

Approfondimento n. 4/ March 2026

*Italian direct investments in Albania:
between enlargement diplomacy and EU convergence*

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Abstract

This paper examines Italian direct investments in Albania within the framework of the two countries’ “enlargement diplomacy.” Italy is Albania’s main trading partner and the fourth-largest source of foreign direct investment (FDI). Against this backdrop, we investigate the role of Italian investments in Albania’s EU accession process and assess whether Albania’s attractiveness as a business destination would change upon EU membership. The article argues that Albania’s EU integration would benefit all stakeholders, provided that it is pursued through a merit-based process. Italian investors would be able to rely on a more predictable market environment aligned with EU standards; Italy would gain a new ally within the EU, potentially contributing to a rebalancing of the North-South equilibrium; and Albania would enter the framework of Cohesion Policy as a net beneficiary. For these reasons, we recommend that Italy continue to support Albania’s integration process, while Albania further advances its convergence with EU standards – by keeping on addressing corruption and enhancing its legal and institutional framework –, also leveraging the opportunities offered by Italian direct investment and encouraging investments in sectors that need to be improved to gain the full membership. Italian investors, then, should target sectors such as energy, agri-food, infrastructures, and eco-sustainable tourism to generate a win-win outcome.

Introduction

This research aims to take stock of the Italian direct investments in Albania and to examine if the attractiveness as a business destination of Albania would be preserved if it joined the European Union (EU). In doing this, the paper analyses the tight economic and political relationship between Rome and Tirana. Italy has for long been Albania's main commercial partner both for imports and exports, and Italian investments in Albania account for more than 11% of Albanian total foreign direct investments (FDI). Italy is also the strongest advocate of Tirana in Brussels, representing an unusual relationship between a member state and a candidate country. Albania's accession is indeed one of the crucial factors that shape the relations between the two countries: for this reason, it can be defined as a form of "enlargement diplomacy".

More specifically, the underlying research questions of this paper are:

- How can this tight political and economic relationship foster Albania's EU journey?
- How would Albania's full membership affect Italian direct investments?

Italian investments seem a useful tool to investigate the relationship between the two countries, in a period in which Tirana appears to have concrete chances to be integrated into the EU before the end of the current European Commission's (hereinafter "the Commission") mandate, in 2029¹. Indeed, according to the latest "Enlargement Package"², the country reported an outstanding result in opening all the 33 chapters of negotiations in 13 months (October 2024–November 2025)³. However, scholarship acknowledges the importance of the political – and, lately, geopolitical – component in candidate countries' accession journey.

This script suggests that Italy shall keep supporting Albania's integration, within the framework of a merit-based EU enlargement process. On the one hand, the advantages of investing in Albania would outweigh the challenges if Albania joined the EU. On the other hand, Italy would rebalance the equilibrium between North and South in the geopolitics of the EU.

The relevance of this analysis lies in its contribution to the limited and fragmented literature addressing the Italo-Albanian political and economic relationship, despite its growing strategic importance; in particular, in literature, the Italian direct investments are not directly linked with Albania's EU accession process. Furthermore, Italy's sponsorship in Albania's accession bid seems a rare case of EU Member State (EUMS) advocating for a specific candidate State's integration; this dynamic seems underexplored, too, and thus interesting to study.

¹ EWB, 'Kos: Montenegro Could Join the EU 2028, Albania in 2029', *European Western Balkans*, 2025, <https://europeanwesternbalkans.com/2025/09/02/kos-montenegro-could-join-the-eu-2028-albania-in-2029/>.

² European Commission, *Albania Report 2025* (2025), https://enlargement.ec.europa.eu/albania-report-2025_en.

³ The New Union Post, *Albania Succeeded in Opening All EU Negotiating Chapters by 2025*, News, 17 November 2025, <https://newunionpost.eu/2025/11/17/albania-open-eu-accession-negotiations/>; Filippo Marinoni, *Public Opinion, Technical Advancements, and Enlargement Dynamics in the Western Balkan Six: A Comparative Analysis* (CeSPI, 2026), <https://www.cespi.it/en/eventi-attualita/focus-balceni/public-opinion-technical-advancements-and-enlargement-dynamics>; European Commission, *Albania Report 2025*.

The article starts by tracing the history of the Italo-Albanian economic relationship from 1991 to nowadays, focusing on the Italy-Albania commercial partnership and the Italian direct investments in Albania. Subsequently, the factors that explain Albania's attractiveness for Italian investors will be examined. Furthermore, the paper will investigate the "enlargement diplomacy" between the two countries, analysing their political relations and whether Italian investments could be useful for Albania's convergence towards EU standards. Finally, it will be offered an analysis on the challenges and the opportunities for Italian direct investments if Albania joins the EU. In the last section, recommendations will be put forward.

Italy-Albania economic relationship (1991-2025)

For the purpose of this analysis, only the period that follows the fall of Albania's Communist regime (which took place between 1991 and 1992) until nowadays will be taken into consideration. Albania entered the post-Cold War era as the poorest and most isolated country in Europe⁴, with a strong desire to orientate its politics towards the Western world. At the end of the Communist era, marked by Enver Hoxha's "ambitious autarky"⁵, Albania's economic and international relations were to be completely rebuilt. The immediate direction that the country took was the European one. Albania entered the European Community's (EC) PHARE program in June 1991. In the same year, Albania joined the Conference on Security and Cooperation in Europe (CSCE)⁶, the World Bank (WB), and the European Bank for Reconstruction and Development (EBRD). Albania's economic agreements had a very political role of adhesion to "the West". The distance with the former Communist bloc, with which Albania had already detached itself during Hoxha's rule, was noticeable; agreements with Russia and China were signed, but they were merely "symbolic"⁷.

Looking to the other shore of the Adriatic Sea, Italy has always been present in Albania's history and discourse. As Mai (2003) states: "Italy has been ambivalently and alternatively represented throughout the history of independent Albania as both Albania's intrusive invader and the provider of an articulation of 'Westernness'"⁸. Geographical and cultural proximities are two crucial factors in the relationship between the two countries, even more so from 1991 onwards. Italy's shore, and Bari in particular, was the destination of the ship Vlora, filled with some 20.000 Albanians, escaping their country in August 1991. That episode became the

⁴ Ailish M. Johnson, 'Albania's Relations with the EU: On the Road to Europe?', *Journal of Southern Europe and the Balkans* 3, no. 2 (2001): 171–92, <https://doi.org/10.1080/14613190120088538>.

⁵ Anders Åslund and Örjan Sjöberg, 'Privatisation and Transition to a Market Economy in Albania', *Communist Economies and Economic Transformation* 4, no. 1 (1992): 135–50, <https://doi.org/10.1080/14631379208427714>.

⁶ Transitioned into the permanent Organization for Security and Co-operation in Europe (OSCE) on January 1, 1995.

⁷ Johnson, 'Albania's Relations with the EU'.

⁸ Nicola Mai, 'The Cultural Construction of Italy in Albania and Vice Versa: Migration Dynamics, Strategies of Resistance and Politics of Mutual Self-Definition across Colonialism and Post-Colonialism', *Modern Italy* 8, no. 1 (2003): 78, <https://doi.org/10.1080/1353294032000074098>.

symbolic image of the post-communist mass exodus from Albania⁹. Right after, in September 1991, Italy deployed the military operation “Italfor Pellicano”¹⁰ to deliver humanitarian aid to Albanians; the mission lasted two years and was considered a success. As the second part of the 1990s was marked by two other crises in Albania (the 1997 pyramidal schemes crisis and 1999 Kosovar refugee crisis), Italy was present as a leading country in conducting the operations to deliver aid and support. Firstly, at the head of the UN mission “Alba operation”¹¹ (April-August 1997) and later with the national initiative “Missione Arcobaleno”¹² (April-June 1999). Besides these humanitarian unilateral interactions which connoted their relationship in the 1990s, then, the two countries immediately established the legal frameworks for their economic and financial relationship.

