



ASSESSING TOURISM SERVICE TRADE BARRIER REMOVAL AND THE DYNAMICS ON INNOVATION: ALBANIA – EU

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Abstract

The introduction of the Services Directive in 2006 led to considerable reforms across Member States and Candidate States, reducing barriers to the provision of services in the single market. In this policy paper the main objective is to investigate and understand the impact that the removal of barriers towards trade in the tourism services in Albania has. Studies show that free trade on goods has been functioning reasonably well across EU, however, services differ due to the specificity of the nature. It sounds paradoxical in terms of Tourism, given that this industry relies on the freedom of people to move –in this regard, the free trade of tourism services appear to be easier. Tourism in Albania is a key economic sector which has considerable contribution on the country's GDP, employment, export and imports as well as trade and investment. Conducting an Analysis of the best practices in Member States and the implementation of the Action Plan, would help policy-makers collect more information on barriers removal on tourism trade, which will automatically provide more data for better decision making. Additionally the paper provides an analytical framework which will help policy makers better analyse all the variables and how they will change if barriers are removed.

Keywords: Trade barriers, Tourism, EU market, Services Directive



INTRODUCTION

Tourism is one of the main pillars of the Albanian economy that significantly impacts the socio-economic development. Travel and tourism contribution to its GDP, *(despite being in decline)*, has a total contribution of 17.4% in 2021 (World Travel & Tourism Council, 2022). In relation to analyzing barriers of services in this area, it is essential to conduct a comprehensive study of what the barriers embody and how they influence the socio-economic development of a country. Furthermore, there is a need to analyze national laws which balance the relations between different actors, mentioning here: public institutions and private entities, individuals, local or foreign entities who practice direct tourism.

The purpose of this study is to assess the impact the removal of barriers would have in tourism according to Directive 2006 / 123 / EC in Albania. The study opens with a context of tourism industry in Albania, its main role in the economy, the current challenges facing tourism, and which priorities the government set ahead in relation to the matter. Moreover, it analyses socio-economic factors and regulations influencing trade in tourism services. At this point, it is worth evaluating and emphasizing a difference between countries that are part of the *European Union* and *candidate countries*, regarding the impact of removing these barriers.

Throughout the third part of this study, we will focus on how developing a single market in tourism shaped countries' policies by adapting their laws and regulations according to the directive. Moreover, we look further for economic impact, including value-added in the economy, employment generation, and social cohesion.

The subsequent chapter analyses the advantages and disadvantages of barrier removal on the trade of tourism services. Conclusions are drawn from synthesizing studies and reports that have assessed the economic and social impact of the directive and the creation of a single market in time. Lastly, the final chapter analyses the implications of removing current barriers in relation with the regional integration agenda and describes a conceptual framework to measure the impact of such actions on trade in tourism services.

UNDERSTANDING BARRIERS IN TOURISM

The tourism sector is a significant source of income and employment for many economies (Ul Hassan et al., 2020). European Union countries have made efforts towards improving the freedom of fair trade in tourism. Albania as a candidate country has committed itself to align its national legislation with the EU *acquis* in the right of

establishment and the cross-border provision of services. For this to be achieved, several regulatory barriers need to be shed, carefully adapted or changed to align with the EU Services Directive.

Directive 2006/123/EC on services in the internal market has developed an inventory of barriers, preventing member states from providing services that are discriminatory for all the members. These similar barriers affect different sectors and activities which mainly derive from administrative burdens, legal uncertainty, and often from the lack of mutual trust between Member States, causing the prevention of services developed. To be part of the EU, single market candidate countries must adapt the regulations and legislation as per EU acquis in the area of the right of establishment and the cross-border provision of services. More specifically, this study will investigate the impact of key barriers of the tourism sector in Albania.

When studying barriers, it is crucial to have thorough awareness and a great understanding of the nature and economic meaning to better understand their impact and how they will affect the national economic development. Trade barriers are based on national laws and regulations, which means that deliberating about removing or changing those barriers may affect the country's legal and economic environment; that is why understanding domestic laws and regulations is imperative.

Generally, the barriers identified by the Treaty on the Functioning of the European Union (TFEU) require member states and candidates to adapt their policies by providing a non-discriminatory, business-friendly establishment regime for both foreign and domestic service providers, simplified procedures and formalities for starting and performing service activities, increased quality of service standards, establishment of a single economic space for the service providers to get information and additionally complete administrative formalities for accessing the market and exercise intended service activity (EU, 2012).

Despite of the principle of the EU Services Directive requiring barrier removal, in certain occasion's, barriers should be justified only if national measures are necessary to satisfy mandatory requirements or any of the interests listed in Article 36 TFEU and are proportionate to the legitimate objective pursued (Guide on Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU)). Among the main barriers to trade in tourism services in Albania identified as in the figure 1 on next page.

