

# CRS Report for Congress

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## Albania: Country Background Report

(name redacted)  
Specialist in International Relations  
Foreign Affairs and National Defense Division

### Summary

Albania has avoided direct involvement in neighboring Balkan wars, but continues to seek political stability and economic recovery. In 1998 and 1999, Albania was on the front line of the Kosovo crisis that culminated in the NATO air campaign against Yugoslavia. Over 400,000 Kosovar Albanian refugees flooded across the border into Albania, though most have since returned to Kosovo under an international protectorate. Albania strongly supported the NATO operation and seeks closer integration with the alliance and with the European Union. In early 1997, Albania went through a major financial and social crisis that brought down the Democratic Party-led government. Elections held in June 1997 brought the Socialist Party to power. In 1999, fierce rivals Fatos Nano of the Socialist Party and Sali Berisha of the Democratic Party resumed chairmanships of their respective parties. After one year in office, Prime Minister Pandeli Majko resigned on October 26, 1999, and was replaced by another Socialist Party member, Ilir Meta. Some observers expect that early elections may be held before their June 2001 scheduled date. This report discusses the background and status of these and other issues concerning Albania. It may be updated as events warrant.

### Background<sup>1</sup>

Albania gained independence from the Ottoman empire in 1912. During World War II, Albania was occupied by Italy and Germany. The Albanian Communist Party under leader Enver Hoxha took power in 1944. Hoxha imposed a dictatorship that lasted until his death in 1985. Allied at different times with Yugoslavia, the Soviet Union and the Warsaw Pact, and China, Albania fell into dispute with each, and by the late 1970s practiced self-reliance and isolationism. Albania was the last east central European country to embark on limited democratization and market economic reforms toward the end of the Cold War. Hoxha's successor, Ramiz Alia, was considered somewhat less repressive than Hoxha and began to expose Albania more to the outside world, but still

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<sup>1</sup>Sources for this report include the *Europa World Yearbook*, the *Economist Intelligence Unit*, the *Foreign Broadcast Information Service*, and news wire services.

maintained the Communist Party's exclusive hold on power. Large student-led demonstrations in late 1990 pushed the Alia government to accept multi-party elections.

**Political Developments:** Albania's first multi-party elections, held in 1991, gave the Communist Party (renamed Socialist Party) a majority but not a stable mandate. Facing grim economic conditions that year, tens of thousands of Albanians attempted to flee the country. Waves of strikes and protests by the burgeoning opposition brought down the Socialist government under Prime Minister Fatos Nano. New elections in March 1992 gave the anti-communist opposition Democratic Party an outright majority in parliament. Democratic Party leader Sali Berisha became President and appointed Prime Minister Aleskander Meksi to head a Democratic Party-led

government. The Berisha-led government maintained a stable political majority but became increasingly authoritarian and mired in corruption controversies. Amid international charges of serious voting irregularities, the Democratic Party secured all but a few seats in parliament in the next elections held in May and June 1996.

In early 1997, the collapse of several hugely popular "pyramid" financial investment schemes caused financial losses to nearly every Albanian family and brought the country to a nearly total breakdown. Much of the population blamed the Democratic Party government for not regulating and even profiting from the shady schemes. Anti-government demonstrations against investment losses turned violent and grew into an armed insurrection led by pockets of guerrilla insurgents based in the south of the country. Up to 2,000 persons were killed in the first half of 1997. Weapons depots were raided and the country became awash in small arms, some of which flowed into neighboring Kosovo. In response to the crisis, the U.N. Security Council approved the deployment of an ad hoc Multinational Protection Force to help deliver humanitarian assistance to the Albanian population and contribute to the restoration of civil order in the country. Led by Italy, the 6,000-strong force carried out its "Operation Alba" and withdrew in August 1997. Several international organizations have since provided assistance in weapons collection, police training, and customs controls.

Through mediation efforts by the Organization for Security and Cooperation in Europe (OSCE), President Berisha agreed to appoint a broad-based interim government under Prime Minister Bashkim Fino and to hold early elections in June 1997. The Democratic Party lost badly to the Socialist Party, which won 121 of 155 seats in parliament. Fatos Nano again became Prime Minister and the parliament elected Rexhep Mejdani to replace Berisha as President.