In particular, Albania’s relations with Italy in the field of investments were established with the Albania-Italy Bilateral Investment Treaty (BIT)¹³, signed in September 1991 and entered into force in January 1996. This agreement establishes a legal framework for the promotion and protection of mutual investments, providing guarantees such as fair and equitable treatment, protection against expropriation, free transfer of capital, and investor-state dispute settlement (ISDS). In 1994, the two countries signed the Double Taxation Convention (in force since 1999)¹⁴, which aims to eliminate double taxation and prevent fiscal evasion by allocating taxing rights and providing mechanisms for tax relief on income and capital. Other relevant agreements between the two countries were signed to give a comprehensive framework to their relationship, such as in the fields of Defence and Culture. For instance, Italy and Albania struck the Agreement on Cooperation in the Field of Defence¹⁵ (signed in 1995, entered into force in 1999) and the Agreement on Cultural Collaboration¹⁶ (signed in 1994, entered into force in 1999).

During the 2000s, the cooperation between the two governments continued in a more balanced fashion, and in 2010 the Strategic Partnership between the Italian Republic and the Republic

⁹ Russell King and Julie Vullnetari, *Migration and Development in Albania*, report (University of Sussex, 2003), https://sussex.figshare.com/articles/report/Migration_and_development_in_Albania/23318867/1.

¹⁰ For more information on the operation: <https://www.carabinieri.it/arma/arma-all'estero/proiezione-internazionale/vol-ii-1936---2001/parte-ii/1991---1993/in-albania>

¹¹ Esercito Italiano, ‘Albania - “Alba”’, Ministero Della Difesa, accessed 11 February 2026, <https://www.esercito.difesa.it/operazioni/operazioni-oltremare/albania-alba/93932.html>.

¹² ReliefWeb, ‘Italian Emergency Relief Assistance to the Kosovo Refugees’, *ReliefWeb*, 14 June 1999, <https://reliefweb.int/report/albania/italian-emergency-relief-assistance-kosovo-refugees>.

¹³ Ambasciata d’Italia a Tirana, ‘Accordo Tra Il Governo Della Repubblica Italiana Ed Il Governo Della Repubblica Di Albania Sulla Promozione e Protezione Degli Investimenti’, Ministero degli Affari Esteri e della Cooperazione, 1991, https://ambtirana.esteri.it/wp-content/uploads/2023/11/5bilalb050_2.pdf.

¹⁴ Ministero dell’Economia e delle Finanze, ‘Convenzione per Evitare Le Doppie Imposizioni in Materia Di Imposte Sul Reddito e Sul Patrimonio e per Prevenire Le Evasioni Fiscali’, 1994, <https://www.finanze.gov.it/it/Fiscalita-dellUnione-europea-e-internazionale/convenzioni-e-accordi/convenzioni-per-evitare-le-doppie-imposizioni/>.

¹⁵ Ambasciata d’Italia a Tirana, ‘Accordo Tra Il Governo Della Repubblica Italiana Ed Il Governo Della Repubblica Di Albania Sulla Cooperazione Nel Campo Della Difesa’, Ministero degli Affari Esteri e della Cooperazione, 1995, <https://ambtirana.esteri.it/wp-content/uploads/2023/11/5bilalb029.pdf>.

¹⁶ Ambasciata d’Italia a Tirana, ‘Accordo Di Collaborazione Culturale Tra La Repubblica Italiana e La Repubblica d’Albania’, Ministero degli Affari Esteri e della Cooperazione, 1994, https://ambtirana.esteri.it/wp-content/uploads/2023/11/38855_f_accordosullacollaborazioneculturaleitaliaalbaniate.pdf.

of Albania¹⁷ was established. Through this agreement, the two Republics built a comprehensive framework encompassing Italy's political and technical support for Albania's EU accession process, joint action on security and the fight against organised crime, the promotion of economic investment and energy cooperation, as well as sustained collaboration in cultural, scientific, and social fields. During the 2010s dozens of agreements were signed between the two parties, ranging from cultural to legal cooperation, to commercial and economic accords¹⁸.

Lately, between 2024 and 2025, Italy and Albania put in place the Agreement on Social Security¹⁹. This establishes the mutual recognition and totalisation of social security contributions, allowing workers to combine insurance periods accrued in both countries for the purpose of accessing pension benefits. In November 2025, then, in the occasion of the first intergovernmental meeting between Italy and Albania, the two countries signed 16 agreements, which range from healthcare and energy, to environment, security and defence industry, and migration²⁰.

Albania's business environment

The cornerstone of Albanian legislation governing the establishment and administration of commercial companies is Law No. 9901 of 14 April 2008, "On Traders and Commercial Companies". This law represents the culmination of nearly two decades of legislative reform aimed at constructing a modern market economy following the collapse of Albania's centrally planned economic system.

To fully appreciate why the adoption of this law constituted a turning point, it is essential to recognize that Albania's legal and economic development followed a fundamentally different trajectory from that of Italy with regard to free economic initiative. Under the communist regime prior to the 1990s, private commercial activity was strictly prohibited, and all economic activity was conducted exclusively through state-owned enterprises²¹. Following the collapse of the regime in 1991, Albania adopted its first company law permitting the establishment of

¹⁷ Ambasciata d'Italia a Tirana, 'Joint Declaration on the Establishment of a Strategic Partnership between the Italian Republic and the Republic of Albania', Ministero degli Affari Esteri e della Cooperazione, 2010, https://ambtirana.esteri.it/wp-content/uploads/2023/11/dich_partenariato1.pdf.

¹⁸ The list of the agreements between Italy and Albania is available at: <https://ambtirana.esteri.it/italia-e-albania/rapporti-politici/accordi/>

¹⁹ INPS, 'Sicurezza sociale internazionale: Accordo bilaterale con la Repubblica di Albania', *Sito ufficiale di INPS (Istituto Nazionale Previdenza Sociale)*, 2025, <https://www.inps.it/content/inps-site/it/it/dettaglio-approfondimento.schede-informative.sicurezza-sociale-internazionale-accordo-bilaterale-con-la-repubblica-di-albania.html>.

²⁰ EWB, 'Governments of Albania and Italy Sign 16 Agreements on Cooperation', *European Western Balkans*, 13 November 2025, <https://europeanwesternbalkans.com/2025/11/13/governments-of-albania-and-italy-sign-16-agreements-on-cooperation/>.

²¹ Bernd J. Fischer, *Albania at War 1939-1945* (Purdue University Press, 1999), <https://doi.org/10.2307/j.ctt9qh14k>.

private enterprises. However, this initial framework was rudimentary, fragmented, and lacked modern standards of corporate governance, shareholder protection, and transparency.

Against this background, the 2008 reform marked a comprehensive overhaul of Albania's corporate legal framework. Law No. 9901 repealed outdated provisions and introduced modern commercial law concepts, aligned with European Union company law directives and international best practices, particularly in relation to company formation, corporate governance structures, minority shareholder protection, and restructuring mechanisms. Since its adoption, the law has been amended several times in order to reflect evolving business practices and to further harmonize with the EU *acquis communautaire*, especially in the context of Albania's EU accession process. In substance, Albanian company law does not differ materially from that of EU member states, including Italy, with respect to the establishment and governance of commercial companies. The legal framework reflects internationally recognized standards by providing a fully market-oriented economic model, recognizing private enterprises as the primary economic actors, and offering a comprehensive range of company forms, including general partnerships, limited partnerships, limited liability companies (Shpk), joint-stock companies (Sha), as well as branches and representative offices of foreign entities.