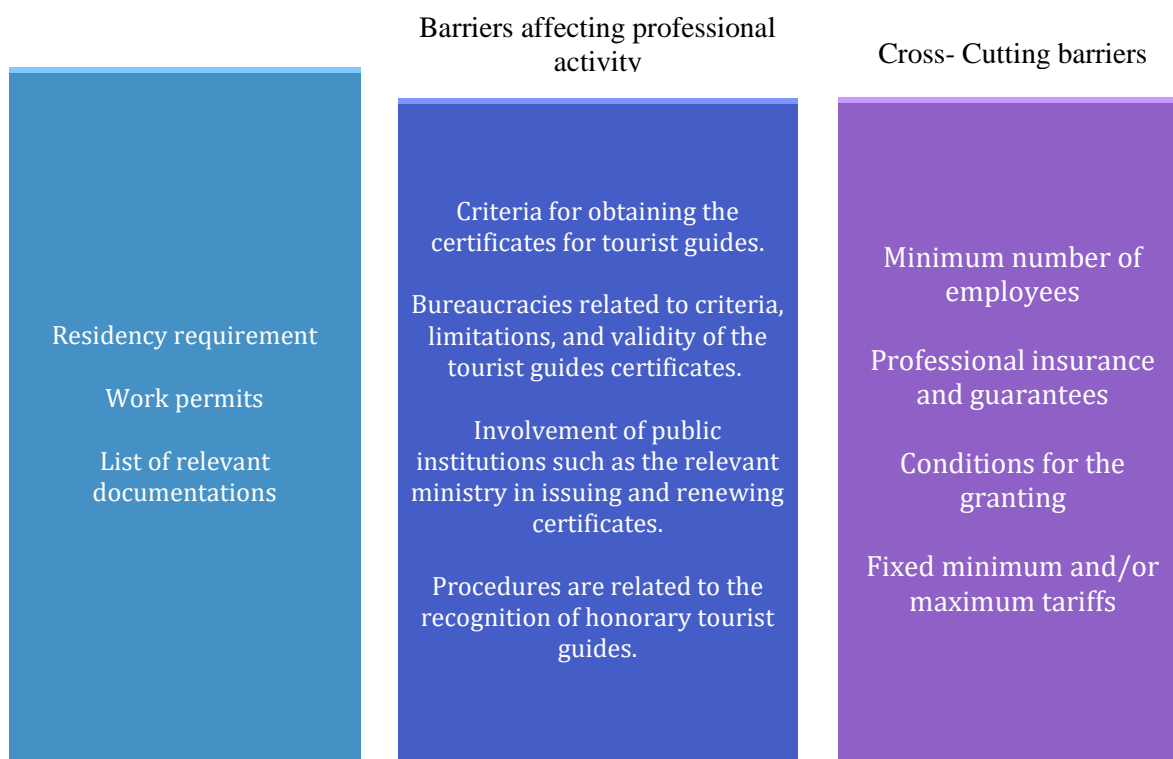


Figure 1 - The main barriers to trade in tourism services in Albania

In summary, the table below synthesizes the current laws and regulations which create barriers in the field of tourism according to different activities.

Table 1 - Barriers Identified and Suggested Measures (Author's review)

Industry Sector in which Barriers Occur	What needs to be completed
Tourist Guides	Adapt the articles that stand for: <ul style="list-style-type: none"> - Nationality of tourist guides providers (add EU or EEA MS nationals) - Criteria for obtaining and renewing the certificate as tourist guide - A limited authorization period of the validity of the certificate - The recognition of honorary tourist guide - Criteria and the conditions for partnerships - Entities offering the qualification programs (<i>can be licensed in the Republic of Albania or in EU or EEA MS nationals</i>) - Submission of relevant documentation for applying as Tourism Guide
Travel Agencies	Adapt the articles that stand for: <ul style="list-style-type: none"> - Minimum number of the employees - Procedure to apply and issue certificate - Limitation of the certificate validity

Table 1...

Tour Operators	Adapt the articles that stand for: - Recognition of a guarantee
Maritime Tourism	Adapt the articles that stand for: - Criteria and the conditions needed for provision of services - Recognition of a guarantee - Criteria and the conditions needed for the gaining the certificate of “diving leader”
Accommodation Structures	Adapt the articles that stand for: - Criteria for classification certificate and the limitation of the validity of the certificate - Fixed tariffs for the structures - Application documentation for obtaining a classification certificate - Period for the approval or rejection of application
Tourist Ports and Pontoons	Adapt the articles that stand for: - Criteria and the conditions needed in case of private entities
Car Rental Operators	Adapt the articles that stand for: - Criteria and the conditions needed in for the provision of services
Beach Stations	Adapt the articles that stand for: - Transparency and accessibility - Limitation of authorizations - Responsibility of local self-government institution for giving the use of the beach space - Previous experience required

It appears that trade barriers in tourism services in Albania stand in four critical sectors: market access, transparency and accessibility, residency requirements, and movement of natural persons.

In terms of market access, Albania has gained significant trade benefits with EU members from signing and ratifying the Stabilization and Association Agreement in 2006 (Feruni & Hysa, 2020). Albania is a signatory to the Central European Free Trade Agreement (CEFTA) and in 2009, signed an FTA with the European Free Trade Association (EFTA). Being part of these agreements, Albania has established a free-trade area with Western Balkan partners, in terms of goods and services with a few exceptions concerning some agricultural and fishery products that are not fully liberalized.

