime's downfall in Albania. This event marked the beginning of a long period of political, social, and economic transition in the country.⁶⁰ After communism was lifted, the main objective of the people of Albania was to become part of the European Union.

The European Union has been a top political priority for governments since the 90s. The criteria for the country's membership in the European Union are based on various reforms. These reforms are aimed at improving the quality of life in the country and meeting the standards of freedom, security, and justice.⁶¹ However, a lot of work still remains to be done in order to achieve these goals.

2.1. The impact of Brexit on the Albanian economy and its integration into the EU

The UK has been vocal in its help of the EU's efforts to increase into Southern and Eastern Europe. In such cases, the UK's choice to depart the EU should have implications for the expansion procedure and will have financial implications for non-EU nations negotiating

⁵⁹ Stephen Larrabe, "*Long Memories and Short Fuses: Change and Instability in the Balkans.*" *International Security*, vol. 15, no. 3, 1990, pp. 58–91. JSTOR, <<https://www.jstor.org/stable/2538907>> accessed 8 November 2022

⁶⁰ Ibid

⁶¹ Annual Report of the Bank of Albania, Albanian National Bank, (2015), <https://www.bankofalbania.org/Publications/Periodic/Annual_Report/> accessed 19 April 2022

accession. Most political adjustments have a financial effect this is transmitted in a series reaction.

The purpose of this study is to evaluate the financial effect of Brexit on Albania. Evaluate financial signs inclusive of trade, overseas direct investment, remittances, deposit and credit score levels, and alternate rates.

2.2 The impact of Brexit in Tirana

During the London Summit in April, Prime Minister Rama stated that if the UK leaves the European Union, we would be ready to replace it. This prompted the UK's Justice Minister Michael Gove to refer to Ukraine, Bosnia and Herzegovina, and Albania as examples of free trade agreements that could be implemented with the EU.⁶²

As candidate nations for EU integration, Albania, Bosnia and Herzegovina, and Ukraine have signed free trade agreements. These countries can freely exchange financial services and goods without being a member of the bloc. The proponents of the "Leave" campaign believe that a free trade agreement between the UK and the EU would be beneficial for the country. On the other hand, the supporters of the "Remain" campaign believe that it would be impossible to replicate.

2.2.1. The internal aspect

As a candidate nation for EU membership, Albania would not be affected by the UK's withdrawal from the bloc. In the event that the country leaves the EU, its main focus would be on re-established relations with the other member states. This would reduce the region's political and financial support, and the speed of the countries' progress toward joining the organization.

⁶² Oliver Wright, "*Britain will act like Bosnia and Ukraine in event of Brexit*", *Independent*, EU referendum(2016) < <https://www.independent.co.uk/news/uk/politics/eu-referendum-britain-will-act-like-bosnia-and-ukraine-in-event-of-brex-it-says-michael-gove-a6991711.html> > accessed 19 April 2022

The four reforms that were carried out during the course of the negotiations will slow down due to the lack of the 'carrot.' Brexit is expected to cause uncertainty in the region, which will affect countries that have pro-European governments. For instance, in Serbia, the ruling pro-European Union coalition will lose ground to nationalist and radical groups.

If the lack of a concrete Europe continues, chauvinistic nationalism will not be able to be ruled out in the region. The political alternative and normalizing relations with Russia will gain support within the Western Balkans. This could negatively affect the independence of Kosovo.

Since 1999, Kosovo has received over two billion euros in aid from the European Union. The aid would be affected if the UK leaves the EU.⁶³ On the internal front, the country's progress toward joining the organization is the only doctrine that has a minimum consensus among political parties in Albania. There are also varying views on how to implement pro-European initiatives. The political and electoral crisis in the country will affect the pace of reforms in Albania. The country's progress reports on reforms are based on the work that has been done on the judiciary, public administration, and electoral procedures.

The legal reforms that were carried out for the European Union's integration process will not be able to withstand the scrutiny of the UK's withdrawal. Apart from this, the country's response to the new crisis caused by the Brexit will also have financial consequences for Albania. The British economy is expected to experience a slowdown due to the implementation of tariffs on goods and services. Many workplaces will be affected by the reduction in the number of immigrants in the UK. The lower income that the country's Albanian community generates through remittances will affect the economy. Unfortunately, the government of Albania has not yet conducted a study on the impact of the withdrawal on the country's financial situation.

A) Trade between the United Kingdom and Albania

A change hyperlink is a hard and fast of exchanges (shopping for and selling) of services and products among international locations. Trade ties are an critical indicator of ways international locations are linked and depending on every other. As a result, we tested the

⁶³ An overview of Relations between EU and Kosovo, European Union Office in Kosovo European Union Special Representative in Kosovo(2021) < https://www.eeas.europa.eu/kosovo/eu-and-kosovo_en?s=321 > accessed 16 October 2022

quantity of change members of the family among Albania and the United Kingdom in phrases of imports and exports during the last 25 years. Exports to the United Kingdom account for 0.22% of overall European exports and her 0.21% of overall exports. In phrases of imports, it averages 1.53% of imports from European international locations and 1.37% of overall imports.⁶⁴

As we can see, alternate among Albania and the United Kingdom is minimal, specifically in comparison to different European countries, even in comparison to Albania`s universal alternate deals. This approach that numerous trends and situations following the United Kingdom's formal Brexit may also have very little effect on our alternate balance.

The total value of the trade between Albania and the UK was £221.6 million in the 4th quarter of 2022. This represents a 160.7% increase from the previous quarter.⁶⁵ The total value of the UK's exports to Albania during the 4th quarter of 2022 was £83 million, which is 84.4% higher than the value of the exports during the same period in 2021.

The majority of the UK`s exports to Albania were products, with over £23 million going to goods and over £54 million going to services. During the 4th quarter in 2022, the value of the country's exports to the country increased by 107.1%, while those to Albania for services went up by 74.2%.⁶⁶ The total value of the imports from Albania into the UK during the four quarters of 2022 was £209 million, which is 211.9% higher than the imports from the same period in 2021.