Furthermore, the law establishes clear governance structures by defining the roles and responsibilities of administrators, boards of directors, and shareholders, while imposing transparency requirements through mandatory registration with the National Business Center (QKB) and public access to key company information. Administrative procedures for company registration, restructuring, and liquidation have been progressively streamlined, contributing to a more predictable and investor-friendly business environment. According to the European Commission and the World Bank, Albania has made sustained progress in aligning its business-related legislation with EU standards, although challenges remain with respect to enforcement and judicial efficiency²².

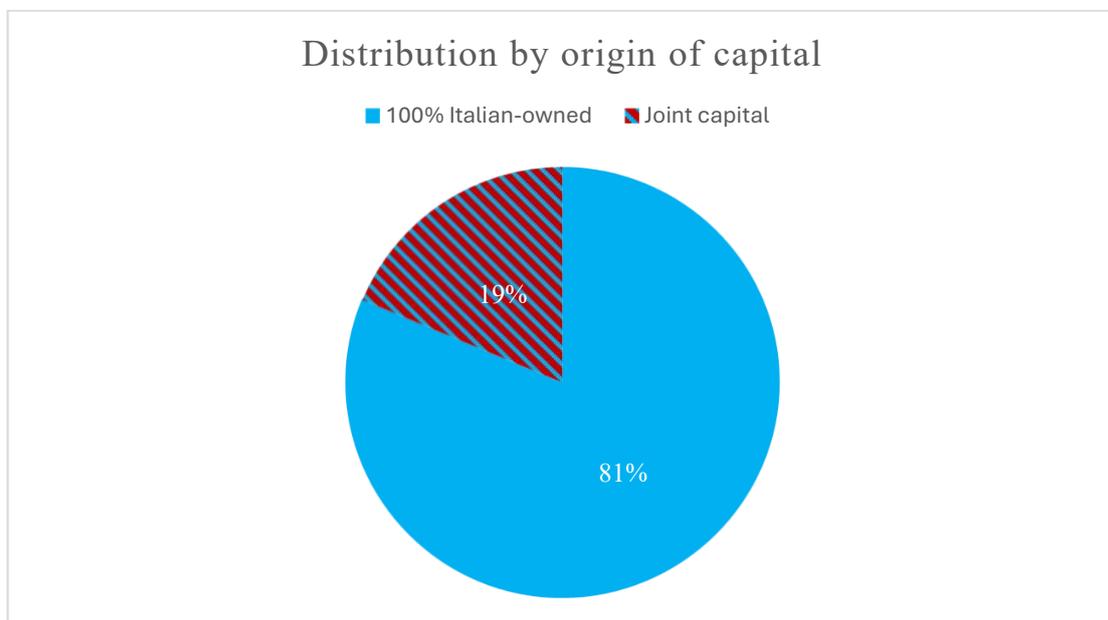
Albania's taxation framework constitutes a central element of its investment environment and plays a significant role in attracting foreign investors, including Italian companies. The country applies a flat corporate income tax rate (15%), and even lower in certain strategic sectors (e.g. energy at 5%). According to the International Monetary Fund and the Ministry of Finance and Economy, Albania's fiscal policy has increasingly emphasized predictability, digitalization of tax administration, and convergence with EU fiscal standards. Moreover, reforms such as electronic invoicing, enhanced VAT administration, and strengthened tax compliance mechanisms have contributed to reducing informality and improving revenue collection, although enforcement capacity continues to require further strengthening²³.

²² World Bank, *Republic of Albania – Improving Universal Access to High Standard Public Services through GovTech (P177845)*, Environmental and Social System Assessment Program for Result (P177845) (n.d.), <https://documents1.worldbank.org/curated/en/099735011302234399/pdf/P17784511a223f381e091142931936a16603a36fad6b.pdf>; European Commission, *Albania Report 2025*; European Commission, *Albania 2024 Report* (2024), https://neighbourhood-enlargement.ec.europa.eu/albania-report-2024_en.

²³ International Monetary Fund, *Albania: 2025 Article IV Consultation-Press Release; and Staff Report*, Country Report No. 2025/345 (IMF, 2025), <https://www.imf.org/en/publications/cr/issues/2025/12/23/albania-2025-article-iv-consultation-press-release-and-staff-report-572758>.

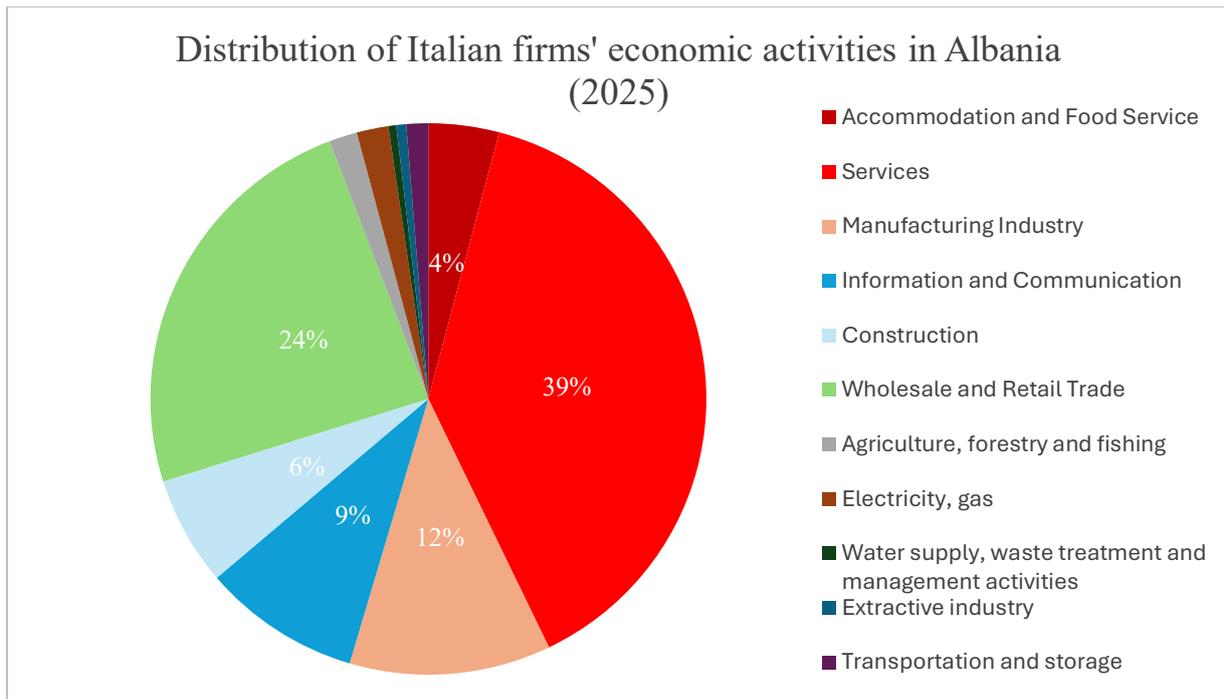
According to data from the National Business Center (QKB), as of January 2026 there are 4,165 active companies with Italian ownership operating in Albania. Of these, 3,386 are fully Italian-owned, while 779 operate with joint capital structures, confirming Italy’s position as Albania’s leading foreign economic partner. Concerning their geographical distribution, Italian companies are present across all twelve regions of the country, indicating a broad territorial footprint. However, activity remains concentrated in the Tirana Region, which hosts approximately 66.9% of Italian-owned enterprises. This concentration reflects structural factors such as access to infrastructure, administrative services, skilled labor, and logistics networks, as highlighted by analyses of the Albanian Institute of Statistics (INSTAT)²⁴.

