

THE IMPACT OF RAILWAY (CORRIDOR VIII AND THE LINE ALBANIA-MONTENEGRO) ON THE AGRIBUSINESS DEVELOPMENT IN ALBANIA

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Abstract

In this study we aimed to establish the relationship between transport and the economy. The aim is to examine a possible relationship of dependency on agribusiness development in Albanian rail. The role and importance of transport in economic growth has been treated previously by scholars of literature. Albania is one of the countries that has signed the CEFTA free trade agreement in 2006 with Eastern European countries. On the other hand, our country is part of the construction of Corridor VIII Pan-European rail and has an existing line with Montenegro in the late 80s. Membership of Albania and the European Union candidate country for EU membership aspirations hatch rail network development road obligation to meet the European standards for the liberalization of markets and borders. In a medium-term future, the railroad could serve as an important means of integration of the Albanian agribusiness in Europe and beyond. For this study are limited in the case of Albania. Were used official data from the Ministry of Agriculture, Food and Consumer Protection, Albanian Railways, Ministry of Transport and Public Works, Publications of the World Railway, INSTAT to create a clear view of agriculture in our country and the possibility of growth of the economic future through the development of Corridor VIII railway in Eastern European countries and approaching Corridor V (Ploce - Croatia) through connectivity to Montenegro

Keywords: agribusiness, railway transport, Corridor VIII, CEFTA, international lines, agricultural products, agribusiness development, transport of agricultural products, farming, railroads,

1. Introduction

Transportation plays an important role in the economy of the country as well as in their social life. Trade relationship that enables transportation through its tools enable the generation of goods and various community involvement in events and issues of life. Industrial companies can transport their products in different geographical locations thus increasing their profits. Farmers can transport their products in a short time enabling the generation of profits and strengthen their positions[1, 2, 9]. On the other hand, transport infrastructure gives citizens access to have opportunities for better jobs. Urban areas are favored by different transport networks and therefore are more developed. In rural areas, where transport infrastructure is less developed than in the cities, economic and social situation of the population needs a lot of progress to be done. An important means of transport that can promote economic and social development of rural areas in Albania is the railway. In this paper we present an overview of agribusiness in our country and the positive impact that can play rail transport in promoting business and social life in the villages[7,8,9,10].

The purpose of this study is the identification of the impact of rail transport in rural areas in Albania's economic growth and identification of Corridor VIII rail and rail network with Montenegro as important tools of the future for the development of agriculture in our country.

2. General overview

Albania is a country with a population of 54% rural, spread over 12 districts, 65 municipalities, 308 communes and 2982 villages. About 71% of the rural population is employed in the agricultural section, as the only way for living. In our country, agriculture currently works in the form of inefficient small farms, comparing with the cooperatives during the totalitarian period[10]. Although in recent years has increased awareness of farmers to work and have as many products, still markets are poor in terms of domestic production. Trade of goods produced in the country is not developed for various reasons. Natural environment in Albania is still virgin and unused, which creates a potential source of income, if used properly. Rural communities have the opportunity and environmental access to develop agriculture, orchards, livestock and the agricultural tourism. Rural

development in Albania enables sustainable growth of farm income, good management of human resources and creating new employment opportunities. About 76% of the land in Albania is non-agricultural, while 24% of agricultural land is arable. Meanwhile, 43% of rural income comes from agricultural products and 57% from livestock. The most affected families out of poverty are those that have agriculture as the only source of living[10].

One of the reasons for the backwardness (or regress) of rural areas is the fact that Albania lacks competitiveness in agriculture. Since the Albanian farmers have no opportunity to commit the foreign agricultural products and livestock they reduce prices from the domestic products. Most agricultural products serve to cover the daily needs of households. Main products of the Albanian market are cereals, potatoes, beans and vegetables in general. According to official sources of the Ministry of Agriculture, Food and Consumer Protection, in recent years there has been a tendency of increasing the area sown with greenhouse vegetables, forage, potatoes, fruit trees and mostly olive trees. The government has encouraged the planting of olive trees, by subsidizing the purchase and planting new roots of these plants. On the other hand there is an increase number of livestock farms, which grow cattle, sheep, goats, pigs and poultry[15].