The majority of the UK's imports from Albania during the 4th quarter of 2022 were products, with over £14 million going to goods and over £54 million going to services. Compared to the same period in 2021, the value of the imports of goods from the UK increased by 180.0%. On the other hand, the imports of services from the country went up by 214.5%.⁶⁷ This means that the total trade deficit between the UK and Albania was £126 million during the 4th quarter of 2022. This is higher than the £22 million that the country had in its trade surplus

⁶⁴ “*Continuing the United Kingdom’s Trade relationship with Albania*”, Department for International Trade (2021) < <https://www.gov.uk/government/publications/continuing-the-uks-trade-relationship-with-albania-parliamentary-report/continuing-the-united-kingdoms-trade-relationship-with-albania-web-version> > accessed 20 November 2022

⁶⁵ Ibid

⁶⁶ Ibid

⁶⁷ Ibid

with Albania during the same period in 2021. During the same period in 2021, the UK had a trade surplus of £9 million with Albania.⁶⁸

Meanwhile, the trade deficit between the UK and Albania increased during the 4th quarter of 2022 as compared to the same period in 2021. The deficit in the services trade between the two countries was also higher at £140 million during the period.

B) Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is a type of investment that involves acquiring a lasting interest in a company that is based in another country. FDI is likewise an essential indicator of bilateral relations. Maintaining bilateral ties among the 2 nations may be very essential as modifications can immediately have an effect on the economic system. To see if that is the case for Albania and the United Kingdom, we analyzed FDI stock between Albania and United Kingdom.

In this case the total trade between the UK and Albania, which includes both imports and exports, was £292 million in 2022's four quarters, which is an increase of 160.7% from the previous year.⁶⁹

The total value of the UK's exports to Albania during the four quarters of 2022 was £83 million, which is 84.4% higher than the value of the exports during the same period in 2021.⁷⁰

As has been noted the total value of the UK's imports from Albania during the four quarters of 2022 was £209 million, which is more than 200% higher than the value of the imports from the same period in 2021⁷¹. The UK's trading partner with Albania was the 118th largest in the world in 2022 during the four quarters. It only contributed less than 0.1% to the

⁶⁸ Trade and Investments, Department for International Trade (2022) < https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1124085/albania-trade-and-investment-factsheet-2022-12-19.pdf > accessed 19 December 2022

⁶⁹ Imports, Exports and Trade partners, OEC (2018) < <https://oec.world/en/profile/country/alb> > accessed 19 December 2022

⁷⁰ Ibid

⁷¹ Ibid

country's total trade.⁷² Although in 2020, the inward stock of foreign direct investment (FDI) in the UK from Albania was £3 million.⁷³

C) Transfers

Remittances are a type of financial transaction that migrants make to their home countries. They are often a significant portion of a country's GDP. In addition to being a vital source of foreign exchange, remittances also contribute to the country's financial stability.

For the purposes of this calculation, the Bank of Albania stated that the number of Albanians who are living in the United Kingdom who are immigrants is low compared with other European countries such as Italy and Greece. Remittances from these individuals are expected to contribute around 1% of the country's total GDP.⁷⁴

This shows that the amount of money sent back home by Albanians living in UK could decrease following the UK's departure from the European Union. It could also be caused by the implementation of stricter immigration policies or the illegal immigrants leaving the country. Although total remittances from the UK are unlikely to reach a halt, it is the worst-case scenario.

D) Foreign Exchange Rates

The exchange rate is a measure of the price of a country's currency. It can be used to compare the prices of different currencies during a specific period. For instance, during the period January to December 2016, the exchange rate between the British Pound and the Albanian Lek was. The chart below shows the exchange rate between the US dollar and the euro during 2016. It shows that the exchange rate has been significantly above the normal level during 2016. The exchange rate between the two currencies was 168,1684, which is significantly high. The chart below also shows the trend in the exchange rate during 2016.⁷⁵

⁷² Trade data sourced from the latest ONS publication of UK total trade: all countries seasonally adjusted data.

⁷³ Investment data sourced from the ONS ad-hoc data release if not provided in the latest ONS main FDI release.

⁷⁴ Remittances Grow 5% in 2022, Despite Global Headwinds, The World Bank(2022) <<https://www.worldbank.org/en/news/press-release/2022/11/30/remittances-grow-5-percent-2022> > accessed 30 November 2022

⁷⁵ Official exchange rate, Albanian National Bank(2016) <https://www.bankofalbania.org/Markets/Official_exchange_rate/ > accessed 9 November 2022

During the months following the UK's referendum on June 23, 2016, the exchange rate of the British Pound and All Blacks decreased. This was due to the country's international exchange rate trends at that time. The depreciation of the pound has caused deposits in the currency to decrease, and it has made loans cheaper.

According to the Bank of Albania, the loan portfolio of the country is not dominated by the British Pound. It only holds around 0,002% of the total loans. Deposits in the pound represent 1.17% of the country's total deposits.

Despite the effects of the exchange rate on the country's exports and imports, the total trade exchange between the two countries has not changed significantly.⁷⁶

	AVERAGE RATE	MAX	MIN
EXCHANGE	168,1684	183,1363 (January)	153,1385 (October)
RATE ALL GBP			

⁷⁶ Michael Mckenzie, "How global markets are reacting to UK's Brexit Vote?", Financial Times (24 June 2016), < <https://www.ft.com/content/50436fde-39bb-11e6-9a05-82a9b15a8ee7> > accessed 23 November 2022

CHAPTER 3

3. The United Kingdom and Albania Partnership Trade Agreement

On February 5, 2021, the United Kingdom and the Republic of Albania signed a Partnership, Trade, and Cooperation Agreement.⁷⁷ The agreement was signed on February 19, 2021. It has a scrutiny period that ends on March 25, 2021. The Committee on Foreign Relations of the UK Parliament discussed the agreement on March 10.⁷⁸ The UK-Albania Agreement is a precursor to the Treaty of the European Union and the Republic of Albania. It aims to maintain the positive effects of the Treaty of the European Union and the Republic of Albania by implementing only minor amendments. The agreement provides for the establishment of a framework for the trade of goods and services between the UK and Albania. It also covers the protection of intellectual property rights. The agreement provides the protection of democratic principles, human rights, and the rule of law. It also replicates some of the provisions of the European Union's Treaty.