Concerning the sectoral distribution of Italian-owned companies, we can notice a diversified economic presence (see Graph 2). The services sector represents the most significant area of activity, accounting for approximately 39% of Italian-owned enterprises. This includes professional services, call centers, business process outsourcing, and logistics-related activities. Wholesale and retail trade follows, representing 24% of companies, reflecting Albania’s role as both a consumer market and a distribution hub for the Western Balkans. Additional sectors of relevance include manufacturing – particularly textiles, footwear, and light industry – as well as construction and energy-related services. In many cases, Italian firms operate within integrated cross-border value chains, whereby production stages are located in Albania and final goods are marketed in Italy or other EU member states. This model has reinforced Albania’s role as a complementary production base within Italian and European supply chains.



Graph 1 – Percentage of fully-owned and joint capital Italian firms in Albania. Data retrieved from National Business Centre (QKB). Elaboration of the authors.

²⁴ INSTAT, *Labour Productivity in Albanian Enterprises – An Empirical Assessment with SBS Data*, No. 06 (Republic of Albania Institute of Statistics, 2023).



Graph 2 – Italian-held firms in the economic sectors. Data retrieved from National Business Centre (QKB). Elaboration of the authors.

Commercial relationship

Italy has consistently represented Albania's main trading partner over the past three decades, both in terms of exports and imports. Since the early 1990s, bilateral trade relations have evolved from basic exchanges of primary goods into a dense and structured commercial relationship, embedded within regional and European supply chains. As of December 2025, Italy is still the main commercial partner of Albania, both in terms of imports and exports. Precisely, imports from Italy accounts for 20,91%, while exports in Italy accounts for 41,94% of the total. Other important commercial partners are China and Turkey mainly concerning imports, and Kosovo and Greece concerning exports (see Graph 4).

Italy's predominance in Albania's trade structure reflects a combination of historical ties, geographic proximity, logistical connectivity, and economic complementarity. Albanian exports to Italy are largely concentrated in labor-intensive manufacturing and semi-processed goods, while Italian exports to Albania are dominated by machinery, intermediate goods, industrial inputs, and consumer products. This asymmetric but mutually reinforcing structure highlights Albania's role as a production and assembly platform, closely linked to Italian industrial networks. Italy's share of Albania's total trade significantly exceeds that of other EUMS, confirming its status not merely as a commercial partner, but as a structural anchor of Albania's external trade relations.

The bilateral trade between Italy and Albania is characterized by a high degree of sectoral concentration, reflecting long-standing patterns of specialization. On the export side, Albanian goods destined for Italy are primarily concentrated in:

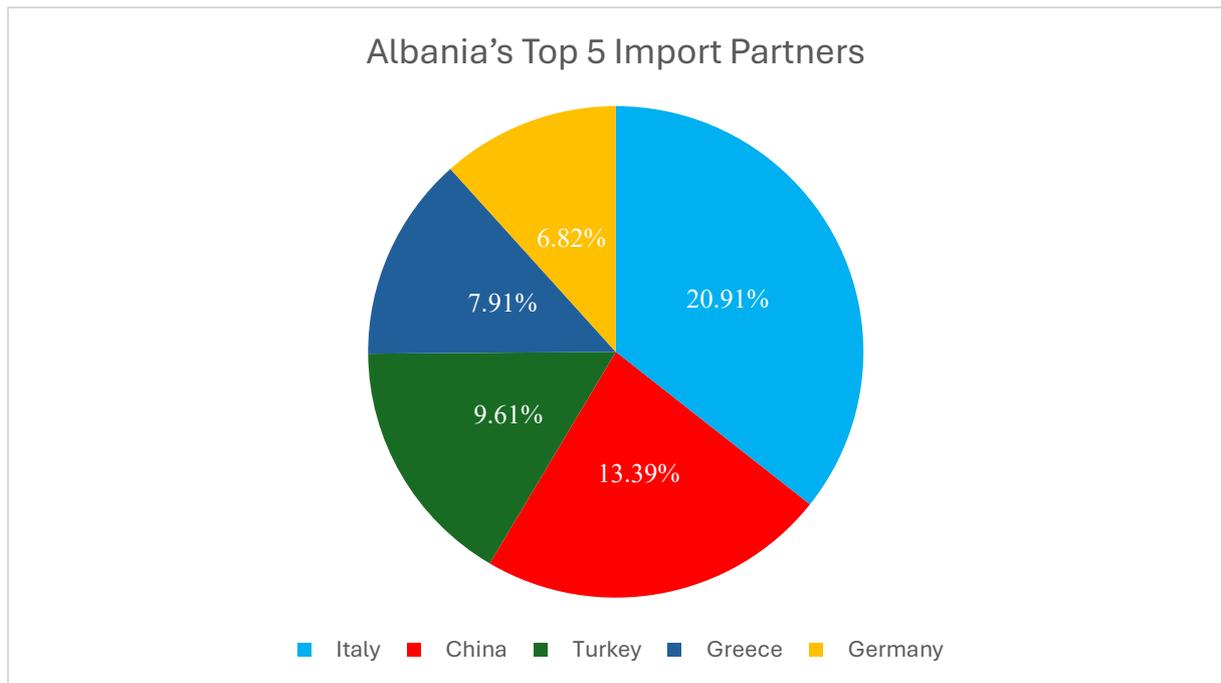
- textiles and footwear (inward processing and subcontracting)
- light manufacturing and semi-finished products
- selected agri-food products

These sectors are strongly integrated into Italian value chains, with Albanian firms often operating under subcontracting arrangements for Italian parent companies. This model allows Italian firms to maintain competitiveness within the EU market while leveraging Albania’s cost advantages and geographic proximity.

On the import side, Albania sources from Italy:

- machinery and industrial equipment
- construction materials
- chemicals and intermediate industrial inputs
- consumer goods and food products

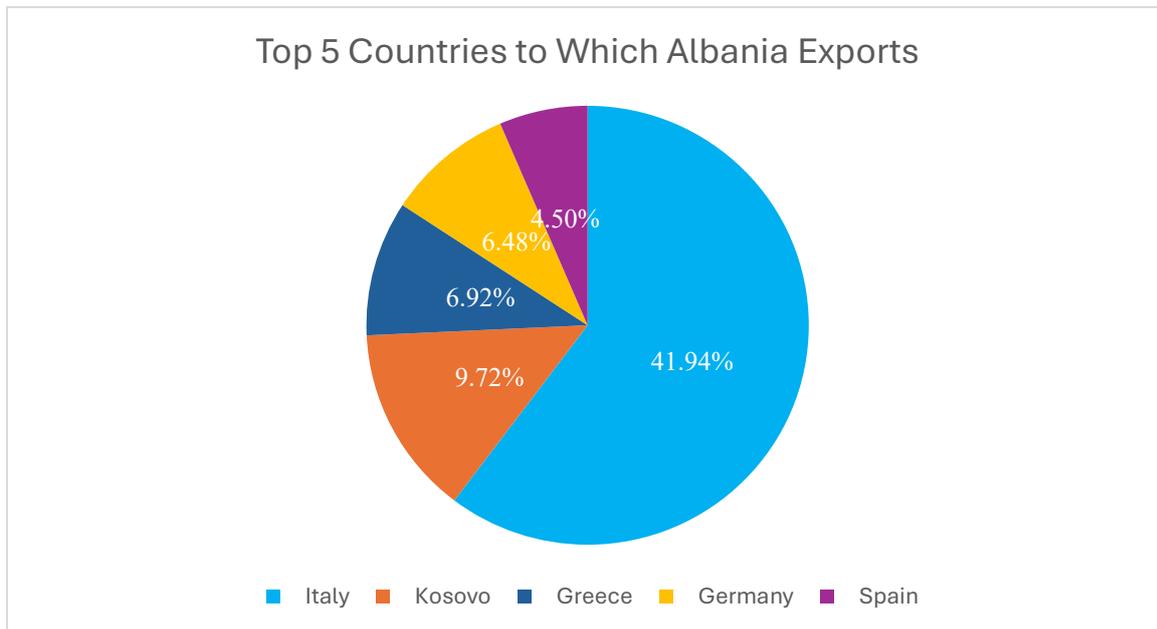
The structure of trade therefore reflects a vertical integration model, rather than a simple exchange of finished goods, reinforcing the interdependence between the two economies.