Related to transparency and accessibility, all CEFTA countries are obligated to adopt or change their laws and regulations in terms of transparency and accessibility. As per tourism services, Albania still faces unclarity related to procedures, criteria for obtaining the tourism guide certificate, criteria for agro-tourism service providers, accommodation structures and further procedures. Regarding residency requirements, there are still various legislations and regulations in Albania that need to be adapted or changed for all EU and EEA MS citizens. To work in Albania as a tourism guide or travel agency, you must be a resident of

Albania. Movement of individuals is the most restricted barrier that all the CEFTA countries have. None of the CEFTA countries offer “freedom of employment”, most members need to obtain authorization before working in terms of tourism services and face difficulties on the recognition of their professional certificates and diplomas.

THE ECONOMIC IMPACT OF THE SERVICE DIRECTIVE

The EU Services Directive shapes a structure on how countries can reduce the perceived costs of doing business in the internal market. It does not aim to adjust national rules; besides, it gives governments leeway to maintain pre-existing restrictions if judged necessary on protecting the public interest. The Directive helps countries reduce bureaucracies, administrative processes, lengthy procedures on how to do business and facilitate the process of economic freedom. Before analyzing barrier removals, a deep understanding of its domestic social and economic impact is needed. If we refer to the economic impact of barriers removals per the Directive, there are several benefits and drawbacks the countries should consider.

In general, examining from an economic point of view, it seems that removing barriers would result in generating more benefits and facilities, as the less minor procedures and costs, the easier the market access. Developing a single market generates free competition, guaranteeing economic efficiency and consumer welfare, delivering lower prices, encouraging more significant innovation, and generating faster responses from businesses to changing consumer needs.

According to (Monteagudo et al., 2012), the direct impact of the barrier removal turns out to be very significant for countries and is considered the main driver of the estimated GDP effect. From the other side, it may look like it will boost the competition in the internal market, resulting in dissatisfaction and market disruption dictated by directives and not national laws. Public institutions will find it hard to collect fixed tariffs from accommodation facilities, which would also result in imbalances towards training and certification providers from domestic licensed institutions.

Still, above argumentations are not based on objective evidence and studies on how removing trade barriers in tourism services will impact national economy and social development. Through this study, we aim to design and develop a framework to measure this impact.

HOW THE DEVELOPMENT OF A SINGLE MARKET IN TOURISM IMPACTED COUNTRIES THAT IMPLEMENTED THE DIRECTIVE

It is essential to highlight the difference between products and services: a product is a tangible item put on the market for acquisition, attention, or consumption, while a service is an

intangible item that arises from the output of one or more individuals. This way, barriers take different frames: for products, the barriers consist of fees paid (production, transport, taxes, etc.) for import or export of these products. Services, on the other hand, are prone to barriers related to specific regulations that make possible employment and economic activity in one country to another.

As per the directive, 'service' means any self-employed economic activity, usually provided for remuneration, referred to in Article 50 of the Treaty. The impact of tourism barriers removal will have different economic/social impact on the market and it will influence the market differently from classical product trading.

The World Trade Organization (WTO) defines trade services as the supply of a service (WTO, 2023):

1. *From the territory of one Member into the territory of any other Member*
2. *In the territory of one Member to the service consumer of any other Member*
3. *By a service supplier of one Member, through commercial presence in the territory of any other Member.*
4. *By a service supplier of one Member, through the presence of natural persons of a member in the territory of any other Member.*

According to WTO, the market of services, over the past 20 years, has become the most dynamic segment of the world trade, growing more quickly than the trade in goods. However, as an exception, we can mention countries that have set up bilateral or multilateral free trade agreements applied only within the group– excluding trade agreements from outside.

Implementing and developing a single market for European countries arose as a need to improve market and business performance for member countries in the context of market power (Damro, 2012). Moreover, EU trade policy promotes European principles and values globally. These include good governance, environmental protection, human and labor rights, health and consumer protection, and protection of cultural diversity.

When we discuss about tourism and specifically for sectors such as travel guides or travel agencies, it should be considered that in many European countries, including Albania, these are regulated professions, so in many cases, we will have to refer not only to the Services Directive but also to the Professional Qualifications Directive. Their intertwining and adaptation are the promoter of the functioning of this sector which is crucial, especially in the case of Albania, where the country's GDP depends on a considerable factor on tourism and is one of the primary incomes of the economy (Lena, 2022).

Most European Union countries require various certifications and documents to obtain a professional development permit as a tourist guide or travel agency. Also, proof of national language is one of the evaluation criteria for many countries (Romania, Slovenia, Cyprus, etc.).

The proportionality of linguistic requirements for travel agents or tourist guides might be questionable, especially in the case of cross-border provision of services when the service is provided to recipients from the Member State of the establishment of the provider.