Since the UK-Azerbaijan Agreement was not yet signed on February 5, the two countries' trade has been on the World Trade Organization's terms. In a memorandum published alongside the agreement, the government stated that it is still considering applying for a partial or full ratification of the agreement. However, this has not yet happened.⁷⁹ The UK is Albania's 168th-largest trading partner. Its trade with the country was valued at £44 million in 2019.⁸⁰

The top products the UK exported to Albania were mechanical and machinery appliances, electrical equipment, and printing industry products. It also imported various types of steel,

⁷⁷ Partnership, Trade and Cooperation Agreement,(5 February 2021), between the United Kingdom of Great Britain and Northern Ireland and the Republic of Albania, EUR-LEX, CP 395, 2021

⁷⁸ Stabilisation and Association Agreement between the European Communities and their Member States, of the one part, and the Republic of Albania of the other part, OJ L 107 ,EUR-LEX(28 April 2009)

⁷⁹ Continuing the United Kingdom's Trade Relationship with the Republic of Albania ,Foreign, Commonwealth and Development Office, (February 2021), p 7

< https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/965922/albania-trade-relationship-parl-report.pdf > accessed 11 July 2022

⁸⁰ Ibid

aluminum, and spirits. The value of the services trade between the UK and Albania was almost £20 million. The parliamentary report noted that the breakdown of the services that were imported from the country is not yet available due to the low number of the exports.⁸¹ The agreement applies to both the Crown Dependencies and the Kingdom of Gibraltar in the same manner as the European Union Agreement. The government is working with the two territories to make sure that the necessary changes to the legislation are made to implement the agreement. According to the EM, the government has also consulted the devolved administrations.

As noted below the government should provide information about any concerns that the DAs have about the agreement. This should include details about the issues that they raised. The agreement provides that both parties can recognize the materials that came from the European Union as originating in either Albania or the UK. It also allows the UK to export goods that have been processed in the EU to Albania. However, this doesn't apply to the products that the UK exports to the EU.⁸²

We can see that the agreement does not provide for the recognition of UK content in trade with other countries. This could have a negative impact on the UK's businesses. Although the government has stated that the ability to negotiate its own trade deals could benefit many firms, it is still not yet clear how these benefits will be realized. The PEM Convention's provisions have been copied and improved.⁸³ These are now suitable for the bilateral setting.

3.1. Bilateral relations

On November 8, 1921, the diplomatic relations between Great Britain and Albania were established. The British Government recognized the government of Albania on November 29,

⁸¹ UK trade in services: service type by partner country, non-seasonally adjusted, Office for National Statistics (2019) < <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/datasets/uktradeinservicesservicetypebypartnercountrynonseasonallyadjusted> > accessed 16 November 2022

⁸² Ibid

⁸³ The PEM Convention is a multilateral agreement that provides for diagonal cumulation between all 23 contracting parties in the pan-Euro-Med zone, including Albania. To maintain the effects of the Convention now that the UK is no longer a signatory, a 'snapshot' had to be included in the UK-Albania Agreement.

1944. However, the British mission in the country ended in April 1946 because of the limitations of the current Albanian government.⁸⁴

The political dialogue between the two countries continued to develop in 2021. During that year, various high-level visits were carried out. Some of these included the visits of Priti Pattel, the UK Home Secretary, and Etilda Gjonaj, the Justice Minister. In October 2021, Wendy Morton, the Member of Parliament for the House of Commons, traveled to London. In November 2021, the Interior Minister of Albania, Mr. Bledi u'i, traveled to London. On January 10, 2022, Sir Stuart Peach, the Prime Minister's Special envoy for Western Balkan, visited Albania. The last round of diplomatic consultations between the two countries was held on June 28, 2019, in London.⁸⁵ The UK has supported Albania's efforts to join the European Union and NATO. Through its various co-operation programs, the UK has been able to contribute to the country's efforts in improving the rule of law and security. It has also supported the training of Albanian students in British universities.

So, the high level of political dialogue between the two countries and the regular exchange of high-level visits are some of the factors that have contributed to the development of the relationship between the two countries. The annual exercises held by the armed forces of the two countries are also indicators of the strong cooperation between the two nations.

The regular exchange of high-level visits and the cooperation in various areas such as border control have also contributed to the development of the relationship between the UK and Albania. The legal framework for the cooperation between the two countries was also expanded in 2021. In 2021, the two countries signed various agreements related to the exchange of prisoners and the transfer of convicts. These agreements were signed in London, on July 26, 2021, and in Albania, on August 7, 2021.⁸⁶

The defense co-operation between the two countries is at an excellent level. The regular military exercises conducted on Albanian soil and the number of scholarships given by the UK to the education of Albanian soldiers are some of the factors that contribute to the development of the relationship. The establishment of an office of the British Armed Forces in Albania two years ago also shows the strong cooperation between the two countries. As an

⁸⁴ Ibid

⁸⁵ Ibid

⁸⁶ UK and Albania, Agreement on the Transfer of Sentenced Persons, (CS Albania No.3/2021)

emerging Non-permanent Member of the United Nations Security Council, Albania will be working with the UK on various security issues.

3.2. Albania and the EU after Brexit Referendum

For the last four years, Albania has been waiting for the country to be granted its candidate status to join the European Union. Albania has not been able to provide a comprehensive evaluation of its potential benefits. For instance, what industries will benefit from the country's membership? Despite the various positive factors that the country has been experiencing, such as its progress in the fields of agriculture and tourism, the lack of foreign direct investment (FDI) has not helped the country's development. Moreover, the country has been hit with migration crises.

On the other hand, when the UK decided to leave the European Union, it adopted the Norway model, wherein the EU didn't exert control over certain sectors, such as fisheries and agriculture.

To sum up, it is still possible that the UK could still benefit from the free trade zone. The countries that are currently experiencing a lack of industry, such as Bosnia and Serbia, are ideal locations for British companies to expand their operations. Regardless of the outcome of the UK's referendum on whether or not it will leave the European Union, Albania should use the time to promote its business opportunities.

3.3. Brexit and Albentry

Albania and the United Kingdom have a lot in common right now, but for all the wrong reasons. Most businesses in the UK are tired of waiting for the government to come up with a solution regarding the country's exit from the European Union. They need to know what the deal will be so they can start planning for their future.

