
**INVESTING IN IT: SOME CHALLENGES FOR GLOBALIZATION
PROCESS IN ALBANIA**

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Abstract

Globalization is an inevitable and irreversible process. The globalization is the philosophy that support establishment of private company (business) without boundary and in the all word. It is the irreversible process. The ideology of globalization is that the world is the big market where each company, undistinguished the country, has the access (the right) to compete without national or local boundary with the others company. The money, the technology, and the stock have moved fast between the countries. Together with products and the finances also the ideas and the cultures are moved freely. The FDI in ICT are the most important factor for the development of this sector in Albania and has more to do to stimulate the foreign investments. How it will be the process of globalization for Albania within the ICT context of investment? Why so many multinational corporate are addressed to invest in ICT sector in Albania? How can explain the fast economic growth of ICT investment in Albania?

Keywords: Globalization, ICT, Investment, Albania

JEL Classification: M15, O10, O52

Globalization and Albanian Economy

Globalization is an inevitable and irreversible process. To treat globalization so put as to raise the positive aspects and lower negative ones is maybe the biggest purpose of the millennium. Possibilities for the globalization to have success are enforced to expel new dangers, mostly to the developed countries.

Albania lately has reached an adoption with the international institutions as BB, MNF, etc., making a step further into the global trade. Yet Albania needs an economical and political strategy, which will be able to drive the country on an active position to the global economy.

Globalization is shown in many ways but first it is seen under economical and financial terms. On this concept it can be conceived as a large and deep connection with the national economy under world trade goods, services and especially capital assets. As a result of the revolution in telecommunication and informational technology, on the last 15 years there has been huge progress on the trade connection and international exchange of capital as well as radical change on the form, structure and pace of production. The positive consequences are:

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Economical Growth. It is theoretical argued that it will bring an efficient delivery of a country resources towards the sectors and fields where they have a competitive advantage. Focusing on the Albanian conditions, this means to high coefficient industries under working utilization force because of the low cost it has and this helps in the increase of the national economy. The poor layer will profit from this increase by getting employed from these industries. On the other hand it is essential to be invested on the human resources (education and training) to increase their working efficiency. There were made many researches by the World Bank and others, and they show that generally the rapidly increase of the economy is accompanied by the reduce of the poorness. This is the reason that the World Bank adds the pressure on different states (including Albania) to be driven towards free trade and WTO. In fact, there is no lack of the facts of both success and failures. For the last mentioned, generally the fault remains to the performance of the national institutions.

Improvement of the relationships between different countries, through inclining the rate of the conflicts and through raising the rate of cooperation between them.

As a conclusion, the increase of the chances for survival and success in the era of globalization needs an immediate role of the government and of other important principals for the Albanian economy reconstruction through specific programs which would drive the Albanian economy towards the sectors which have higher possibilities of development. Such are: industries with high coefficient of the usage of manpower, the organic agriculture, tourism, the medical and aromatic planting industry, the confections industry, etc.

The confront of the civilization. The disappearance of the economical boundaries between countries brings about the mixture of the different traditions and mentality and this could cause unexpected conflicts.

The bankrupting of small companies, which will be obliged to accept the loss before giant companies or to be their allies, under conditions established of course by the strong.

Increase of unemployment in western countries, which have high living-cost, because the companies of course will employ people from poor countries to apply a lower salary.

Difficulty of control which means that each phenomena enlarging to global sizes, represents a danger, because every moment it can come out of hand and have unpredictable consequences.

While the most known view of the globalization on the last decade is the rapid integrity of the stock and financial trades; trade and investments are the main power standing under the curtains of globalization.

The discussions coming from the field of FDI are important part of the whole globalization process. FDI can play an important role raising the capacity of the host's country in order to respond the chances offered from the world economy integration, a purpose known as the main one for the strategic development.

FDI in the last two decades were part of the main elements of globalization and world economy. And especially they have an economic impact within an economy through the ICT sector. Companies from different countries are spreading more than ever taking part in many industries through direct investments. An economy competes virtually together to get rid of multinational companies. As a result, world investment fluxes have reached higher levels.