According to the European Commission report on “*Mapping and Assessment of Legal and Administrative Barriers in the Services Sector 2021*” (EU Commission, 2021), from 2006 to 2017, the number of barriers has been reduced, although the level of change varies from one sector to another. Accounting and tax advisory and real estate services appear to show faster progress; retail and specific construction services are lagging. Although states have taken initiatives to remove barriers, the report argues that this change has been slow.

Even though they paint a clear picture of a way forward, European Union Directives have in some cases found obstacles in implementation, especially inside the member states. It is worth mentioning that candidate states or states awaiting candidacy will be more willing/ready to adapt and implement these directives in their national laws/regulations/policies and constitution.

In 2012, the first report was published, which also assessed the impact of the implementation of the directive that oriented member countries towards the development of a single market of services, thus removing barriers (Lewandowski, 2022). This report estimated that undertaking these reforms would increase the EU-level impact on GDP from 0.8% to 1.8%. The data analyzed three years later show that only a fraction (0.1%) of the 1.8% GDP potential had been realized indeed. At EU level, the methodology dictates that we assess the impact of barrier removal on four basic criteria such as: *Trade, GDP, FDI, and Labor Productivity*. Specifically, within the sectors it is estimated at more than 7% for trade, close to 4% for foreign direct investment (FDI), and above 4.5% for productivity. Results of the economic analysis show that service barrier removal in the short-run impact more the country of origin than the global market overall, and it seems natural. Nevertheless, more data needs to be evaluated on the effect that increased flows of free trade and foreign direct investment could have on GDP.

Countries that have reduced barriers import more, attract more foreign investment, and significantly improve their productivity (Harrison & Rodríguez-Clare, 2009). In short term, they become more "attractive" to investors. It is also worth noting that the impact that the development of a particular sector has on the economy of that country determines the impact that the removal of barriers will have in that sector and in the overall economy of that country.

However, what the report estimates is that the removal has shown that it brings a significant increase in the distribution of services in the economy and consequently a contribution to achieving financial stability not only of the sector in question but with a positive impact on the broader economic scale of the country. The report on the Implementation of Directive 2006/123/EC in the European Free Trade Association (EFTA) States argues that the implementation process of the directive has been complicated given that it requires a large amount of cooperation between different line ministries and levels of government (Central and Local Government) however, the Authority considers that all the European Free Trade Association (EFTA) States have contributed well to the process.

Table 2 - Level of Restrictions that are Fully Abolished or Partially Changed

Countries	Level of restrictions fully abolished or partially changed
Bulgaria	High
Cyprus	High
France	High
Germany	High
Greece	High
Italy	High
Luxemburg	High
Portugal	High
Romania	High
Spain	High
Sweden	High
Austria	Low
Denmark	low
Ireland	low
Ireland	low
Malta	low
United Kingdom	low

Source: Author's Compilation

Policies undertaken under the 3rd chapter of the directive aim to facilitate market access for businesses, across the EU, and to offer consumers a broader choice in this free trade market. This Directive requires from Member States to regulate internal practices/policies/laws/regulations in central or local governance level that may or can create barriers to trade in services. The table above shows countries that are making improvement in abolish or adapting barriers in services. Low level does not necessarily mean that the country is not paying attention or implementing properly the directive, but sometimes countries do not have many restrictions to adapt according to the directive.

Table 3 - Directive Related to Tourism Adapted, Remained, or Changed

Country	Directive related to tourism adapted, remained, or changed
Spain	Authorization requirements in the tourism sector have been lifted for travel agencies. Special ID cards are required for travel guides or tour guides
Netherlands	An authorization is needed for all tours with motor vehicles or for foreshore walking including when they are provided across borders.
Poland	Cross-border tourist agents and operators need to be registered in specific databases
Romania	Has removed a nationality requirement for tourist guides.
Italy	Apply residence requirements for ski instructors. Quantitative and territorial restrictions have been removed or replaced with less restrictive measures. (Ski schools) Fixed tariffs have been removed for tourist and mountain guide services
Cyprus	Apply residence requirements for car rental service. For the grant of a license to establish and operate a travel agency, a deposit of guarantee by the service provider is required.
Lithuania	Apply residence requirement for a natural person wishing to provide formal vocational training.
Austria	Quantitative and territorial restrictions have been removed or replaced with less restrictive measures. (Ski schools)
Malta	Removed compulsory tariffs for all services activities. Authorization requirements in the tourism sector have been lifted for tourist guides
Belgium	Authorization requirements in the tourism sector have been lifted for travel agencies
France	Authorization requirements in the tourism sector have been lifted for travel agencies
Portugal	Has removed the obligation to obtain a financial guarantee or insurance from National Public Deposit. Authorization requirements in the tourism sector have been lifted for car rental activities
Estonia	Cross-border tourist agent needs to be entered in the commercial activities register
Ireland	Cross-border tour operators and travel agents have to hold a license and are required to meet certain capital thresholds and to take out a bond to cover them in the event that the business is unable to meet contractual and financial obligations as soon as the activity originates in Ireland.
Greece	Has removed the obligation to obtain a financial guarantee or insurance from National Public Deposit. Tourist guides need to hold a professional identity card when they are pursuing their professional activity and to show it upon any conducted control. In Greece, tourist guides need to hold a professional identity card when they are pursuing their professional activity and to show it upon any conducted control.