They need to know the various possibilities and boarders in order to innovate. The No-Deal is regarded as the worst possible outcome, as both the UK and the EU lose out on it. It can only be considered as a negotiation tactic by a self-aggrandizing politician. Many businesses in the

EU also believe that the UK's political class is not able to understand the changes that have occurred in the 21st century. They are not able to use their power to negotiate and resolve the issues that are affecting the country's future.

In Albania, businesses are beginning to adapt to the changes brought about by the short notice period and legislation. Unfortunately, they do not know what will happen to them as they are not privy to the details of the negotiations. Instead of focusing on the intuitive development that it has been experiencing, Albania needs to reform and develop its various sectors into sustainable business ventures. One of the most important factors that businesses in the country need to consider is the establishment of a free market. The political class should realize that their control over the economy will not only fail them individually, but it will also affect the country as a whole. Lack of competitiveness is a major issue that will be reflected in the rise of corruption and unemployment.

As the UK left European Union, businesses in the country are facing an uncertain situation. They need to make their voices heard in order to ensure that the country's political leaders are able to understand the issues affecting them.

3.3.1. The most significant Brexit consequences

Since the end of the Cold War, migration has been a solution for Albanian citizens . It has allowed the families of migrants to have a better life, while at the same time, it has caused them to feel trapped in a state that has been economically ruined. Even disregarding the risks of crossing the border illegally, migration has broken families apart and left brain drain open.

In order to attract more skilled workers, the government of Albania invests heavily in nursing and doctor graduates. They are then lured to the west with better salaries and better living arrangements

As a result, many people in Albania are forced to work and pay taxes for the care of British nationals. This will cause hospitals in the country to run out of supplies. The invasion by Albanians has raised concerns about a shift in the country's migration trends. It suggests a distinct intent to target the UK, and it shows a sudden reversal in the trends. According to the

United Nations, the country has experienced a significant increase in migration since the end of the Cold War.

Remittances from migrants to their home countries decreased significantly following the financial crisis of 2008 to 2009. This was mainly due to the European Union's restrictions on countries such as Greece.⁸⁷

The Covid-19 pandemic has caused many businesses to close and healthcare costs to rise. It also caused Western European countries to hoard vaccines. However, despite all of this, Albania agreed to host thousands of refugees from Afghanistan after Nato decided to withdraw from the country. This country, which is one of the poorest in Europe, is currently home to about 2.8 million people.

In the last year, the number of migrants from Albania going to the UK has increased significantly. This is not something that would cause the country to collapse, but it is alarming nonetheless. Through social media, the people of Albania also noted that there is a shortage of workers in the UK following the country's exit from the EU.

The UK has lost many of its European Union workers due to Brexit. They are also aware that Calais is becoming more vulnerable due to how information sharing with French authorities has become more complicated. This means that UK officers have to go through Albanian agencies for data that they previously obtained from the French.

Over 14,000 Albanians are currently living in the UK. They range from academics to cleaners and construction workers.⁸⁸ Most of them are well-integrated and are known for their common sense. They pay taxes, queue up at the customs and immigration offices, and even swear loyalty to Queen Elizabeth II.

The negative effects of racial and cultural stereotypes can be seen in the way people are treated. When individuals are labeled as criminals, their backgrounds, and contributions to society are not visible. This undermines the concept of integration. The world is divided into two groups: friends and enemies. This creates a climate of anger and legitimising violence.

⁸⁷ International Migration, Department of Economic and Social Affairs, United Nations(2020) < <https://www.un.org/en/desa/international-migration-2020-highlights> > accessed 15 January 2022

⁸⁸ Ibid

Authorities in Albania stated that they are ready to work with the UK to solve the migrant crisis. As far as I am concerned, the cooperation between the two countries has been ongoing.

3.4.1. Albania and the Brexit debate

The way the campaign for the EU referendum has been unfolding has revealed the potential problems with the UK's political system. The political elite is not taking Britain's place in Europe seriously. The campaign has been full of empty slogans and hyperbole. Instead of focusing on the issues and solutions, we have been diverted by the endless diversions and negativity. The constant appropriation of Albania by both the Remain and Leave campaigns has highlighted the sorry state of the discussion.

Furthermore, it is very clear that the message that the billboard is trying to convey is not for people who would be concerned about doing business with the small Balkan nation. If the UK votes to leave the EU, it would be a serious setback to the country's identity and self-image.

Although, the two sides in the debate have used the same tactics and arguments, which deprives the voters of real alternatives. The debate between the two sides has been conducted in an environment that is not rational. It has been full of negativity and empty slogans.

As a matter of fact, in the historic vote for both the UK and Europe, it is important that the country has shown how democracy can work. People need to see the UK as a country that is committed to parliamentary sovereignty. Not the mob, which has been using empty slogans and negative tactics. Britain should do better and show the world that it is a responsible member of the international community.

3.4.2. An Approach based on Political Reductionism

The negative portrayal of Albania, as well as the lack of discussion about it, highlights the hollowness and disarray of the Leave Campaign. Besides the unnecessary use of prejudice, the negative portrayal also shows the two opposing groups' incapacity for making their

points. The ability of Britain to offer an alternative to the European Union has been limited to a list of countries that are regarded as potential models for the country outside of Europe, such as Switzerland, Norway, Mexico, and Canada.

Although, the campaign for Britain to remain in the European Union has done little to provide a comprehensive view of the benefits of being in the organization. Instead, it has focused on the negative effects of leaving the EU. This is a reflection of the lack of imagination that the campaign has when it comes to addressing the various factors that people are concerned about. Most crucially, by relying on similar arguments and strategies, both sides deprive the voter of genuine alternatives. This negates the purpose of the argument having two "camps" in the first place.

This is hardly the sober, sensible debate about whether Britain should remain in or leave Europe.

In other words, Britain must demonstrate how a mature democracy can discuss and decide in such a pivotal decision for both Britain and Europe.⁸⁹ Above all, citizens of Britain must see the Magna Carta Britain and parliamentary sovereignty, not the crowd inflamed by vapid or bigoted slogans. Britain can do better, it owes it to itself and the rest of the globe.⁹⁰

3.5. Government Growth in Albania

Albania has made significant progress in its social and economic development since it emerged from a post-communist transition. The country's governance reforms have contributed to its impressive performance.