Relations between the two largest parties have remained extremely contentious. In mid-September 1998, prominent Democratic Party member Azem Hajdari was assassinated. The Democratic Party blamed the government and led violent demonstrations

### Albania at a Glance

*Area:* 28,749 sq. km.; slightly smaller than Maryland

*Population:* 3.36 million (1999 estimate)

*Ethnic Groups:* Albanians 95%, Greeks 3% (official estimate), others 2% (Vlachs, Roma, Serbs, Bulgarians) (1989 estimate)

*GDP/capita:* \$1,030 (1999 estimate)

#### Leadership

*President:* Rexhep Mejdani

*Prime Minister:* Ilir Meta

*Last elections:* June 1997 (parliamentary)

*Next elections:* June 2001

Sources: *Europa World Yearbook*; *Financial Times Survey* (2/23/00)

in Tirana. Prime Minister Nano resigned after failing to secure a cabinet reshuffle at the end of the month; shortly thereafter, Pandeli Majko succeeded Nano. Majko quickly achieved passage by referendum of a new constitution, which came into force on November 28. Majko also began to make overtures to the Democratic Party, seeking an end to the Democratic Party's boycott of parliament. The Democratic Party eventually returned to parliament in July 1999.

In October 1999, after losing an internal party vote for the chair of the Socialist Party to former party leader Fatos Nano, Prime Minister Majko resigned from office. However, Nano did not seek the premiership and instead promoted Socialist Party member Ilir Meta, an economist, to become the third Socialist Prime Minister since the 1997 elections. Meta retained most of the Majko cabinet. At the party congress of the Democratic Party one month earlier, Berisha retained his leadership position despite a brief challenge from a younger party leader. With the "old guard" still at the helm of both parties, analysts predict no breakthrough in political tensions between the Socialists and the Democratic Party. The Democratic Party has pressed for early general elections, although their scheduled date is within one year (June 2001). Local elections are to be held in September or October 2000.

**Human Rights:** Albania's human rights record deteriorated sharply in 1997 as a result of the civil unrest and anti-government uprisings. Up to 2,000 persons, both civilians and police, were killed by the middle of that year, and random killings and injuries continued for months afterward. The U.S. Department of State's annual Reports on Human Rights Practices have noted improvements since the end of that crisis. The 1999 report noted continued problems with police harassment and abusive treatment of prisoners, politically-motivated violent crime, and lapses by the police in addressing criminal situations. An inefficient and corrupt judicial system, corruption, and the general lack of law and order also remain problematic.

**Economy:** Europe's poorest country, Albania has seen dramatic economic swings since 1989. In 1990-1991, grim economic prospects, extremely high unemployment, and food shortages prompted mass exodus attempts, especially by Albania's younger population. Large, inefficient industries were abandoned, and collectivized farms were swiftly dismantled and privatized. Albania's galloping growth rates in the mid-1990s surpassed most expectations, but the country's economic recovery proved to be deceptive and susceptible to corruption. The 1997 pyramid scheme collapse and ensuing crisis brought the economy to a virtual standstill. GDP declined by an estimated 7% in 1997. The new government that took office in mid-1997 worked quickly, with assistance from international financial institutions, to stabilize the economy and resume structural reforms, especially privatization, and banking and administrative reform. Pyramid investment schemes were banned and their assets auctioned. Economic growth has rebounded, with 8% GDP growth recorded in 1998 and 1999, under a stable macroeconomic environment. The Kosovo refugee crisis in 1999 presented an enormous economic burden on the Albanian economy, but was largely offset by the massive inflow of international humanitarian aid. Very low foreign investment levels, poor infrastructure, and corruption continue to challenge economic recovery.

## Foreign Policy

**Kosovo and Neighboring States:** Albania's population, totaling about 3.2 million people, is largely ethnic Albanian.<sup>2</sup> Large numbers of ethnic Albanians live outside the country, especially in Kosovo (in Serbia), the Former Yugoslav Republic of Macedonia, and Montenegro. In Kosovo, ethnic Albanians comprised about 90% of the province of nearly 2 million. When violent conflict began in Kosovo in March 1998, many observers feared that Albania would become dragged into the conflict.<sup>3</sup> Many Albanians support the Kosovar Albanians' quest for independence. Some observers fear that independence for Kosovo could lead to its eventual annexation with Albania. They speculate that a "Greater Albania" might also incorporate territories in neighboring Montenegro and Macedonia. Publicly, the Socialist Albanian government has rejected the notion of a Greater Albania.