The economic development opportunities of rural are offered also from the signing of Free Trade Agreement, SAA and recently the signing of the agreement for Albania as a candidate country to the EU. These agreements extend the possibilities of increasing the export, such as fruits, olive oil, fish, some processed products, etc. The signed agreement CEFTA on the free trade, in 2006 among the Eastern European countries: Albania, Macedonia, Bulgaria, Moldova, Serbia and Kosovo, is a positive indicator for agribusiness development in our country[4].

Literature suggests that the direct impacts of infrastructure in the economy are a few, but the main ones focus on reducing production costs, the increase of product prices and encouraging investment. The reduce of the cost of production consists in the use of less expensive means of transport which in this case study is the railway. Through trains a larger agricultural volume and livestock products can be transported at a lower cost comparing with other vehicles[10]. On the other hand, the impact of infrastructure on the economy is also the raised prices of production, as it has been calculated that the

transport achieves up to 10-30% of the product value. Adding the cost of shipping, product price increases. The last effect, but no least important is attracting investment. A modern infrastructure enables attracting mainly foreign potential investors. Their investments at infrastructure countries make possible the opening of new businesses, increase employment, economic and social welfare for the residents of the community[2,7,8,9]. On the other hand, the final price of a product in the market depends on the price of transport, commodity of transportation, marketing and travel time[15].

Albanian farm products are generally sold in two ways:

- From farmers market in cities
- From wholesalers

It is meant that the largest profit for farmers is to sell their products in markets of the cities as well as door to door (milk and eggs), by personal customer orders. In these cases, it must be recognized that the role of infrastructure is inalienable, as in this way travel time is short, low cost and best price product goes to the customer. If agro-livestock goods are taken by a majority of retailers, in a second step, they will be sold in city markets with higher prices and will not be so fresh as in the beginning. But this way of direct selling is not supported by municipalities, as this kind of trade is considered illegal. Even in the cases it is permissible, the taxes that the municipality sets are high and farmers cannot afford those. Therefore, they choose to sell wholesale the products to large merchants. Thus, the farmers' demand for vehicles decreases[15].

3. Results and discussion

Rail transport and the services it can offer, improve farmers' links with the market, thus gaining time and transportation cost. Through increased employment opportunities and natural resources, quality and low cost transportation it makes possible the specialization of economies of scale. On the other hand it stimulates trade and production by helping to explore new markets, which increase competition and enable the efficient delivery of the product. The access given from the rail transport to agricultural economies creates markets for farmers by increasing the number of customers and thus increase demand for the agricultural products demand, thus increasing the level. So, rail transport and the opportunities it offers

are an important indicator for socio-economic development.

On December 19th, 2006 Albania signed the CEFTA agreement, along with Eastern European countries such as Serbia, Kosovo, Macedonia, Bosnia Herzegovina, Montenegro, Bulgaria and Moldova. Under this agreement, the respective countries can protect sensitive agricultural products and export categories with 0% customs tariff for industrial goods. For CEFTA's countries' goods our country requires a customs fee of 2% while protecting some commodities like chicken and beef, tomatoes, onions, carrots, potatoes, orange, decorative flowers, soft drinks, raw milk and wines. For the import of these products a fee of 15% is applied. On the other hand, it was decided that Albania can export goods such as cream, butter, canned vegetables, water, pasta with a quote 0%. For other goods will be applied customs duties, due to the sensitivity of the market for these goods. Associated with some types of fish such as trout, bass, sardine and anchovy will be applied customs tariff, which after 3 years will be mitigated at %. Other types of fish can be exported with a 0% fee [4]. Despite the signing of CEFTA agreement 6 years ago, exports of Albanian farmers have been mostly low. Those goods that have been exported by wholesalers, by large trailer trucks. In 2002, the first memorandum of cooperation was signed between Italy, Albania, Macedonia, Greece and Bulgaria for the construction of Corridor VIII of railway. The purpose of the building of this Corridor, is to provide access, connecting the Adriatic Sea and the Ionian Sea to the Black in the East. Corridor VIII starting in Italy, with Bari and Brindisi coastline related to the ports of Durres and Vlora.