2. FDI AS A VERY IMPORTANT CHALLENGE WITHIN THE GLOBALIZATION PROCESS

The FDI fluxes are rapidly growing the last days. The highest fluxes of FDI in the world shows an economical environment always improving, this on the presence of reforms and political orientation towards investments. The growth of FDI has reached record levels. This was brought by/stimulated also by the extinction and international purchases of the companies. The higher the fluxes of FDI in a country the more occupation that country could have. FDI create more occupation in productive sectors than in any other sectors. Throughout the years many countries have created a welcoming environment on their places with the clear purpose to gain more funds to be invested in the country.

Structural and short-term conditions in favor of the growth of FDI

Growth of FDI until 2009 is explained in 3 main factors:

- a. continuance of the long-term inclination which are engrossing for the multi nationalization of the companies
- b. long-term and short-term economical view characterized by stable growth and financial sources available
- c. necessity of new resources and opportunities for investments

Governments of the countries under development perceive the FDI as a source for economical growth, this is also shown by the growing reality of the places interested for this investments. FDI play positive role in the economical development through intrusion of capital, contemporary technology, on the marketing and management field, on rebuilding the economy, speeding up the denationalize rate, entry of new job opportunities, raise of exports, improvement of the salary balance, etc. for all these reasons they hold a special importance, especially for the countries under development and it is necessary the creation of suitable strategies to attract these investments. Taking a glance at the value that foreign investment directly holds (FDI) for the economy of a country and the interest that Albania has shown towards it, I thought it was of a great value making a study of this kind.

3. Factors affecting low level of FDI in Albania

Low levels of IDH in Albania could be attributed partially:

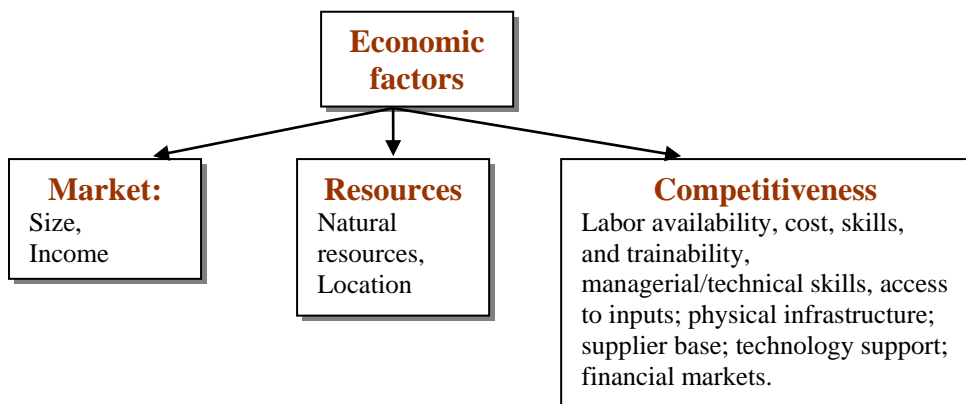
- Slow process of the states medium and big companies' denationalization under the industrial sectors which have high capital intensity and of the strategic sector like energy and telecommunication.
- Low interest of foreign investors as a result of a political percept risk of the

country connected with social violence on the past and on the other hand the political changes in Albania and the lack of stability in Balkan and Kosovo.

- Image problem that Albania has created to the foreign countries.
- Problems and conflicts connected with land ownership, bureaucratic procedures for the register of ownership rights, for the approval and construction license authorization create barriers to the foreign investments.
- Informality levels of economy, which is a fact that brings about a wrong competition of trade.
- Lack of efficiency and high cost of infrastructure (transport, energy, water) and the missing of industrial places for the FDI oriented towards export and tourism.
- Lack of abundance in financial services, benches or not (low level of credits, low quality of financial services for the international trade, high rate of interest, high request for collateral, etc.
- Low function of public institutions and low application of law.

Albania has made a considerable progress in transition reforms, economic growth and development, considerably influenced by FDI inflows too, and in improving the peoples' quality of life. However, the country still enfaces a number of challenges coming from the need of overcoming the bottlenecks in the structural reforms. The intensification process of country's integration into the EU requires decisive steps in meeting the political, juridical and economic criteria. A similar pressure is coming from the regional integration processes. Albania is making significant progress steps in the recent years related to business environment and investment climate such as business registration, fiscal burden, etc. Again important barriers to business and investment exist. Good laws and regulation doesn't mean necessary good climate for business; it depends on the extent and the way these laws and regulations are applied.