Full implementation of the Directive requires time, because of the large sectoral scope of its action and the economic size of the relevant service sector occupying an average of 45% of EU GDP in terms of their value-added. From the table above we can see the level of adaptation of the Directive 2006/123/EC specifically on the Tourism Sector, for each Member State of the European Union. Member States like Bulgaria, Cyprus, France, Germany, Greece, Italy, Luxembourg, Portugal, Romania, Spain, Sweden have adopted in their legislation/regulations/policies the majority of this Directive, in comparison with other member countries like Austria, Denmark, Ireland, Ireland, Malta, United Kingdom that adopted few or little parts of the directive by always providing justifications related to consumer and trade protection, specific to their Country of Origin, and existing legislations.

PROS AND CONS OF BARRIER REMOVAL

With the implementation of the Directive, specifically about the market of services in Tourism, member states, also candidates can receive a series of benefits which come because of the common market producing economies of scale (Jakšić et al., 2021). In addition, is the interaction between different cultures and approaches coming from people of different nationalities, the exchange of experiences from different perspectives improves the quality of service.

Directive 2006/123/EC within the framework of Liberalization in the Treaty defines the right of establishment which includes the right to take up and pursue activities as a self-employed person, and to set up and manage undertakings, for a permanent activity of a stable and continuous nature, under the same conditions as those laid down by the law of the Member State concerned regarding establishment for its own nationals. To summarize, this means that in the market there is increased competition between professionals and service providers, which automatically leads to improved service as well as increased productivity.

Reducing or removing barriers would also enable the increase of foreign investments in the country, thus enabling the increase of a country's income due to these investments, which would have a direct impact on a country's GDP (Jacobs & Coolidge, 2006).

One of the main benefits is absolutely the creation of new jobs. The Directive deals not only with the free movements of services but also with the free movements of persons. Unification and recognition of certificates and licenses from all member countries creates employment opportunities for any individual who wants to practice his profession in any member state. Lastly, by removing unnecessary barriers which hamper both international trade and investment and domestic production in the services sectors covered, the Directive is expected to significantly stimulate growth.

But beyond the benefits offered by the implementation of the directive, there are several disadvantages which affect countries of origin. First, it relates to the specific weight that certain national tariffs received by tourism establishments may have on the overall economic development of the country. Second, the unification of certifications could create chaos in the evaluation of guides or travel agencies, as this is classified as a regulated profession and will have to be regulated by specific laws related to its practice.

Third, the removal of barriers would lead to market imbalances, especially for candidate countries which are not yet part of the European Union. This could create dissatisfaction among local professionals and businesses by "hindering" in some way local promotion.

Fourth, the involvement of public institutions, such as ministries or municipalities is often very necessary for legal purposes related to the development of tourism structures or activities, especially when talking about tourist ports or permanent pontoons, investors in accommodation structures, adventure sports services, maritime tourism etc., as it is directly related to environmental protection.

Having said all the benefits and disadvantages of the implementation of the directive, it is worth noting that nations will have to conduct a very careful analysis depending on their country specifics, the nature of the activities that take place and the specific weight that each of the activities has on the local economy. As the directive itself defines, it aims at creating a legal framework to ensure the freedom of establishment and the free movement of services between the Member States. The Directive does not affect terms and conditions of employment which Member States apply in compliance with Community law, nor does it affect relations between social partners, including the right to negotiate and conclude collective agreements, the right to strike and to take industrial action in accordance with national law and practices which respect Community law, nor does it apply to services provided by temporary work agencies. Therefore, countries may abolish a Directive regulation if they serve the preservation of the public interest.

IMPLICATIONS OF REMOVING CURRENT BARRIERS TO THE REGIONAL INTEGRATION AGENDA IN ALBANIA AND INNOVATION

Albania as a candidate country in the European Union, tries to adapt and regulate all rules, procedures, laws according to EU regulations. Related to the trade in tourism services, except of Directive 2006/123/EC Albania as part of Western Balkans Six (WB6) has taken the commitment in the implementation of Action Plan for a Common Regional Market (CRM) to be implemented by the end of 2024. This action plan aims to build a Common Regional Market based on EU rules. Generally, the action plan requirement related to tourism sector asks for the adoption of CEFTA framework for trade in tourism services addressing key barriers, including

mutual recognition of licenses, the alignment and adoption voluntary quality of service standards for adventure and cultural tourism among WB6 and with relevant EU/international guidelines and standards, the development of a sustainable regional tourism management framework, the integration of existing and new sustainable transnational tourism products into EU tourism route and to promote trail networks, including branding and promotion of regional tourism product in the EU and international markets, the establishment of Western Balkans Tourism Crisis Committee (WBTCC) and develop Tourism Emergency Plans and Crises Management Strategies, the establishment of informal regional tourism forum to support digital transformation and exchange of good practices, boosting the innovation capacity of entrepreneurs and SMEs, and the development of occupational standards for tourism and additionally the improvement of regional tourism data and statistics.