A linkage from Durres relates to the capital, Tirana. Later, the railway line extends to Lin, a village in Pogradec. There is a distance of 2.8 km railway line missing which could enables Albania to connect with Macedonia, a member of CEFTA, passes in Sofia and ends in Plovdiv, branching out to the ports of Burgas and Varnas. Another branch deviates in Pleven and ends in Blaj. Another ramification of Pogradec relates to Greece, moving from Kapshtica border crossing point and goes in Kristallopigi [1,11,12,13,14,16]. As seen from the description, the Rail Corridor VIII includes three CEFTA member states, which favors in the future the Albanian farmers to export agricultural products at low prices by train.

A good option is the communication and connection with Turkey. This state is part of Corridor IV rail, a part of which passes in Plovdiv from Istanbul. It also has access of communication with the corridors IX and X Pan European railway. According to the project, a good part of the sections are already built, some need rehabilitation, but there is lack of sections for a distance of many kilometers. However, the length of the Corridor VIII from the port of Durres to Sofia is nearly 586 kilometers, reducing the distance, costs and timing of traffic compared to the road transport. According to some estimation, the timing of the transport of goods from the Adriatic Sea Black Sea lasts 4-5 days and it will be reduced to 1-2 days. Thus, the rail network is very suitable for the development of agricultural trade relations. This railway network is expected to create new jobs for the respective states, having a direct positive impact for new opportunities for economic growth among countries etc[11,12].

Table 1: The Situation of the Corridor VIII for Albania

Rail section	Length Km	Status	Investment Cost	Source	Implementation time (years)
Durres-Lin	136	Rehabilitation	50	Sudop Praha	6/7
Lin-Border of F.Y.R Macedonia	3	Missing	6	Albanian Transport Institute	6/7
Albanian Border-Struga	12	Missing	70	Louis Berger	6/7

Source: CORRIDOR VIII. Pre-feasibility study on the development of railway axes (2007). Final Report

The existing railway lines linking Albania with Montenegro is not less important than the Corridor VIII, for the development of agriculture and agribusiness in the country. Built in 1984, this was the first and only railway line of an international character up to the present days. The line is functional only for freight. It passes through Shkodra, in Bajze and ends

in Hani i Hotit, which connects to the line coming from Podgorica. In the totalitarian period, the freight trains were used to carry coal, copper, chromium, Concrete, sunflower, cotton, flour, oil, fuel, building panels, wood etc.. This line worked even after the dissolution of the former Yugoslavia. In 1997, the line was interrupted by the destruction in the Albanian

side, to rework in 2003[1,3, 5,6]. The line is depreciated to a large extent, but its rehabilitation would have significant effect on economic growth. Montenegro is one of the countries aspiring to the status of candidate country to the EU and CEFTA member. But Montenegro is a place where the mountain reliefs prevail. Agriculture is less developed and limited to the production of grapes and wines.

Table 2: Data for freight transport during the years

Transport	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Railway	000/tons	411.9	258.7	348.6	517.1	417.3	404.1	450	399.5	355.4	342.9	185.9
Railway	000/t/km	28157	19060	20945	31469	31755	25548	35569	52763	51680	45517	29464.2
Revenues	Mln/lek	221.6	164.1	171.3	268.1	271.2	190	266.4	329.4	312.7	283.4	183

Source: HSH

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