Graph 3 – Albania's main import partners. Data retrieved from INSTAT. Elaboration of the authors.

Italy’s central role in Albania’s trade structure has important strategic implications. For Albania, it means reliance on a stable and diversified partner which facilitates export growth, industrial upgrading, and access to EU markets. For Italy, Albania represents a nearby and flexible economic space supporting competitiveness in labour-intensive and time-sensitive production processes. However, this concentration also implies a degree of dependency,

underscoring the importance of further diversification and upgrading of Albania’s export base, particularly in higher value-added activities.



Graph 4 – Albania's main export destinations. Data retrieved from INSTAT. Elaboration of the authors

Italian FDI in Albania

Italian FDI in Albania constitutes one of the most significant and enduring components of total inward FDI. Italy ranks consistently among the top foreign investors, both in terms of number of enterprises and cumulative investment stock. As data from Bank of Albania show, Italy has reached €1.84 billions of direct investment in Albania in the QIII of 2025 (see Graph 5). This is the highest amount ever reached and it is in continuous and consistent rise in absolute terms since 2014. Relatively, it is declining, and it now accounts for 11.11% of total FDI in the country. According to these data, Italian investors are the fourth investors in Albania, following The Netherlands (16,17%), Switzerland (14,10%), and Canada (12,27%). The fifth nationality investor in Albania is the Turkish (8,17%) (see Graph 6).

The Italian investment presence is distinguished by:

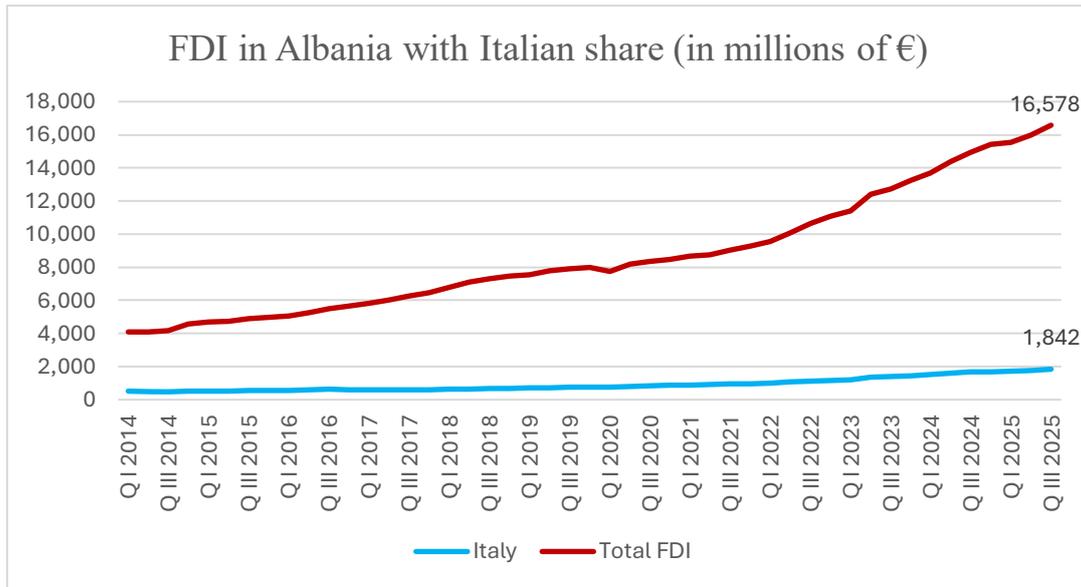
- a large number of small and medium-sized enterprises (SMEs)
- geographic concentration in urban and industrial hubs
- long-term operational continuity rather than short-term capital inflows

This profile differentiates Italian investment from that of other foreign actors whose presence may be concentrated in capital-intensive or extractive sectors. Italian investments are spread across several key sectors (see *supra*, Graph 2), with notable concentration in:

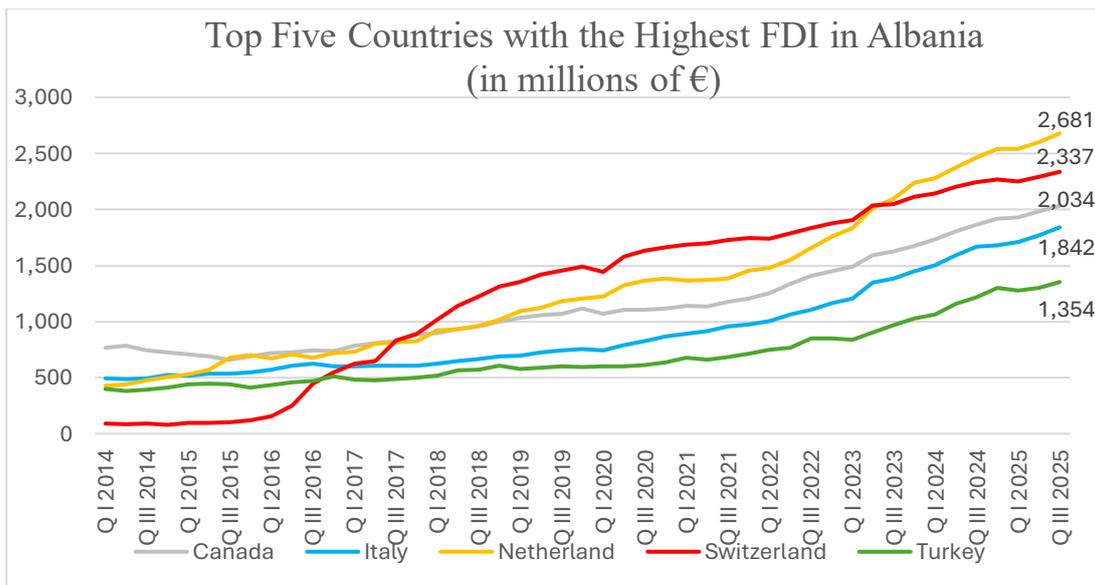
- services (including business services, logistics, and outsourcing)
- wholesale and retail trade
- manufacturing, particularly textiles, footwear, and light industry

- construction and related services

The predominance of the services sector reflects structural changes in both economies and the increasing relevance of service-based cross-border business models. Meanwhile, manufacturing investments remain strategically important due to their role in employment generation and export capacity. Importantly, many Italian manufacturing investments operate within integrated cross-border production chains, where Albania serves as a complementary production base rather than a standalone market.



Graph 5 – Foreign Direct Investment (FDI) in Albania (2014-2025). Data retrieved from Bank of Albania. Elaboration of the authors



Graph 6 – Share of Foreign Direct Investment (FDI) in Albania from the top five countries. Data retrieved from Bank of Albania. Elaboration of the authors.

Interestingly, a defining feature of Italian investments in Albania is the high incidence of joint ownership structures, often involving Albanian partners. This model enhances local embeddedness, facilitates navigation of the domestic regulatory environment, and supports knowledge transfer. The coexistence of fully Italian-owned enterprises and joint ventures suggests a mature investment ecosystem, in which Italian firms adapt their strategies according to sectoral needs, scale, and risk considerations.

The sustained number of new Italian-linked business registrations over recent years – despite external shocks such as the COVID-19 pandemic – indicates a high degree of resilience and confidence in Albania’s investment environment. At the same time, the presence of suspended, liquidated, or deregistered entities reflects normal processes of market adjustment rather than systemic weakness. Low levels of formal bankruptcy suggest that exits are primarily driven by strategic restructuring, consolidation, or inactivity.

