

Comparison of Albania's foreign trade in two time periods 1950-1961 and 1925-1938, as an indicator of differences in the economic development.

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Abstract: This paper compares Albania's foreign trade in two historical periods, 1925–1938 under the Zogist regime and 1950–1961 under the Communist regime, to assess the relationship between trade structures, economic development, and political dependency. Each period's Albanian regimes incorporated industrialization into their modernization plans. Beyond any doubt, they were eager to transform Albania into a modern, industrialized nation. Although both regimes sought rapid modernization and industrialization, their dependence on “patron” states, Fascist Italy in the interwar period and the Soviet Union in the postwar period, produced similar economic vulnerabilities despite divergent ideologies. The study addresses the following research questions: (1) Did Albania's trade patterns reveal stronger client-state characteristics in the 1950s than in the 1930s? (2) To what extent did foreign trade contribute to industrialization and structural transformation? (3) How did political crises affect trade balances with the patron state? We hypothesize that Albania's dependence on the USSR in the 1950s was deeper and more structurally transformative than its earlier dependence on Italy, leading to a more pronounced client-state position. Using trade statistics, historical records, and comparative analysis, the paper finds that while industrial goods exports increased during the 1950s, Albania's persistent trade deficits and reliance on external loans reinforced dependency. Political crises in both periods directly shaped trade outcomes, but the Soviet Albanian rupture of 1961 proved more economically destabilizing than the Italian Albanian conflicts of the 1930s. These findings contribute to debates on dependency, modernization, and center–periphery relations in the economic development of small states.

Key-Words: - foreign trade, loans, Albania, USSR, Italy, industrialization, political domination.

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1 Introduction

In 1958, the Soviet Union got 76% of Albania's oil-derived asphalt, 38% of natural bitumen, 12% of copper blisters, and 76% of tobacco [1]. Only Albanian bitumen was worth anything to the Soviet economy. In the 1950s, Albania supplied almost 70% of the USSR's bitumen imports.

In the 1950s, Albania supplied almost 70% of the USSR's bitumen imports. The USSR received the remaining items from Albania to sustain its exports, which were essential to its economic growth. Albania constituted a mere 0.3% of the Soviet Union's total imports. In contrast, trade with the Soviet Union was essential to Albania's national economy, constituting over 50% of the country's total foreign commerce throughout the 1950s. Likewise, less industrialized Soviet satellite countries of Eastern Europe, such as Bulgaria and Romania, also exhibited Soviet dominance in their foreign trade. At the same time, the USSR played a major role in compensating Albania's trade imbalance [3]. Figure 1 clearly shows the deepening of the trade deficit with the USSR, especially after 1957. The USSR's debt cancellation and the grant of new, large loans to Albania in the years 1957–1958 impacted the increase in debt and the deterioration of Albania's trade balance [4]. Compared to the 1930s, Albania experienced a larger trade deficit in the 1950s and became a satellite state

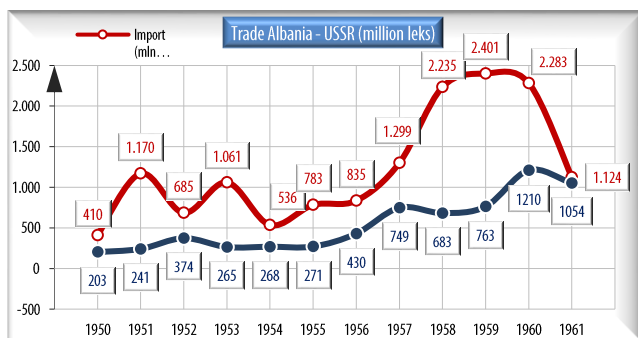


Fig.1. Albania's commercial exchanges with the USSR in the period 1950-1961 (in million leks). [2]

of the Soviet Union because of the loans it received. Albania's goal of rapidly industrializing and modernization caused the same problems in foreign trade as in the 1930s. Additionally, changes in trading partners led to higher costs because of longer transportation distances. In fact, Albania's success in the 1950s, despite not being self-sufficient, was mainly due to its foreign policy, which was similar to its experiences during the interwar period.