In response to the increasing concerns about the country's public safety and security, the government has taken various steps to address these issues. These efforts have resulted in a reduction in violent crime. However, despite the positive developments, the country still faces many governance challenges.

Despite the progress that has been made in implementing various governance reforms, there are still significant obstacles that prevent the country from achieving its goals. These include

⁸⁹ Ibid

⁹⁰ Note: Magna Carta is a royal charter of rights agreed to by King John of England.

the persistent politicization of the public sector and the lack of separation of powers. The government is committed to addressing these issues in order to accelerate the country's efforts to join the European Union.

The goal of this issue brief is to analyze the country's governance environment and identify the main constraints that prevent it from achieving its development goals. It also proposes a number of recommendations that can be implemented.

Thus, the country's structural reforms are aimed at supporting its growth and competitiveness and improving the public service delivery and governance. The country's rapid growth potential can be supported by the establishment of regional and global connectivity and the diversification of its market. However, the government's efforts to implement these reforms have been hindered by the devastating earthquake and the pandemic that occurred in November 2019.

In 2021, Albania's economy experienced a robust recovery thanks to the country's policy stimulus and the resurgence of its construction, travel, and extraction industries. Public spending, private investment, and consumption also contributed to the country's growth. The war in Ukraine and rising inflation are expected to have a negative impact on the nation's economic and development prospects in 2022.⁹¹ To help the government overcome these issues, the World Bank is working with its partners.

According to the EBRD Transition Report 2019, the economy grew at a rate of 4 percent in 2018, but then it slowed down in 2019. During the first six months of 2019, it grew by only 2.4 percent.⁹² This was mainly due to the power generation sector's weakness. Despite the various positive factors that have occurred in the financial sector over the past couple of years, public debt still remains high at 68.0 percent of the country's gross domestic product.⁹³ The banking sector has gone through considerable consolidation. At the same time, there has been a shift in ownership from eurozone banks to foreign and domestic non-EU owners. Despite the reduction in the number of NPLs, they still remain high.

⁹¹ Ibid

⁹² Transition Report 2019-20, European Bank for Reconstruction and Development (EBRD), < <https://www.ebrd.com/transition-report> > accessed 19 November 2022

⁹³ Pablo Burriel, Cristina Checherita-Westpha, “*Economic consequences of high public debt: evidence from three large scale DSGE models*”, European Central Bank (2020), < <https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2450~e008f3b9ae.en.pdf> > accessed 19 November 2022

The government has to continue to improve the transparency and level the playing field for legitimate businesses. In order to do so, it has to take various measures to address the issue of informality. Some of these include simplifying the tax system and enhancing the capacities of the inspection department. The government should focus on improving the transparency and accountability of the public sector, as well as the conduct of public-private partnerships (PPPs). It should also diversify the energy sources by reducing the country's reliance on hydro generation, as well as implementing ongoing reforms to improve the power sector's governance.

The country's economic growth slowed down in 2019 following an accelerated rate of 4.1 percent in 2018. Although the tourism industry was a major contributor to the growth, it also experienced a decline in the first half of the year. The decline in the country's economic growth was mainly due to the weaker power generation sector. Although the unemployment rate has also decreased, it still remains high at around 12 percent.

Despite the low fiscal deficits, the public debt still remains high. In 2018, the primary surplus increased to 0.6 percent of the country's GDP, from 0.1 percent in 2017. The budget also registered a deficit of 1.6 percent of the country's GDP. However, in 2019, both the primary and overall budget were in surplus, and the public debt still remained high at 68 percent of the country's GDP at the end of March.⁹⁴

According to the International Monetary Fund, the country's government arrears are expected to reach 1.8 percent of its GDP. The contingent liabilities associated with recent PPP contracts are also expected to increase the public debt.

The country's monetary policy is still accommodative, as inflation remained below the central bank's target of 3.0 percent in 2018. In 2019, inflation also decreased to 1.5 percent. On a year-on-year basis, core inflation, which is an indication of medium-term pressures, was at 0.7 percent. Since June 2018, the central bank's key rate has been at a historical low of 1.0 percent.⁹⁵

The country's economic catch-up is expected to slow down in the short term. The government is currently forecasting that the country's economy will grow at a rate of 2.8 percent in 2019,

⁹⁴ Government finance statistics, Eurostat, < https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government_finance_statistics > accessed 18 November 2022

⁹⁵ Ibid

and then accelerate to 3.5 percent in 2020. It is mainly expected that the private consumption will drive the growth.⁹⁶

The country's economic forecast is expected to be affected by various factors. Some of these include the slow growth of the eurozone and Italy, as well as the delay in the start of the negotiations for the European Union's membership.⁹⁷

Despite the progress that Albania has made in improving its business environment, it still remains one of the most challenging countries in the world to do business. In 2020, it was ranked 82nd out of 190 nations.⁹⁸ Other issues that are commonly encountered when it comes to doing business include paying taxes, issuing construction permits, and enforcing contracts.

Although, in Albania, informality is considered one of the most common obstacles in doing business. It is estimated that the country's informal economy has a size of around 25 to 50 percent of its GDP.⁹⁹ Some of the factors that contribute to this include the lack of trust in government institutions, the complexity of procedures, and the high administrative burden. The number of formal jobs has increased significantly over the past couple of years due to the country's campaign against illegality. However, despite the positive effects of this campaign, the lower registration threshold for VAT has increased the burden on smaller businesses.

Unsolicited public-private partnership (PPPs) contracts have also been initiated. These projects are being awarded without adequate evaluation and competition procedures. This increases the risk that the government will not be able to implement the project due to the lack of transparency and cost-benefit analysis.

The country's first power exchange is expected to be established in 2019. Several reforms related to the electricity market are also advancing slowly. These include the liberalization of the market, the unbundling of supply and distribution, and the establishment of the exchange.