Fig. Determinants of FDI in developing host countries



Source: UNTACD 2000, p, 19

4. Elements of a strategy to stimulate investments

FDI role could change from place to place, depending on the governmental and economy nature. There exists no ideal development of FDI that can be natural to all nations at all times.

This way Albania could attract three types of investors:

Investors based on the sources research, which could be interested in mineral reserves, forests, petrol, gas. First investment companies could be international companies of refinery or mine. Then it could be the aim towards production of the minerals.

Investors based on trade research, which could be companies interested to enter the Albanian consumption trade and the creation of a presence growing with the growth of the trade. On this category it is important the stimulation politics of FDI on strategic sectors (telecommunication, energy, bank sector, transport, water) as well as other private investments in infrastructure.

Investors based on the efficiency assumptions, (or FDI oriented towards export). These would be more outside of strategic sectors and infrastructure, for production of products in export and re-export.

5. Stimulation and attraction of FDI

The stimulation and attraction of FDI is a high rivalry and a specialized activity, on a growing number of the countries looking to attract active foreign investors and also from many systematic sponsored campaigns.

Now a considerable experience is present on the strategies and techniques used for the attraction of FDI and in the part of which could function and which can not.

Attraction Investment Agencies from all over the world use many techniques to attract FDI through:

Creation of image – is the most suitable when investor's image over a place as a destination for investment is less favorable in reality, and where fore-requests to attract investments are present.

Investments generation – represents the identity of potential investors, which are more interested for a place, development of a strategy to contact and cooperate with them, with the intension to make them be involved in investing. Specific used techniques to generate investments include: campaigns through telephone and post, seminars for the investments, missions run inside and outside boundaries and the direct marketing.

Service towards investors – could split into two components: fore and after approval services.

Fore approval services – is focused on the investors approach referring to the requirements over which the decision to invest has already been taken and the project has been approved (if it is necessary)

Service after the approval – or after taking the decision if no approval is requested, is considered a necessary activity, including here bank field and industry operations on some fields like: assistance in having a indispensable infrastructure like telecommunication, energy, water and canalization: ensuring the main contacts with the government, business and community.

6. Albania ICT Sector under the context of globalization

In 2009, the IT market in Albania totaled \$106.18 million, representing a 9.4% year-on-year decline in U.S. dollars, from an exceptionally high base year. However, measured in local currency, the market was up 2.3% year on year. In the near future it is expects that Albania IT spending to rise by 6.1% in 2010, from 2009. Over the five-year forecast period, the country's IT market is forecast to expand at a compound annual growth rate (CAGR) of 6.9% to reach \$148 million in 2014.

Details on the performance of each technology group in the IT market last year are provided below:

- In 2009, spending on IT services slumped by 32.5% year on year to \$12.12 million.
- The leading international companies in ICT sector has note that Albania IT Market 2010–2014 Forecast and 2009 Vendor Shares (IDC #ESQ06S) December 2010 Albanian IT services providers (supply side) were Horizon, Info soft Systems and Printed.
- Spending on licensing and maintenance (L&M) for packaged software declined 27.9% to reach \$9.20 million in 2009. The top three software vendors in Albania were Microsoft, Oracle, and Sagem Securite.