During the Kosovo conflict, Albania bore the brunt of the refugee flow from Kosovo. By the end of NATO's *Allied Force* air campaign against Yugoslavia in June 1999, Albania had received over 440,000 Kosovar refugees. The Majko government appealed to all Albanians to accept and support the refugees, a posture widely applauded abroad. Shortly after the Yugoslav Army withdrew from Kosovo and NATO began to deploy the Kosovo peacekeeping force (KFOR), droves of Kosovar refugees began to make their way back to Kosovo. Only a few thousand refugees currently remain in Albania.

Albania's relations with its other neighboring states have also been problematic, but to a much lesser extent. Ethnic Albanians comprise over 20% of the population in the neighboring Former Yugoslav Republic of Macedonia, mainly in the western part of the country adjacent to Albania. The Albanian population there maintains grievances with the Slav Macedonian majority, although its parties participate in government and parliament. Ethnic Greeks comprise the largest minority in Albania, although their number is disputed between Albanian and Greek organizations. Relations with Greece had been strained by the treatment of the Greek minority in southern Albania, Albanian fears of irredentist Greek claims to southern Albania, the intermittent expulsion of migrant Albanian workers from Greece, and occasional border skirmishes. After reaching the lowest point in 1993 and 1994, relations between Albania and Greece began to improve in 1995. Greek President Kostas Stephanopoulos visited Tirana on March 21-22, 1996, and signed a bilateral friendship treaty, marking a new beginning in bilateral cooperation.

**European Integration:** After many years of nearly total isolation, Albania made significant strides in establishing and improving relations with other countries early in this decade. Albania seeks eventual membership in NATO as well as the European Union. Albania joined NATO's Partnership for Peace program in February 1994 and signed its Individual Partnership Program on January 25, 1995. In June 1998, NATO opened a Partnership for Peace training cell in Tirana. In October, the Albanian government offered NATO use of its air space, air bases, and ports for NATO operations. In response to the refugee crisis that erupted in March 1999, NATO increased efforts to assist humanitarian

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<sup>2</sup>Among Albanians there are two sub-groups: the Gegs, based in the northern half of the country and in Kosovo (in Serbia), and the Tosks, who live in the south.

<sup>3</sup>For more on the situation in Kosovo, see CRS Issue Brief IB98041, *Kosovo and U.S. Policy*.

operations in Albania and Macedonia. NATO also deployed the U.S. Task Force Hawk in northern Albania to prepare for possible helicopter attacks in Kosovo. NATO assured Albania that it would respond to any security challenge resulting from the presence of several thousand NATO troops in Albania. Albania was likely to become the primary staging area for any NATO ground invasion of Yugoslavia. Now engaged in peacekeeping in Kosovo, NATO maintains a KFOR supporting force of under 2,000 troops in Albania. In May 2000, Albania and eight other NATO aspirant countries called upon NATO to invite all of them to join the alliance at the next NATO summit in 2002.

During the 1997 insurgency, the Albanian army disintegrated as many conscripts abandoned the army and joined rebel forces. Since the departure of the Multinational Force in August 1997, the reconstruction of the armed forces and police has been a priority of the Socialist government.<sup>4</sup> Armed forces restructuring is being designed and carried out with NATO guidance and with the aim of improving interoperability with NATO forces.

Albania has established institutional links with the European Union, although not at the same level as other east central European countries. In June 1999, the European Union launched a Stability Pact for southeastern Europe to promote stability and prosperity in the region. Forty countries and international institutions are participating in the initiative. As part of the strategy, the EU has offered to establish Stabilization and Association Agreements with the so-called front-line states of Albania, Bosnia, Croatia, Macedonia, and Yugoslavia. Negotiations on an SAA with Albania may commence before the end of 2000; however, EU officials have said that Albania still needed to implement further reforms and strengthen law and order.

After the 1997 insurgency, the international community became more closely engaged in efforts to stabilize Albania. In 1997, international donor conferences raised \$600 million in aid to Albania. At a follow-up conference on October 30, 1998, in Tirana, donors urged the Albanian government to do more to restore law and order, restore political dialogue among parties, reform public administration, and fight corruption and smuggling in order to establish a receptive climate for business and investment. The EU and the Organization for Security and Cooperation in Europe (OSCE) have since co-chaired an international "Friends of Albania" forum of donor countries intended to assist Albanian reforms and coordinate international aid programs. At the July 1999 meeting, Friends of Albania countries paid tribute to Albania's response to the Kosovo refugee crisis.