It is evident that the Action Plan 2021-2024 aims to orient and improve trade in tourism services among WB6 countries. The cooperation among these countries will help them share best experiences and improve national quality and productivity. All regional actions that must be implemented within 2024, are in line with the priorities of the Albanian Government regarding the development of tourism. In the National Tourism Strategy 2019-2023, the Albanian government has determined improvement of tourism services, through the development of new evaluation models, standardization, certification and classification of services for tourism and tour operators, establishment of a regulatory and institutional framework for the development of vocational education and qualifications in tourism, as well as training of human resources engaged in the sector, development of regulatory and institutional framework for the development of Services and Operation of Tourism Ports and activities in their function, etc. The development of these strategies aim at improving the tourism sector in Albania, based on the experience of European Union countries as discussed in the above chapter, but also based on the National Tourism Strategy, would improve tourism's direct contribution to GDP. from 8.4% in 2016 to 10% in 2023 and the total contribution from 26% in 2016 to 29% in 2023. The incoming tourism revenue from 1.7 billion euros in 2017 to 2 billion euros in 2023, foreign direct investment in tourism (attracting 2,552 million Euro by 2023), the number of directly employed persons in the tourism sector from 85,000 in 2016 to 100,000 in 2023 and the total number of employees in the tourism sector from 267,000 in 2016 to 300,000 in 2023. So, the implementation of the actions defined in the Action Plan would support the Albanian Government to analyze the barriers, identify and establish success models on the improvement of strategies and create a database with statistics about regional tourism. The mentioned data would assist countries to better analyze economic and social impacts of policies implementing from countries in the region.

All the context of barrier removal effects is developed while unfolding socio-economic events are changing many perspectives. One of the main perspectives that affects industries and ways of doing business is the approach to innovation. Even the tourism services sector is not prone to innovative changes that come from improved or novice ways of offering a product or a service within the industry. Research argues that the main barriers to innovation from an institutional perspective are competition fairness, access to financing, laws and regulation, tax burden, and support systems (Zhu et al., 2012). In the scope of this paper competition fairness, laws and regulations, and tax burden in the form of tariffs make the core of barriers.

Usually, barriers are considerably associated with lower productivity and regulation barriers negatively impact innovation measured by economic performance (Coad et al., 2015; de Loecker, 2007). Moreover, as per directive spirit free movement of people, goods, services, and capital is the backbone of EU, the removal of barriers directly affects services in tourism industry, an industry based heavily on the movement of people, goods, services, and capital. Research suggests that reducing regulatory barriers on all the above leads to an increase in cross country trade (Jakšić et al., 2021; Kox & Lejour, 2005). The greater the trade flux of services, capital, people, and goods the greater the propensity of innovating in the industry. In countries like Albania there are caveats regarding this logic derived from research. Removing regulatory trade barriers, despite the industry but keeping in consideration indicators of corruption and ease of doing business, requires prerequisite measures tackling corruption and a baseline of legal development to be attained (Chinn & Ito, 2006; Jakšić et al., 2021). In principle, barrier removal has proved to be beneficiary, even though in some cases there are prerequisites needed depending on the socio-economic context of an economy. Income gains of barrier removal and subsequently increase on trade are not on the expense of others beyond bilateral agreements that are carried out, but the benefits expand beyond (Francois et al., 2015).

THE CONCEPTUAL FRAMEWORK PROPOSED TO MEASURE THE IMPACT OF BARRIER REMOVAL

As we noted in the above chapters, the removal of barriers in tourism will have to be assessed considering the nature of this industry in Albania, the impact that this sector has in the state budget and government's priorities of the sector. Due to the nature and contribution of the tourism sector in Albania, it is considered as one of the three most important pillars according to the Government Program 2021-2025.

Thus, defining the development strategy of this sector, to improve the product / service of tourism, the improvement of legislation, rules, and procedures for the development of service, function, and promotion of tourist potentials. On the other hand, being a candidate country in the

European Union, and part of a series of negotiations with Western Balkans countries, but also with the European Union.

Albania has committed itself to aligning its national legislation with the EU acquis in the right of establishment and the cross-border provision of services as per Stabilization and Association Agreement. However, legal adjustments as well as changes defined in the directives and agreements with the state of the European Union and those of the Western Balkans, require careful analysis of the impacts that they will bring regarding the national economy. To assess the impact, they must identify the indicators that are directly affected by the changes defined in the directives. Indicators related to the trade on tourism service include sector contribution to national GDP, impact on trade and on foreign direct investment (FDI), and direct impact on labor productivity.