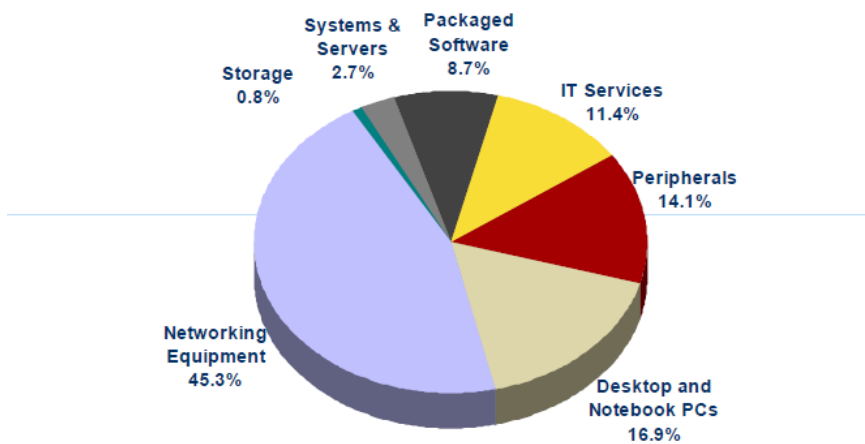
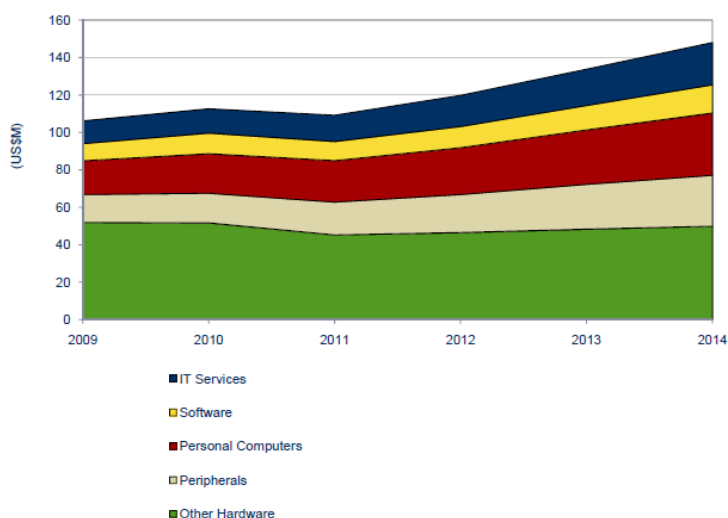


Fig. Structure of IT market in Albania (US)



7. Conclusion

- The level of FDI in Albania remains on low rates, even though from 1999 it has been drastically grown in projects and flowing fluxes from investments.

- The main causes for these low rates of investments are: the most important is the image of Albania into the international arena, this acquired from the political instability, economical one, perceptual risk, the slowing process of the denationalization mostly on strategic sectors, lack of responsibility and institutional ability, low application of law, lack of efficiency and low cost of infrastructure, lack of composition in comprehensive strategies of the social and economical development, impotence and overcharge of administrative taxes, etc.

- Low intensity of foreign investors is due to the perception of a high risk connected with the social violence existing before and the political changes in Albania and also due to the lack of stability in Balkan and Kosovo.

- Albania has some potential sectors and very good possibilities for the attraction of IDH, mainly in tourism (sector with much of the perspective also for the reason of favored natural conditions), services, transport, etc.

- Agriculture in Albania has much possibility of development starting from the geographic positioning, its sources, quality and quantity of manpower. The country could become an important exporter of agricultural products with organic basis pointing at European and world trades.

- Albania has no developed an effective strategy for the investment attraction. It is very important to mention here the lack of marketing territory. The territory marketing plays a very important role, especially to create the image of a country, its communication, approaching of investments.

- The territorial promotion and attraction of investment agencies play a very small role according to their original function, this maybe also from the lack of

connection with the investors, or low approach from state authorities, etc.

- Foreign investments must help Albania through chances of food elaboration to ensure foreign trades. The strategy for investment attraction in the agriculture field of Albania must decide the main perfumers and retailers in Europe and USA.

5. Recommendations

- Albania must work to improve the environment where FDI are active, in order to acquire attract on higher and diverse levels.

- Albania must attract FDI for products that the country is considered to have high international advantages at (actual or potential ones). It's important mainly that part of production which identifies the export products, for which the country have made possible a response to the growth of world trade (cotton trousers, shirts and cotton suits, rough tobacco, etc.). Also it must utilize its potential on the field of tourism, agriculture, etc.

- Albania must focus its energies on the service of actual and possible investors. The investor's gratification is the best advertisement for the country and is considered as the most faithful source for other investors. The actual investors can stay longer and could raise their investments.

- It is very important that Albania develops the territory marketing. Several efforts must be made through this marketing to improve its image.

- The government must stimulate such politics to attract investors; it must speed up and finish the program for the return of the land. The land must be registered as soon as possible, mainly the urban land and attractive areas which serve to the trade development. To improve the efficiency of s solution to the disagreement of land and also to raise its administrative efficiency.

- The government must utilize a strategic vision, which would decide for a number of long-term, medium-term and short-term efforts which give priority to the acceleration and finalization of program for the return of the land. To finalize the registration of urban land and trade development areas.

- Main agent which could pay the role of a contact, sustainer and promoter of the territory for the foreign investors are the Territorial development agents.

The amount of FDI in Albania is still going to be small, given that the value of total global outward ICT-related FDI is low to begin with, and that most of it is absorbed by other countries.

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