In the wake of the 1997 crisis, occasional press articles have revealed that numerous radical Islamic elements had established networks in Albania. Alleged terrorists, reportedly from Egypt, Algeria, Saudi Arabia, among other countries, had infiltrated Albania under the guise of religious foundation work and humanitarian assistance. In 1998, the Albanian government began a crackdown against suspected terrorist havens in Albania. Reportedly in coordination with the CIA, Albanian authorities arrested suspected Islamic associates of Osama bin Laden in June and July 1998.<sup>5</sup> The Albanian government, reportedly working with the CIA, has since extradited other alleged radical Islamic

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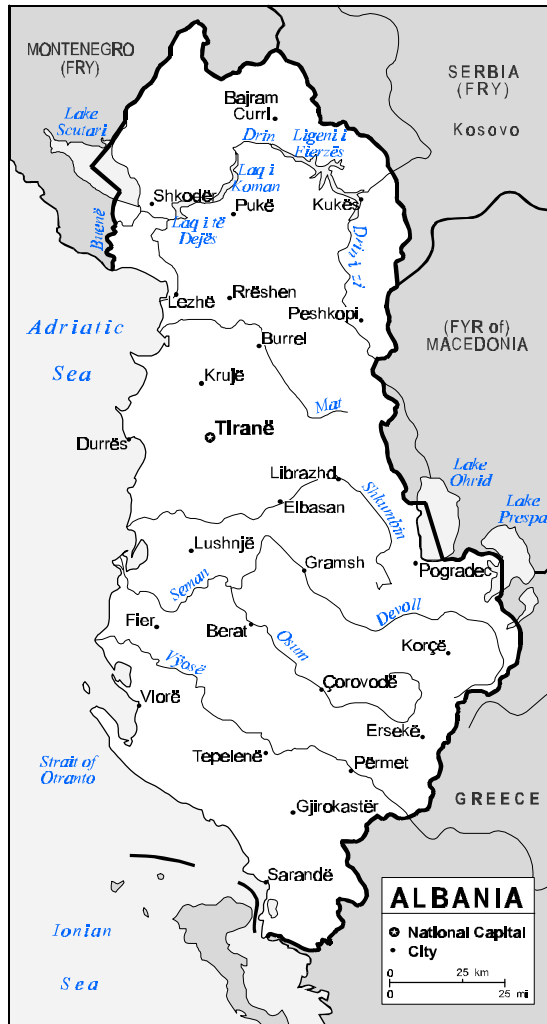
<sup>4</sup>In 1996, the strength of the Albanian armed forces was 54,000.

<sup>5</sup>*The Washington Post*, August 29, 1998.

militants to Egypt. For several years, Albania has also been a transit point for international drug trafficking.

## U.S.- Albanian Relations

Until 1991, Albania was one of the few countries in the world with which the United States maintained no diplomatic relations and virtually no contacts. Relations with Albania were formally reestablished in early 1991. After the 1992 Albanian national elections, the



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State Department expressed support for the Democratic Party-led government and president. In the ensuing years, however, the United States became increasingly critical of the anti-democratic practices of President Berisha and the Democratic Party government. After the June-July 1997 elections, the Administration welcomed the new Socialist government and called on all parties to work toward political reconciliation. In October 1998, the Administration warmly welcomed the appointment of Pandeli Majko as Prime Minister. It criticized the destructive practices of some other parties in Albania and specifically called on Sali Berisha's Democratic Party to renounce appeals to violence and instability. In November, the Administration commended Albania for the peaceful and sound conduct of the referendum on the new constitution.

Administration officials met with Prime Minister Majko in Washington in February 1999 and with President Mejdani in April, prior to the NATO 50<sup>th</sup> anniversary summit. The Administration does not support formal independence for Kosovo or the concept of a greater Albania. A few hundred U.S. troops are stationed in Albania in a supporting

function to NATO's Kosovo Force (KFOR). A U.S.-Albanian defense working group resumed contacts in May 2000 after a three-year hiatus. Since 1990, the United States has provided over \$200 million in bilateral assistance to support Albania's economic and political transition and development. During her first visit to Albania in February 2000, Secretary of State Albright expressed thanks to the Albanian people for their support to NATO during the Kosovo war and pledged U.S. support for Albania's transition. She warned, however, that the United States did not support a "Greater Albania" and that any attempt to expand territorial boundaries would be an invitation to violence.

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