In this policy paper, we aim to develop an analytical framework, which would help institutions analyze the impact of removing barriers to trade in tourism services. Based on the above indicators, the proposed framework aims to consider both, *domestic impact and international impact*. For this purpose, it considers impact on sectors of trade and FDI (international impact) and direct impact on sectoral labor productivity (domestic impact). The proposed framework includes:

- Estimation of the impact of barrier reductions in Tourism sector through:
- Impact of foreign direct investment (FDI) in tourism
- Impact on trade of reduction of barriers affecting cross-border provision of tourism services.
- Direct impact on labor productivity of reduction of barriers affecting domestic establishment.
- Impact on GDP

The analytical framework we are proposing in this policy paper is validated thoroughly and used in previous studies related to barrier removals related to the directive in services sector. We are updating the framework as per tourism barriers only. The model proposed is conceptualized by (Monteagudo et al., 2012)

It is important to identify that when analyzing models that aim to measure the impact of removing barriers with a view to creating a common market, we will need to consider the country of destination and the country of origin. Thus, to assess the impact that the removal of barriers in the tourism sector in Albania will have, it would require a thorough and careful analysis of indicators such as:

- | | |
|----------------------------|-------------------------------------------------------|
| - Trade and capital flows, | - Exports, |
| - Imports, | - Inward and outward foreign direct investment (FDI), |
| - Labour productivity | - GDP |

The analysis of these indicators should be evaluated as an analysis of Albania in relation to the countries of the European Union or the countries of the Western Balkans with which the development of a common market is aimed. The scheme below explains the model on which the effects of the directive are analyzed in relation to the implications it has on a country's economy. In the proposed model trade and capital flows are the dependent variables.

Barriers affecting temporary movement of individuals from EU - AL

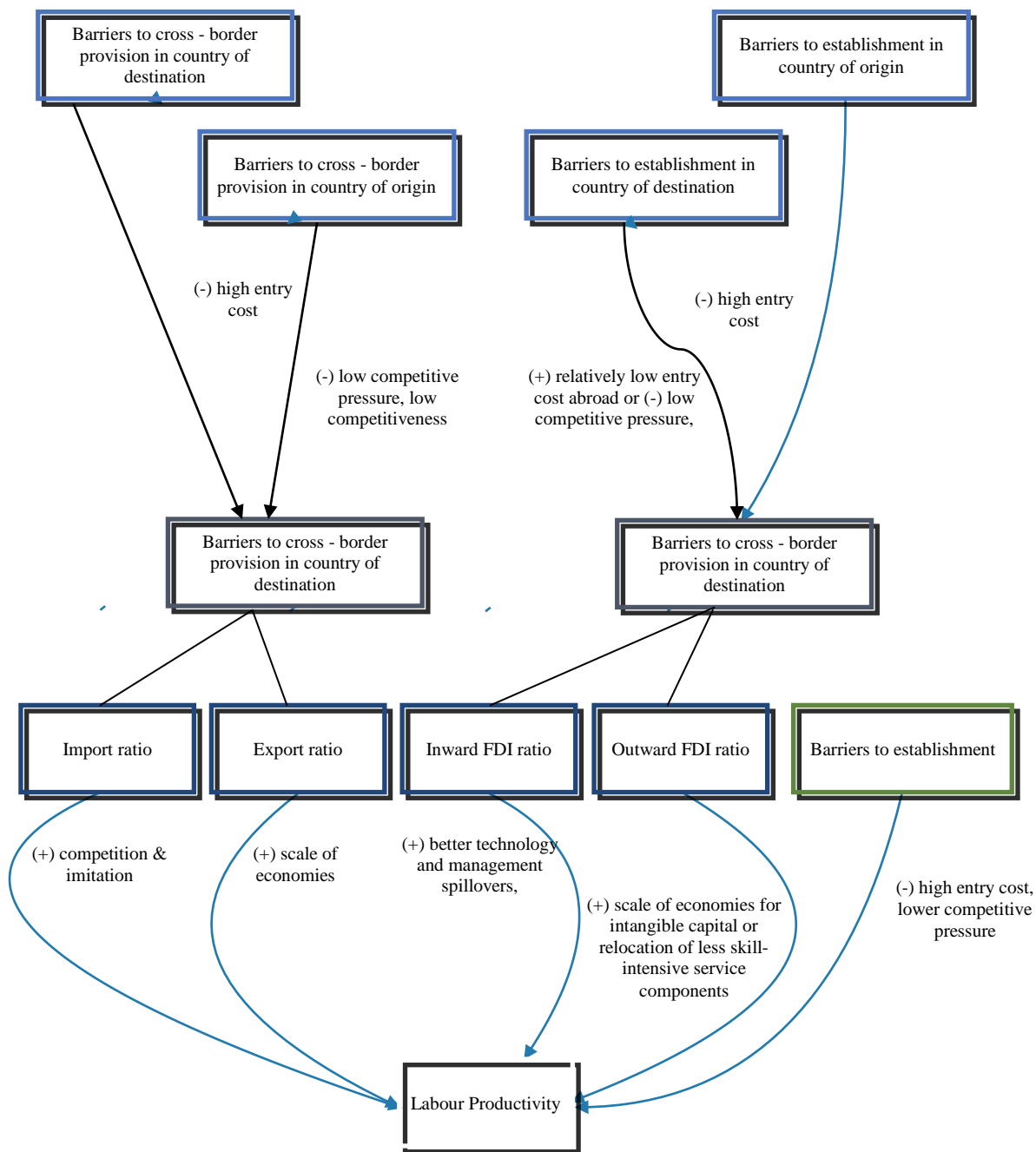


Figure 2 - Analytical Framework proposed by Monteagudo et.al (2012)