The evolution of business registrations over the period 2020–2025 provides valuable insight into investor confidence and resilience, particularly in light of the economic disruptions caused by the COVID-19 pandemic and broader global uncertainties. During this period, the number of newly registered entities with at least one Italian shareholder was as follows:

- 425 registrations in 2020
- 696 registrations in 2021
- 713 registrations in 2022
- 575 registrations in 2023
- 567 registrations in 2024
- 646 registrations in 2025

The upward trend observed in the post-pandemic years, particularly in 2021 and 2022, suggests a rapid recovery of investment activity and sustained confidence in Albania as an investment destination. The continued high level of registrations through 2025 indicates structural interest rather than short-term or speculative engagement.

In addition to active enterprises, the data also reveal important dynamics related to firm suspension, liquidation, and exit from the market. A total of:

- 2,530 entities are registered with suspended status
- 371 entities are undergoing liquidation procedures
- 2 entities are in formal bankruptcy proceedings
- 2 entities are registered as bankrupt
- 9 entities have been deregistered without liquidation
- 669 entities have been deregistered for which no detailed information is available regarding the reasons for closure.

While these figures may appear significant in absolute terms, they are consistent with normal business demography in an open market economy and should be interpreted as part of an ongoing process of market selection and restructuring. Importantly, the relatively low number of formal bankruptcies suggests that market exits are more frequently driven by strategic reorganization, inactivity, or consolidation rather than systemic financial distress.

Taken together, these data point to a mature and diversified Italian economic presence in Albania. The combination of high numbers of active enterprises, sustained new registrations over time, significant turnover levels among a subset of firms, and manageable exit dynamics indicates that Italian investments are structurally embedded rather than opportunistic.

From a policy perspective, this pattern underscores Italy's role not merely as a leading foreign investor, but as a long-term economic partner whose business community is deeply interwoven with Albania's domestic economy. From an investment standpoint, the data suggest that Albania continues to offer an attractive environment for Italian enterprises, particularly for SMEs seeking cost efficiency, regional market access, and integration into EU-oriented value chains.

Albania's factors of attractiveness for Italian investors

The volume of the exchanges between Italy and Albania and the Italian direct investments in Albania hint that, despite the latter's relatively small market, it remains quite appealing for Italian investors. The attractiveness of Albania for Italian investors has been investigated both at academic²⁵ and at governmental²⁶ level. There is wide consensus that Albania represents a good business environment for Italian direct investments. Overall, during the past years, the Albanian government aimed at attracting foreign investments through incentives such as: tax benefits, VAT exemptions, Special economic zones (SEZs) and industrial parks²⁷. The next paragraphs highlight the main advantages and the main sources of concern for Italian investors in Albania. Among the advantages:

1. Albania's appeal for Italian investment is first and foremost rooted in its proximity and in its strategic geographic position, being the country in front of the Italian Adriatic Coast (only 70 kilometres separate Apulia from the Karaburun Peninsula) and in close proximity to the markets of the Western Balkans. This location allows Italian firms to use Albania both as a production platform and as a logistical hub for South-eastern Europe, facilitating access to expanding markets and strengthening regional value chains. Still to be completed and fully functioning, the Pan-European Corridor VIII²⁸ would facilitate the connection to the region's markets for investors in Albania. The Corridor has been conceived as a set of infrastructures that connects the Adriatic Sea to the Black Sea, going from Apulian ports (Bari and Brindisi), through Albania and North Macedonia, to Bulgaria's coastal cities (Burgas and Varna).

²⁵ Denada Liça and Silvana Gashi, 'Attractiveness of Albania for Foreign Firms: An Analysis of Opportunities and Challenges', *Interdisciplinary Journal of Research and Development* 11, no. 1 (2024): 168, <https://doi.org/10.56345/ijrdv11n124>.

²⁶ Ambasciata d'Italia a Tirana, 'Fare affari in Albania', Ministero degli Affari Esteri e della Cooperazione, accessed 6 February 2026, <https://ambtirana.esteri.it/it/>.

²⁷ Liça and Gashi, 'Attractiveness of Albania for Foreign Firms'.

²⁸ Francesco Martino, 'Corridor 8, the Long and Winding Road', *Osservatorio Balcani Caucaso Transeuropa*, 29 May 2025, https://www.balcanicaucaso.org/en/cp_article/corridor-8-the-long-and-winding-road/.

2. The resilience of the Albanian economy in recent years and its growing macroeconomic stability further reinforce the country's appeal as a destination for foreign direct investment. Albanian GDP marked a steady rise in the last decade of about 3,5% per year²⁹.
3. The relatively low cost of labour, which translates into a competitive advantage for Italian firms. The minimum income for Albanian workers is about 520€ – raised by law in 2026³⁰ – and the average income is about 790€-800€ per month³¹. This aspect is especially relevant in labour-intensive sectors such as light manufacturing, agri-food, textiles, and selected services, where lower operating costs allow firms to maintain levels of competitiveness that would be difficult to sustain within the Italian domestic market.
4. The relatively favourable fiscal framework represents an additional incentive for Italian investment. A taxation system characterised by comparatively low rates; Albania has a 15% corporate tax rate which has remained stable during the years, thus proving the business environment predictable³².
5. A distinctive feature compared to other regional contexts is the widespread knowledge of the Italian language among the Albanian population, the result of long-standing historical, cultural, and migratory ties³³. The diffusion of Italian constitutes a form of soft infrastructure that lowers communication costs, accelerates decision-making processes, and facilitates human resource management for Italian companies.

Challenges for Italian investors

Net of these pull factors, there are several challenges that will need to be addressed in the medium to long term.

1. Corruption in the public sector, the judiciary, and public procurements, as well as lengthy court procedures are often cited among Albania's main hindrances for foreign investors³⁴. As a matter of fact, this creates an uncertain business environment.

²⁹ Liça and Gashi, 'Attractiveness of Albania for Foreign Firms'.

³⁰ Nen Si, 'Council of Ministers Approves Increase in the Minimum Wage', *Euronews Albania*, 19 December 2025, <https://euronews.al/en/council-of-ministers-approves-increase-in-the-minimum-wage/>.

³¹ Ambasciata d'Italia a Tirana, 'Fare affari in Albania'.

³² Paola Faben Oliveira, 'Albania Corporate Tax - Guide for International Expansion', *Wise*, 22 December 2025, <https://wise.com/gb/blog/albania-corporate-tax>.

³³ Marsela Musabelliu, 'Albania – Italy Relations: Some Mediterranean Waves of Good Partnership', *China-CEE Institute*, 2021, <https://china-cee.eu/2021/04/06/albania-external-relations-briefing-albania-italy-relations-some-mediterranean-waves-of-good-partnership/>.

³⁴ United States Department of State, *2025 Investment Climate Statements: Albania (2025)*, <https://www.state.gov/reports/2025-investment-climate-statements/albania/>; European Commission, *Albania Report 2025*.

However, Albania is trying to address this complex issue in the last years; indeed, despite persisting challenges, according to the Commission, “the Anti-Corruption Strategy for 2024-2030 has been adopted”, and the “Specialised Structure Against Organised Crime and Corruption (SPAK) further consolidated its positive results in fighting high-level corruption and made tangible progress towards a solid track record in the fight against corruption”³⁵.