2 Foreign trade structure

2.1 The 1950s period

Table 1 shows Albanian imports according to the group of commodities. It appears that almost half of Albania's imports from the Soviet Union were "machinery and equipment," while 14% were "cereals," mostly wheat (see Table 1). For instance, in the period 1955–1961, Albania imported over 1,500 tractors and about 3,250 heavy-tonnage trucks from the Soviet Union alone. In 10 years, the average annual growth of imports from the Soviet Union was 19%, while imports in 1960 were 5.5 times larger than in 1950. From 1950 to 1960, the USSR's share of Albania's total imports increased, reaching approximately 60% by the end of the 1950s. Table 2 reveals that from 1955 to 1961, the value of oil and mineral exports (such as bitumen, copper, etc.) to the USSR accounted for an average of 44% of the overall exports.

Table 1. Imports from the USSR by group-commodities 1955-1960 (in %) [5].

Imports from USSR *	1955	1956	1957	1958	1959	1960	1961	Average
Machinery & Equipment	56%	51%	41%	59%	49%	56%	45%	51,1%
Machinery for oil industry	8%	9%	7%	14%	9%	5%	6%	8,4%

Competition factories	9%	14%	8%	4%	11%	29%	16%	12,9%
Tractors & agriculture machinery	16%	5%	8%	7%	7%	9%	10%	9,0%
Auto vehicle and tools	8%	9%	14%	10%	10%	5%	5%	9,0%
Pipes	9%	4%	8%	4%	9%	5%	8%	6,9%
Cereals	6%	8%	24%	8%	15%	17%	19%	13,9%
Spare parts	7%	7%	4%	4%	6%	8%	12%	6,8%

Table 2 shows a significant increase in Albanian exports to the USSR during the 1950s. The average annual growth of Albanian exports to the USSR in the period 1950–1960 was approximately 15%. However, this figure was lower than the average annual growth of Albania's overall exports, which accounted for 18 %.

Table 2. Exports to the USSR by goods 1955-1961 (in thousands \$) [6].

Year	1955	1956	1957	1958	1959	1960	1961	Average 1955-1961	%
Crude oil	417	522	803	285	275	569	401	467	16%
Bitumen	399	550	1,018	838	1,080	1,121	966	853	25%
Copper ore	80	61	20	62	56	29	25	47	2%
Wool	101	134	106	308	323	289	267	218	6%
Leathers	57	62	136	20	52	45	30	57	2%

Tabacco	293	558	1,106	1,034	509	1,160	461	731	22%
Foodstuff	20	14	29	16	63	277	373	113	3%
Cigarettes	0	0	0	807	113	1,579	1,890	772	17%
Textiles	0	137	194	181	196	255	429	199	5%
Other	0	1	113	6	8	127	7	37	1%
Total	1,367	2,038	3,525	3,554	3,691	5,450	4,849	3,496	100%

Because of the USSR's persistent political pressure and the efforts of Soviet specialists in Albania, the agro-food industry's goods had the fastest rise in exports to the USSR during the first and second five-year plans (1951-1955 and 1956-1960, respectively). In 1961, the agro-food industry's export weight to the USSR climbed by roughly 18 times over 1955, and the number of exported items increased fourfold. The Albanian export increase was advantageous since it resulted from substituting raw materials in trade with locally produced commodities.

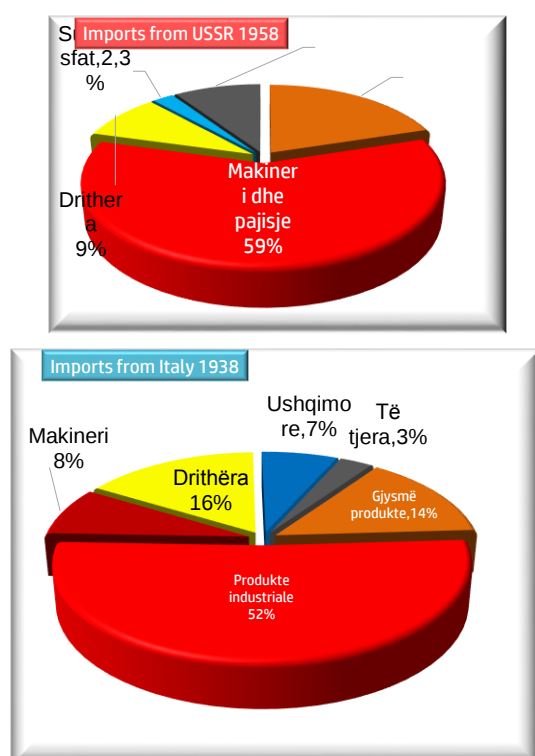


Fig.2. Composition of Albanian imports to the USSR (1958) and to fascist Italy (1938) [7]