⁹⁶ Ibid

⁹⁷ Daniel Kaufmann and Aart Kraay, and Massimo Mastruzzi, “*The Worldwide Governance Indicators: Methodology and Analytical Issues*”, (September 2010). World Bank Policy Research Working Paper No. 5430, < https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1682130 > accessed 17 November 2022

⁹⁸ Ibid

⁹⁹ Jan-Peter Olters, “*Albania Informal Economy: An Impediment to Economic Development?*”, Bank of Albania (2019), < https://www.bankofalbania.org/rc/doc/JanPeterOlters_240_1_13032.pdf > accessed 17 November 2022

In 2015, the Power Sector Law was enacted, which allowed for the liberalization of the electricity market. However, the implementation of several reforms has been delayed. One of these is the establishment of the APEX, which was supposed to support price transparency.¹⁰⁰

In May 2019, the government decided to establish a power exchange. The necessary legislation to establish and operate the exchange is still being enacted.¹⁰¹ This will allow the country to diversify its energy mix and reduce its reliance on hydro generation. It can also be done through the tender process for the construction of solar plants. In 2019, various deals were completed. One of these was the acquisition of Societe General's Albanian subsidiary by the Hungarian OTP Bank.¹⁰² The other was the sale of the Albanian unit of Greece's Piraeus Bank.

In August 2019, the Union Bank of Albania purchased the International Commercial Bank. This resulted in the number of banks in the country decreasing to 12 from 16 in September 2018.¹⁰³ Despite the stable nature of the banking sector, it faces various challenges. The high level of non-performing loans (NPLs) and the lack of profitability are some of the factors that have affected the industry's performance.¹⁰⁴

Year	Competitive	Well-governed	Green	Inclusive	Resilient	Integrated
2016	4.85	5.16	4.16	5.33	5.18	5.53
2017	5.00	5.14	4.12	5.25	5.28	5.76
2018	5.14	5.20	4.14	5.32	5.24	5.80
2019	5.18	4.51	4.13	5.35	5.43	5.69
2020	5.22	4.59	4.13	5.39	5.51	5.69
2021	5.22	4.59	4.13	5.39	5.51	5.69

¹⁰⁰ Impacts of Electricity Market Reforms on the Choice of Nuclear and Other Generation Technologies, IAEA < https://www-pub.iaea.org/MTCD/Publications/PDF/TE-1789_web.pdf > accessed 17 November 2022

¹⁰¹ Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and Committee of the Regions EU Solar Energy Strategy, European Commission,(18 May 2022), COM(2022) 221 final

¹⁰² Ibid

¹⁰³ Ibid

¹⁰⁴ Mayrem Naili, “Banks’ credit risk, systematic determinants and specific factors: recent evidence from emerging markets”, Volume 8 ,Issue 2(2022) < <https://www.sciencedirect.com/science/article/pii/S2405844022002481> > accessed 17 November 2022

The Programming Framework for the IPA III is a set of documents that describes the activities of the European Commission as it supports the program's beneficiaries. It is the main document used by the EU for the use of its funds. This replaces the previous strategy papers. The program framework for the 2021-2027 period reflects the various goals of the regulation.¹⁰⁵ It also focuses on the enlargement process' priority areas through the five thematic windows. Instead of having pre-defined program envelopes, the programming of the IPA III will be based on the EU's thematic priorities. This allows the Commission to provide the best possible support to the region's beneficiaries.¹⁰⁶

One of the most distinctive features of IPA II was its strategic emphasis. It provided each beneficiary with a comprehensive strategy document that included a set of goals and strategies to guide their development. These documents allowed them to strengthen their ownership of their own projects and contribute to the development of their communities. A multi-country strategy paper also addressed the priorities of territorial cooperation and regional cooperation.

The IPA II framework included pre-defined sectors that were focused on reforms that are linked to the EU's enlargement strategy. These sectors were able to bring about structural changes that would transform a given area and improve its efficiency. It allowed the authorities to move toward a more targeted assistance.¹⁰⁷ Through the IPA II, the government has been able to implement a more systematic approach to the use of sector budgets. It also brought more weight to the performance measurement.

The Commission has already implemented almost all of the commitments made under the IPA II framework. As of December 2021, it has paid out 59% of the total payment budget.¹⁰⁸

¹⁰⁵ Overview, Instrument for Pre-accession Assistance, European Commission (2022) < https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/overview-instrument-pre-accession-assistance_en > accessed 17 November 2022

¹⁰⁶ Multidimensional Review of the Western Balkans, From Analysis to Action, OECD,(2022) p.117 < <https://www.oecd.org/publications/multi-dimensional-review-of-the-western-balkans-8824c5db-en.htm> > accessed 20 July 2022

¹⁰⁷ Overview - Instrument for Pre-accession Assistance, European Commission < https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/overview-instrument-pre-accession-assistance_en > accessed 15 August 2022

¹⁰⁸ Ibid

3.5.1. Albanian GDP according to INSTAT

The second wave of the pandemic caused a worse economic recession and the risk of a global recession has been increased. This is according to the World Bank and the country's National Bank.

According to the report released by the National Institute for Statistics of Albania, the country's gross domestic product grew by 2.23% in 2022's second quarter. However, its growth rate was lower than in the previous quarter. During the April-June quarter, the country's GDP contracted by over 1%. During the second quarter of 2022, various services such as transport, accommodation, and catering helped the country's economy grow. In 2021, the country's GDP is expected to grow by 8.54%, following a decline of 3.48% in 2020.¹⁰⁹ This is due to the COVID-19 pandemic.

Also, following the recovery from the pandemic that occurred in 2021, Albania's economy is expected to grow at a rate of 3.2% in 2022. The World Bank noted that the country's growth will be supported by the Ukraine scenario and global trends.¹¹⁰ The Western Balkans is not regarded as a significant trade partner of the UK. The region is surrounded by other European Union countries and has no land or sea borders with the UK. Its market is small and lacks full integration.