2. The limited availability of skilled workforce, due to an acute form of brain drain that Albania has been going through³⁶, ever since 1991. A huge part of the population has indeed emigrated, and Albania’s diaspora is, proportionally to the size of the country’s population, among the biggest in the world³⁷. The last census, which took place in 2023, revealed a decrease of roughly 15% in the population, compared to the previous census, that took place in 2011, worryingly passing from roughly 2.9 million to 2.4 million³⁸.
3. Cost dynamics also warrant consideration. As Albania converges toward EU standards, wage levels and compliance costs are expected to rise gradually. While this may reduce cost advantages in the long term, it also reflects socioeconomic progress and market maturation. From an investor perspective, gradual cost convergence can be offset through productivity gains, process optimization, and a shift toward higher value-added activities.
4. One commonly cited constraint relates to institutional capacity and enforcement consistency. Although the legal framework is broadly aligned with EU standards, implementation and enforcement remain uneven in some areas, particularly with respect to judicial efficiency and administrative coordination. However, the Commission progress reports highlight ongoing reforms aimed at strengthening rule-of-law institutions, improving contract enforcement, and enhancing regulatory predictability for investors³⁹. For Italian firms with experience in operating across diverse regulatory environments, these challenges are generally manageable, especially when supported by local partnerships and professional advisory services.
5. Finally, Albania’s relatively small domestic market and other actors’ presence in it could be a source of concern. However, regarding its size, when Albania is approached as part of a regional and EU-oriented production and logistics network, as well as a Western Balkans hub, this limitation becomes less significant. While concerning other

³⁵ European Commission, *Albania Report 2025*, 5–6.

³⁶ Russell King and Ilir Gëdeshib, ‘New Trends in Potential Migration from Albania: The Migration Transition Postponed?’, *Migration and Development* 9, no. 2 (2020): 131–51, <https://doi.org/10.1080/21632324.2019.1608099>; Ilir Gëdeshi and Russell King, ‘The Albanian Scientific Diaspora: Can the Brain Drain Be Reversed?’, *Migration and Development* 10, no. 1 (2021): 19–41, <https://doi.org/10.1080/21632324.2019.1677072>.

³⁷ Katharina Buchholz, ‘The World’s Biggest Diasporas’, Big Data, *Forbes*, 2022, <https://www.forbes.com/sites/katharinabuchholz/2022/11/11/the-worlds-biggest-diasporas-infographic/>.

³⁸ Tirana Times, *Albania’s Population Shrank by 429,000, Census Results Show*, Main, 1 July 2024, <https://www.tiranatimes.com/albanias-population-shrank-by-429000-census-results-show/>.

³⁹ European Commission, *Albania Report 2025*.

countries' potential malign influence, which could try to derail Albania's EU journey or negatively impact Italian investments, China and Russia are not present in Albania. Turkey is an important commercial partner of Albania, but its presence in the country must not be seen as a threat for Italian investors, nor for Albania's potential integration into the EU, for the time being.

Italian “enlargement diplomacy” in Albania

In Albania there's a saying that goes “the way for Brussels passes through Rome”. The role of Italy as a partner and as a sponsor within the EU is crucial for Tirana. From the other perspective Albania's integration into the EU would be favourable to Italy. Therefore, EU enlargement is central in the two countries' relationship. This is why we call it “enlargement diplomacy”. And this dynamic represents a sort of exception to the usual relationship between EU countries and aspiring members, which is either neutral or conflictual. The relationship between EUMS and candidate countries is indeed “highly asymmetrical”⁴⁰; not least, because of the unanimity methodology needed to advance in candidate countries' accession. This mechanism often gives rise to bilateral disputes, which have been studied by scholarship⁴¹: North Macedonia is a paradigmatical case, having it faced a controversy with Greece (solved in 2018) and with Bulgaria (ongoing). This dynamic has blocked North Macedonia's advancements in EU negotiations, which are in a complete standstill more than 20 years after the country was granted the candidate status. On the other hand, not a lot has been said about EUMS that advocate for the integration of an applicant state. The partnership between Italy and Albania appears to be the most renowned case that belongs to this category.

Italy has always been a supporter of EU enlargement in the Western Balkans because of the economic and political benefits that Rome would obtain with a stable region, integrated into the EU. By advocating for the inclusion of the Western Balkans, Italy aims to rebalance the political equilibrium between North and South within the EU⁴². Albania and Serbia have traditionally been the privileged interlocutors for Italy. In recent years, however, Albania has taken on an increasingly prominent role, as demonstrated by the frequent formal and informal interactions between Italian PM Giorgia Meloni and Albania PM Edi Rama.

Since her election in October 2022, PM Meloni moved closer to Albania through the signing of several agreements. Firstly, the Italy-Albania Protocol on migration, signed in November

⁴⁰ Frank Schimmelfennig and Ulrich Sedelmeier, ‘Governance by Conditionality: EU Rule Transfer to the Candidate Countries of Central and Eastern Europe’, *Journal of European Public Policy* 11, no. 4 (2004): 661–79, <https://doi.org/10.1080/1350176042000248089>.

⁴¹ Erwan Fouéré, *EU Enlargement and the Resolution of Bilateral Disputes in the Western Balkans*, 10 July 2023, <https://www.ceps.eu/ceps-publications/eu-enlargement-and-the-resolution-of-bilateral-disputes-in-the-western-balkans/>.

⁴² Andrea Frontini and Davide Denti, ‘Italy and EU Enlargement to the Western Balkans: The Europeanization of National Interests?’, *Southeast European and Black Sea Studies* 17, no. 4 (2017): 571–89, <https://doi.org/10.1080/14683857.2017.1403153>.

2023 in which according to the two leaders, Albania is behaving like a member state⁴³. Importantly, this agreement has been widely criticised by NGOs and scholars, who have raised concerns about potential human rights violations and the unjustified public expenditure it entails, particularly from the Italian perspective⁴⁴. Subsequently, with the frequent meetings and personal diplomacy between PM Meloni and PM Rama. Lastly, through the signing of 16 agreements between the two countries in November 2025⁴⁵. In 2028, Italy will hold the presidency of the Council of the EU (“the Council”), and at that moment PM Rama hopes to receive a decisive push in Albania’s EU journey by PM Meloni⁴⁶.

On the EU side, a new enthusiasm⁴⁷ has been brought to the enlargement policy by Russia’s invasion of Ukraine. This, together with work and declarations of the new Commissioner Marta Kos made Western Balkan – and thus Albanian – integration more realistic in the eyes of many⁴⁸. This enthusiasm appears all but unwavering, as the two other attitudes that scholars have identified concerning EU enlargement in the last two decades – the “fatigue”⁴⁹ related to EU capacity absorption, and the “resistance”⁵⁰ related to EU internal upheavals and WB unwillingness to fully comply – are not fully overtaken. Therefore, both Italy and Albania are trying to exploit this momentum.

If Italian political support for Albania is clear, we also acknowledge that the Italian direct investments could help Albania at technical level to meet the criteria and fulfil the chapters of negotiations. If well directed, Italian investments can indeed be another tool to help Albania’s EU journey by fostering its economic convergence. Therefore, on the one hand, Albanian

⁴³ Governo Italiano, ‘President Meloni’s press statement with the Prime Minister of Albania’, 7 November 2023, <https://www.governo.it/it/node/24195>.

⁴⁴ ASGI, ‘Arbitrary Detention and Compromised Right of Defense: Serious Violations of EU Law in the Italy-Albania Protocol’, *Asgi*, 7 March 2025, <https://www.asgi.it/en/news/albania-italy-detention-migration/>; Amnesty International, ‘The Italy-Albania Agreement on Migration: Pushing Boundaries, Threatening Rights’, Amnesty International, 2024, <https://www.amnesty.org/en/documents/eur30/7587/2024/en/>; Sergio Carrera et al., *The 2023 Italy-Albania Protocol on Extraterritorial Migration Management - a Worst Practice in Migration and Asylum Policies* (CEPS, 2023), <https://www.ceps.eu/ceps-publications/the-2023-italy-albania-protocol-on-extraterritorial-migration-management/>; Milena Gabanelli, ‘Albania, Flop Dei Centri. Chi Sta Pagando Il Conto?’, *Corriere Della Sera*, 2025, <https://www.corriere.it/dataroom-milena-gabanelli/albania-flop-dei-centri-chi-sta-pagando-il-conto/6a70e50d-9e1b-448a-8491-f4182afc9xllk.shtml>.