The exports of agricultural and livestock goods accounted for approximately 30% in 1958 and 46% in 1938, respectively, while the exports from the wood industry accounted for 7% and 5%, as shown in Figure 3. However, in the period 1955-1961, the annual growth of mineral exports was 8%, while the total value of exports to the USSR increased by an average of about 23% per year. This means that exports have expanded thanks to the introduction of other new commodities. In the late 1950s, exports increasingly included cigarettes (and not just raw tobacco) and, to a lesser extent, textiles, clothing, and leather.

The USSR, like Italy in the 1930s, was a safe market for Albanian exports regardless of their quality. Only oil exports, which accounted for about 30% in 1955, and an average of 17.5% in commercial exchanges with the USSR, one of the world's largest oil producers, can easily demonstrate this. However, there were significant shifts in the trends of trade exchanges between the two periods. Albania was becoming more dependent on Soviet imports and was also expanding trade with other socialist countries, especially exports to them. If we do not consider the fact that the other countries with which Albania traded were satellites of Moscow, the difference in the export trend between the two periods would be a significant factor in determining whether they were similar or not.

2.2 The 1930s period

Italy was not only Albania's main trading partner, but it also accounted for 53% of Albania's overall trade from 1920 to 1938. However, there was a relatively large difference between Italy's dominant position in Albanian exports and its Albanian import share. The Albanian government's efforts to expand trade relations with other countries, even with Japan, in order to avoid Italian domination, were particularly noticeable in the mid-1930s. Albania seems to be more dependent on Italy for its exports. Normally, Albania, as a client state of Italy, would have to serve simultaneously as a market for its industrial products and as a supplier of mineral raw materials.

To avoid this phenomenon, Italian advisors of the Albanian government proposed a law that prohibited merchants from importing goods from a country if Albania did not cover at least 70% of exports to that country. In fact, this provoked protests from Albanian merchants, and even the Albanian parliament refused to turn the government's decision into law in September 1937. Parliament only passed the law in February 1938, following several amendments. The law sought to limit imports from

countries with which trade relations existed, for which exports covered less than 70% of imports [8]. On the other hand, in certain cases, the law allows the reduction of the export limit to 50 % of imports. Otherwise, private commercial companies could compensate the deficit by depositing a financial insurance amount into the National Bank of Albania [9].

Table 3. Albanian foreign trade by commodities for 1929 and 1938 with Italy [10].

Good s	Import				Export			
	mln Gold Francs		in % of total		mln Gold Francs		in % of total	
	1929	1938	1929	1938	1929	1938	1929	1938
Raw materials	1.7	0.5	4.4 %	2.2 %	4.8	5	32.7 %	51.5 %
Semi-finished	6.5	3.3	16.8 %	14.3 %	1.6	0.4	10.9 %	4.1 %
Manufactured Articles	19.4	13.7	50.3 %	59.6 %	0	0	0.0 %	0.0 %
Food and drinks	11	5.3	28.5 %	23.0 %	8.3	4.3	56.5 %	44.3 %
Gold and Silver	0	0.2	0.0 %	0.9 %	0	0	0.0 %	0.0 %
Total	38.6	23.0	100.0 %	100.0 %	14.7	9.7	100.0 %	100.0 %

During the 1930s, Albania's reliance on Fascist Italy for imports was more moderate than its reliance on the Soviet Union in the 1950s. However, in the late 1930s, the trend was toward Italy's dominance over the imports. Finished industrial products held first place in imports, accounting for over half of the total, followed by foodstuffs, which accounted for 28% in 1929 and 23% in 1938 (see Table 3).

In 1938, Albania's exports to Italy carried the same amount of these goods, but oil exports held a dominant position. While agricultural products began to occupy a smaller share in its exports, Albania had a strong tendency to increase mineral and oil exports

to Italy at the end of the 1930s. This was due to mine concessions given by the government for the exploitation of Albanian subsoil.