Despite the region's small size and lack of integration, the UK is not expected to gain significant returns from its efforts to strengthen its trade ties with the Western Balkans. It is likely that the region will become a member of the European Union within the next decade. Developing trade and foreign policies for the region separately would be very inefficient for the UK. The Western Balkans is an important part of the European Union. In 2015, thousands of refugees from the Middle East entered the EU through the region. However, this could pose a threat to the UK's national security.¹¹¹

¹⁰⁹ Ibid

¹¹⁰ "GDP growth in Albania slows down to 2.23 pct in Q2", INSTAT < <https://www.macaubusiness.com/gdp-growth-in-albania-slows-down-to-2-23-pct-in-q2-instat/> > accessed 17 November 2022

¹¹¹ Population of the UK by country of birth and nationality: individual country data, (Discontinued after June 2021), Office for National Statistics < <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/dataset/populationoftheunitedkingdombycountryofbirthandnationalityunderlyingdatasheets> > accessed 17 November 2022

The UK's foreign policy is focused on promoting democracy and liberal values. It does not rely on military or commercial power. In its foreign policy strategy, the UK will continue to support key values such as democracy, rule of law, and good governance. The government has stated that the country will not abandon Europe after it leaves the EU. It is also committed to investing in the region's security and prosperity. The UK's foreign policy is also focused on promoting democracy and liberal values in the Western Balkans. This region's desire to become a part of the European Union is its biggest foreign policy objective. However, becoming a member of the EU could affect the region's relations with the UK.

Since there are limited diplomatic resources in the Western Balkans, governments there may choose to focus their efforts elsewhere. However, if the UK and the EU's interests are aligned, the UK can have a significant influence in the region. The UK should work with the EU to help the governments of the Western Balkans improve their governance. This is because the UK has a long history of assisting the region's governments on issues such as judicial reform and rule of law. Although the region is unlikely to be a central focus of the UK's foreign policy after Brexit, it could serve as a test for an independent foreign policy.

Over the past 20 years, the UK has been a significant contributor to the development of the Western Balkans and the EU. With the increasing number of diplomatic and technical staff members, the country will be able to play a more active role in the area.¹¹²

3.6. Life after Brexit

The UK Supreme Court prevented the devolved government from holding another independence referendum without London's approval. 23 June, 2016: The UK votes to leave the EU by 52% to 48% in a referendum.¹¹³

The UK officially exited the European Union on January 31, 2020. Under the terms of the deal, the country's various arrangements will remain the same. After months of negotiations, the UK and the EU reached an agreement on the future relationship between the two sides on December 24. This avoids a no-deal scenario.

¹¹² Ibid

¹¹³ Ibid

The transition period, which was designed to allow the country to develop its new relationship with the EU, officially ends on December 31, 2020. The terms of the country's new life outside of the bloc will take effect on January 1, 2021. Like other countries, the UK's economy has been affected by various factors. Some of these include the war between Russia and Ukraine, the COVID-19 pandemic, and the energy crisis. Economists agree that Brexit has made the situation worse.

According to the government's independent analysts, the UK's new trading relationship with the EU will reduce the country's long-run productivity by around 4%. Several reports in 2022 indicated that the UK's economy has lagged behind other countries due to the pandemic.

According to official data, the UK's gross domestic product shrunk in 2022 as a result of Brexit. A report released in December by the Centre For European Reform showed how the country's exit from the EU has affected its trade, investment, and GDP.¹¹⁴ Opinions on the impact of Brexit on UK's inflation rate vary.

Several reports have indicated a sharp decline in UK-EU trade, with many companies stopping all cross-border activities. A report released in December 2022 by the British Chamber of Commerce stated that the trade deal is not delivering for many firms.

The UK-EU trade agreement was implemented in 2021. It provides for tariff-free access to the markets of both sides. It also covers various other issues such as fishing rights and security. The UK's withdrawal from the European Union's customs and single market introduced new regulatory controls and border formalities. The EU warned that these would result in longer delivery times and more red tape.

According to reports, the damage to the UK's trade relationship with the EU started even before the country officially exited the bloc. The fall in the pound following the Brexit referendum also caused import prices to rise. Although the UK has exited the EU, it has yet to implement full regulatory restrictions on the imports of the EU. In February 2022, an EU report stated that the impact of the withdrawal on the continent was uneven.

¹¹⁴ John Springford, "*The cost of Brexit to June 2022*", 25 Centre for European Reform < <https://www.cer.eu/insights/cost-brexit-june-2022> > accessed 17 November 2022

The UK's exit from the European Union has ended the free movement of people between the two sides. However, the deal protects the rights of both EU citizens residing in the UK and those who were already there before the country's departure. After the transition period, those who reside in a country will still have the same rights and benefits to live, study, and work there.

Over six million people have been granted "settled status" by the UK under the EU Settlement Scheme. These individuals are from the European Union, Switzerland, and EEA. Unfortunately, a number of people have experienced significant problems with the settlement scheme. Some of these include having to wait months to receive their documents, and issues with securing the rights of their relatives.

A study conducted in December 2022 by researchers at Kings College London revealed that the application process for settled status has been plagued by irregularities.¹¹⁵ Although the Brexit deal provides for the rights of UK residents to remain in their home country, it does not automatically grant them the right to move to another EU country. This has caused some people to have difficulties traveling between the different regions.

The study also highlighted the problems faced by mixed-status families. This group includes people who have one partner from the UK and one from the EU. Due to the lack of residency rights in the UK, non-EU nationals are now restricted from visiting certain European countries for a certain period of time.

In May 2023, the UK will implement an automated entry system for visitors from other countries to the EU. Many European workers who were previously in the UK have already returned home due to the new restrictions. Euronews has reported the impact of these new restrictions on various sectors, such as hospitality and farming.¹¹⁶

The new immigration rules of the UK have also affected the employment of low-skilled workers. Many jobs are no longer available for EU nationals. As a result, the country's net migration has increased significantly. However, it is estimated that the number of people coming to the UK from the EU has decreased.

¹¹⁵ Ibid

¹¹⁶ ibid

According to government officials, the UK's exit from the European Union and the rising economic activity are some of the factors that have contributed to the country's unstable labor market. In December 2022, the UK's Migration Advisory Committee noted that the country's exit from the European free movement had caused a labor supply shock. This was especially true in sectors such as agriculture, hospitality, and manufacturing.