⁴⁵ Presidenza del Consiglio dei Ministri, ‘Italia-Albania: Ministro Foti, vertice storico. Grazie a Meloni più cooperazione’, Dipartimento per gli Affari Europei, 13 November 2025, <https://www.affarieuropei.gov.it/it/ministro/comunicati-stampa/italia-albania-ministro-foti-vertice-storico/>.

⁴⁶ Albanian Government Council of Ministers, ‘Albania-Italy, Joint Press Conference of Prime Minister Edi Rama and the Prime Minister of Italy Giorgia Meloni’, *Kryeministria Republika e Shqipërisë*, 13 November 2025, <https://kryeministria.al/en/newsroom/shqiperi-itali-konference-e-perbashket-per-shtyp-e-kryeministrit-edi-ramadhe-kryeministres-italiane-giorgia-meloni/>.

⁴⁷ Matteo Bonomi and Irene Rusconi, ‘From EU “enlargement fatigue” to “enlargement enthusiasm”’, *Österreichische Gesellschaft für Europapolitik*, 5 October 2023, <https://www.oegfe.at/policy-briefs/from-eu-enlargement-fatigue-to-enlargement-enthusiasm/>.

⁴⁸ Marinoni, *Public Opinion, Technical Advancements, and Enlargement Dynamics in the Western Balkan Six: A Comparative Analysis*.

⁴⁹ John O’ Brennan, “‘On the Slow Train to Nowhere?’ The European Union, “Enlargement Fatigue” and the Western Balkans”, *European Foreign Affairs Review* 19, no. 2 (2014), <https://doi.org/10.54648/eerr2014011>.

⁵⁰ Spyros Economides, ‘From Fatigue to Resistance: EU Enlargement and the Western Balkans’, Monograph no. 17, The Dahrendorf Forum, 20 March 2020, <https://www.dahrendorf-forum.eu/dahrendorf-publications/>.

government should encourage investments in target sectors, such as: energy, agri-food processing, infrastructure development, and sustainable tourism.

On the one hand Italian companies can contribute to raising production standards in goods and services, thereby enhancing overall market competitiveness and fostering an upward convergence of quality benchmarks. Through the transfer of know-how, technology, and managerial practices aligned with EU standards, Italian investments can help level standards upwards, improving efficiency, compliance, and product quality across sectors while strengthening Albania's integration into European value chains. On the other hand, by incentivizing investments in specific sectors, Albania would proceed faster towards EU convergence. One of those sectors is the infrastructure sector, namely in the framework of Corridor VIII, which – once completed, at least in the Albanian trait – would be a strategic platform for regional cooperation, as well as a driver of economic development.

Opportunities and challenges for Italian investments if Albania joins the EU

With Albania progressing on its European journey faster than any other candidate country, it is fair to ask which benefits and challenges would appear for Italian investors, in case of Tirana's full membership into the EU.

Among the benefits we identify:

1. Access to the EU single market: Italian firms producing in Albania could circulate goods across the EU as if they were produced in any other Member State, reducing transaction costs, and simplifying supply chain management.
2. More guarantees of the respect of Rule of Law: Albania is required to deliver on its fundamental chapters for being integrated. As reforms on the judiciary sector and on the Rule of Law sector must be fulfilled before Albanian integration, this would produce an even more beneficial environment for Italian investors, once Tirana will be a full member. An integrated Albania would mean a stable and predictable environment with less legal uncertainty.
3. Access to Cohesion Policy: Albania would benefit from more funds from the EU, which could in turn produce investment opportunities in targeted sectors (such as energy and public services) and improve Albanian business environment. As Albanian market is relatively small and Italian investors are already well placed in it, this could lead to more investment opportunities.

Among the challenges we identify:

1. The expected rise in the cost of labour and operational costs, due to an increase in workforce salaries, stricter labour protections and full compliance with EU environmental and product standards.
2. New member states as competitors: Albania's entry into the EU would likely intensify competition, as investors from other EUMS could enter the market more easily,

reducing Italy's relative advantage derived from geographic proximity, linguistic familiarity, and long-standing bilateral ties. However, Italian position has been so stable and rooted for many years, that this is unlikely to produce a major threat to Italian investors in Albania.

Conclusion and policy recommendations

Overall, the advantages of investing in Albania – particularly for Italian enterprises – clearly outweigh the associated risks. The country combines geographic proximity, cost competitiveness, regulatory familiarity, cultural affinity, and growing regional connectivity in a manner that is difficult to replicate elsewhere in the region. While certain structural challenges remain, they are increasingly addressed through ongoing reforms and EU accession-driven convergence.

For Italian enterprises, Albania represents not a high-risk frontier market, but a manageable, reform-oriented investment environment, well suited to long-term strategic engagement. The risk profile is best characterized as transitional and declining, while the advantages – especially those linked to regional hub potential, EU integration, and first-mover positioning – remain tangible and durable.

Furthermore, benefits would remain also in case of Albania's accession into the EU; despite the increase in labour costs and tighter compliance needed, Albanian accession would permit Italian investors in Albania to immediately be on the EU single market, as well as to benefit from EU structural funds and, generally speaking, by the EU standards that Albania must attain before being integrated.

For these reasons we provide the following recommendations:

1. **Italian advocacy for Albania's EU integration shall continue**, in the framework of a merit-based EU enlargement, as this could prove beneficial for several stakeholders; firstly, for Albania itself, as it would reach the much-desired EU integration and participate in EU Cohesion Policy as a net beneficiary. Then for Italy, which would be acknowledged with a diplomatic success and that would have a new ally within the EU, thus starting rebalancing the political equilibrium North-South in the EU. Lastly, for Italian investors, who would find a more stable and legally certain environment where to pursue their business. **Italy shall also keep on encouraging investments in Albania**, particularly in those sectors (see recommendation 3.) that would help Tirana's converge towards EU standards and benefit Italy as well, such as the **infrastructures in the framework of the Corridor VIII**.
2. On its side, Albania shall keep on **adopting and implementing the reforms needed to fulfil the chapters of negotiation**, not least by exploiting Italian FDI and bilateral

trade with Italy, which will likely remain for long the main commercial partner. The revenue of FDI and trade should be directed to improving Albanian institutional, economic, and physical infrastructures, so to foster the convergence towards EU standards. **Investments** in targeted sectors **should be incentivized** (see recommendation 3.). Furthermore, **Albania shall keep on its fight against corruption** as well as **strengthening its legal and institutional framework in order to have a safer business environment**. Corruption must be tackled by keeping on implementing the Anti-Corruption Strategy for 2024-2030, while relevant state institutions should actively facilitate SPAK's work by proactively referring suspected cases within its competence. **The legal and institutional framework shall be improved by fully implementing EU legislation** and reinforcing the capacity of the authorities competent for business, including inspectorates, through targeted capacity-building measures and the full implementation of electronic traceability systems.

3. Italian investors should target sectors that would be convenient for them and for Albania's EU convergence, namely **energy** (particularly solar and wind), **agri-food processing, infrastructure development, and sustainable tourism**. Albania's target of reaching 45% domestic energy production by 2030, combined with a reduced 5% corporate tax rate for investments in this sector make this sector particularly attractive. In parallel, the necessity of a gradual alignment with EU standards in agriculture opens space for technological upgrading and value-chain integration in food processing. Finally, Italian investments should be devoted to **infrastructure projects, notably along Corridor VIII**, as well as to eco-sustainable tourism, in order to exploit generous fiscal incentives – including 10-year tax exemptions for 5-star resorts.

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