The above framework supports us to define the relations that exist between Albania and the member states of the European Union regarding trade on tourism services, which automatically reflected in import and export ratio and inward and outward FDI ratio, both influencing labor productivity. To evaluate foreign direct investment from origin country in destination country in tourism sector, authors propose to estimate impact on trade and FDI flows in a bilateral setup. It is necessary to consider the economic size of origin output, destination market and the distance between countries. The model proposes that the trade and investment flows are expected to be influenced by the destination country barriers, and exports and outward FDI of a given country are supposed to be influenced by its partner's barriers, while its imports and inward FDI are influenced by its own barriers.

Regarding to sectoral labor productivity the model aims to measure, barriers to domestic firms, quality of ICT infrastructure, quality of human resources, import ratio, export ratio, inward and outward FDI and investment ratio. The implementation of this analytical framework draws the conclusion that:

- A 10% reduction of barriers increases trade by 1,5%.
- A 10% reduction of barriers to establishment brings 1,6% increase in labor productivity.

Based on the results and conclusions received by the (Monteagudo et al., 2012) study and the barriers identified at the screening table prepared for tourism in Albania, through this policy paper we are proposing the implementation of this analytical framework before removing all the barriers in tourism sector in Albania. This framework would help institutions evaluate the real impact of barrier removal by developing "what-if" scenarios. It is significant to consider all the variables that impact tourism in Albania, in terms of, productivity, employment and contribution to national economy. Albania is a candidate country for joining the EU since June 2014, and the desire and commitment to join as soon as possible to the union may lead to avoidance of many factors which directly affect the local economy and society.

It is necessary to evaluate every fixed fee that tourism guides, tour operators and/or tourism agencies must pay before they start, their activity, every regulation and documentation required for being a licensed tourism guide, every authorization needed by local and national government bodies for beach stations and maritime tourism, every criterion and authorization from training centers etc. Due to the fact that Albania continues to be a candidate country in the European Union, any legislative change would directly affect the country's economy (e.g., fixed tariffs of travel agencies paid into the national budget, at the time of removal/adaption of this barrier will bring a reduction of this budget item, on the other hand being a country outside the European Union this item is not covered by other revenues.) As a conclusion, a thorough evaluation of every indicator will help institutions better evaluate the impact of each barrier and

to make the right decision on what to change and how. The Directive is created to facilitate the process of a single market, but do not encourage countries to make decisions that may directly affect the domestic economic and social aspects.

CONCLUSIONS

Studies conducted on the impact of the removal of barriers have shown that the impact has been positive. Although, much remains to be done regarding the removal of barriers or the adaptation of laws, regulations and/or policies of member and candidate countries to develop a single market of tourism services. The purpose of this policy paper was to evaluate the work completed so far in the development of Directives from different countries of the European Union and to propose a framework that would be needed to assess the impact of the removal of barriers in tourism in Albania. To further analyze the situation and to reach a conclusion, we need advanced data which government institutions can identify to achieve evaluation of the foreign direct investment which derives from the tourism sector, changes in GDP as a contribution of tourism services, changes in employment as a result of changes in policies and rules of tourist services. At this point it is worth estimating the number of individuals employed in this sector who are Albanian or foreign citizens.

Unifications in certifications or authorizations should be carefully evaluated considering environmental protection and fair competition, as well as great attention will have to be paid to the impact of fixed tariffs related to tourist services. If these tariffs are removed, or if an individual of a certain state pays this tariff in his own country – what damage would it cause to the budget provided by these tariffs? Is there a balancing instrument that would fill the gap created? Meanwhile, all actions defined in Action Plan 2021-2024, are evaluated as supporting instruments that will help Albania and the countries of the region, identify barriers, and build instruments to provide data that will help to analyze further impact that will be brought by the actions taken by each country in reducing the trade barriers to tourism services. From all the analysis conducted in this study, it is very crucial to note that a careful analysis of all indicators would help institutions to assess the impact of each action that will have to be taken under the Directive.

As a conclusion, we are proposing that the impact of the directive should be measured by evaluating the impact on services sectors trade and FDI and direct impact on sectoral labor productivity that will produce the estimation of the sectoral impacts, which will then be translated into GDP effects. Below we are giving step by step how to measure all the variables:

- The total impact of barriers will be measured by the productivity variable that consists of direct and indirect impacts from trade and FDI.

- The impact on trade and FDI flows will be estimated as a flow from the country of origin to the country of destination in a tourism sector per year, given that those trades are influenced by destination country barriers (exports and outward FDI) and barriers of the country of origin (imports and inward FDI).
- Trade flows will be measured by import and export ratio.
- Foreign direct investment will be measured by inward and outward FDI.
- The total ratio of labor productivity will be measured as the elasticity of trade and the elasticity FDI ratio.
- The impact on GDP in tourism sector will be determined by the link between labor productivity and national GDP.

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