Despite the calls from business groups for the government to ease the immigration rules, the migration committee noted that the country should not allow new visas to be issued without a strong economic reason. The Democratic Unionist Party, which is the main party in the UK's Parliament, refused to participate in the power-sharing government in Northern Ireland due to the Irish Sea border issue. This is a requirement of a 1998 peace agreement.¹¹⁷

Even though the UK is leaving the European Union, Northern Ireland is still following some of the rules regarding the border with the Republic of Ireland. This allows the region's manufacturers to continue to enjoy the benefits of the single market. The Democratic Unionist Party and the Conservatives believe that the European Court of Justice's (ECJ) role in monitoring the implementation of the peace agreement in Northern Ireland is an infringement of the UK's sovereignty. Although various ideas have been presented to lessen the court's reach, the EU refuses to compromise. Many British people are uneasy about the idea of the countries joining the European Union, and they see their culture at odds with what they have experienced.

Although it is clear that the state's substance and form are not yet sufficiently developed in Kosovo and Albania, this does not prevent the two countries from moving forward with their progressive development. The post-communist elite in both countries must understand that cultural integration is vital for the establishment of a more just and prosperous society.

¹¹⁷ Northern Ireland Peace Agreement, The Good Friday Agreement, United Nations, (10 April 1998)

Conclusion

I strongly believe that the low trade exchange rate between the UK and Albania and the low number of immigrants are some of the factors would help to minimize the impact of Brexit on that country's economy. Moreover, the country has a low stock in foreign direct investment from the UK. Due to the UK's unique position in the European Union, it has a different perspective on some of the most important issues faced by Albania. The new initiatives for accelerated expansion that the European Union that were adopted in 2020 weren't overshadowed by the proposals for the EU's new political community.¹¹⁸ The Western Balkans should be re-energized and transformed to become a more integrated part of the EU.

I think that the most important factors that should be considered when it comes to assessing the impact of the UK's decision to leave the European Union are the non-economic aspects of the situation. Non-economic aspects of the decision to leave the EU could have a significant impact on the country's future economic development. The decision to leave the EU will directly affect the country's aspirations to be a member state. It will result in less time being spent on the negotiations, which will decrease the time that the EU will allocate to the enlargement process. It can additionally increase the risk of Euroscepticism, nationalism, and anti-immigration trends.

Although the uncertainty caused by Brexit makes it difficult to predict exactly how the situation will unfold, we believe that the European Union will continue to be a peacekeeper and democratic force. The decision by one of the European Union's great member states to leave the organization is unprecedented. It means that negotiations for its withdrawal must be carried out in a way that guarantees the necessary stability and predictability. This is done to avoid adding to the uncertainty about the future of the EU. The EU must also contribute to maintaining the confidence of its citizens both inside and outside the organization.

¹¹⁸ Recovery Plan for Europe, European Commission (2022) < https://commission.europa.eu/strategy-and-policy/recovery-plan-europe_en > accessed 20 December 2022

As has been stated by the leaders of the European Union, the withdrawal process will not be carried out without the approval of the United Kingdom. This means that no negotiations will be conducted without the country's notification. This is done to ensure that the withdrawal process is carried out in a manner that is consistent with the Treaty on European Union. In Article 50, it states that a member state must notify the European Council of its intention to leave.

After 43 years of incorporation, the UK will be able to conclude its withdrawal from the European Union with a legislative area that is significantly different from that of the other 27 member states. This will make it difficult to fully implement the provisions of Article 50 within the two-year timeframe. Based on Article 50, the Treaty of the European Union includes Article 50, which provides for the unilateral or voluntary withdrawal of a member state from the EU¹¹⁹. The withdrawal procedure provides the framework for the negotiations between the EU and the departing member state. Unless the European Council agrees to extend the time frame, the withdrawal negotiations will begin within two years.

It's certain that decisions about leaving one country or being forced to relocate are often influenced by political forces. These can either be facilitated or hindered by these forces, and these can affect society for good and for the bad. The Coronavirus pandemic has created a frightening and unsettling environment for people around the world. It has caused many people to become fearful about their own survival and the possibility of moving to a country that is trying to isolate Britain from Europe.

¹¹⁹ Article 50 TEU - Any member state may decide to withdraw from the union in accordance with its own constitutional requirements.

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Annex 1

Abstract

The purpose of this paper is to explore the various implications of the UK's exit from the European Union on the Albanian economy. The impact of the Brexit on the economies of the member states and those aspiring to be part of it, such as Albania, is significant.

Even though it is a political shock, the impact of the withdrawal on the financial market is also significant. There are two types of potential impacts that Brexit could cause: direct and indirect. The former involves the economic and financial links that the UK has with other countries. A central issue is related to the effects on the financial markets and economies of Europe and Albania.

Although, the effects of Brexit on the financial and trade sectors of southeast Europe are minor, the region is still exposed to the potential impacts of the withdrawal process. For the long-term, the region could lose if the EU's integration processes are weakened. This could cause a tighter regulation that would affect cross-border finance and trade.

Abstract (German)

Das Ziel dieser Arbeit ist es, die verschiedenen Auswirkungen des Austritts des Vereinigten Königreichs aus der Europäischen Union auf die albanische Wirtschaft zu untersuchen. Die Auswirkungen des Brexits auf die Volkswirtschaften der Mitgliedsstaaten und derjenigen, die wie Albanien eine Mitgliedschaft anstreben, sind erheblich.

Auch wenn es sich um einen politischen Schock handelt, sind die Auswirkungen des Austritts auf den Finanzmarkt ebenfalls erheblich. Es gibt zwei Arten von potenziellen Auswirkungen, die der Brexit verursachen könnte: direkte und indirekte. Erstere betreffen die wirtschaftlichen und finanziellen Beziehungen des Vereinigten Königreichs zu anderen Ländern. Ein zentrales Thema sind die Auswirkungen auf die Finanzmärkte und die Volkswirtschaften Europas und Albaniens.

Obwohl die Auswirkungen des Brexits auf den Finanz- und Handelssektor Südosteuropas gering sind, ist die Region dennoch den potenziellen Folgen des Austrittsprozesses ausgesetzt. Langfristig könnte die Region verlieren, wenn die Integrationsprozesse in der EU geschwächt werden. Dies könnte zu einer strengeren Regulierung führen, die die grenzüberschreitende Finanzierung und den Handel beeinträchtigen würde.