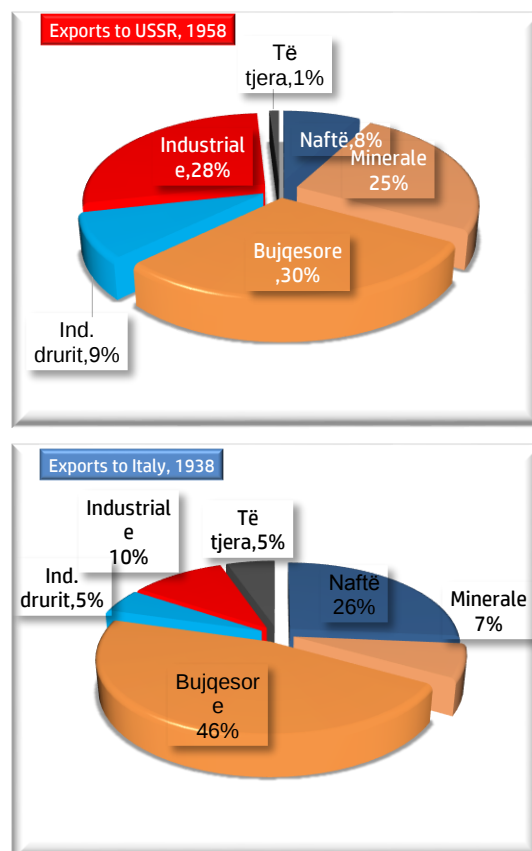


Fig.3. Composition of Albanian exports with the USSR (1958) and fascist Italy (1938) [11].

For the period 1930–1938, the variations in the exports to Italy were more uniform. The average annual growth was only 1.5% for exports to Italy and almost zero for overall Albanian exports. The structure of exports changed during the 1930s to the disadvantage of food products. In 1938, the export of food products was about 30% compared to 45% in 1929. What was more important was the increase in the export of mineral raw materials (oil and bitumen) from 3.8% in 1929 to 29% in 1938. On December 22, 1935, Albania started exporting oil to Italy. In 1929, the main goods Albania exported were cheese, olives, olive oil, raw hides, and wool, but in 1938, the main goods were oil and skins. Table 3 presents the export-import structure based on the group of commodities.

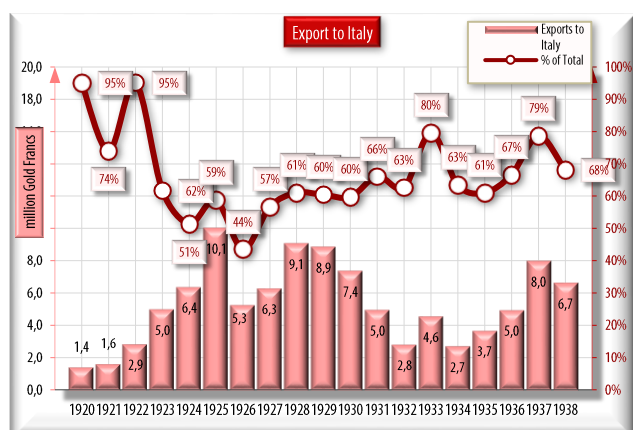


Fig.4. Albanian exports to Italy in value and as percentage of the total (1920-1938) [12]

At the end of the period 1929–1938, Albania continued to be an exporter of raw materials, but the weight shifted from agriculture to mining. Albania will maintain this export profile (dominated by agricultural and mining raw materials) for a long time, even after the Second World War. This reflects the economic transformation of Albania in the 1930s.

The communist regime labelled this economy as agrarian-industrial, although it was far from being so until the mid-1950s. The economy remained agrarian, but there were signs of a positive trend that could potentially lead to the development of industry in the future. Indeed, Professor Calmès has been recommending this way of developing the industry since 1922. [13].

2.3 Comparison

The main difference in the export structure between the two periods stems from the development of the light and food industry, which was primarily established thanks to loans from the Soviet Union during the years 1950-1960. This led Albania to begin exporting processed products from the agro industry, including food, textiles, and wood products such as cotton fabrics, cans, and plywood. For the period 1955-1960, on average, exports of textiles to the Soviet Union accounted for about 3%, and those of cigarettes 14%. During the 10-year period, industrial goods accounted for an average of 18.3%, while in 1958, they reached 28% of total exports to the USSR [14]. Whether this was done to help Albanian exports or if the Soviet market really needed it, it is difficult to say in the conditions of relations between socialist countries, which were not based on the laws of the free market.

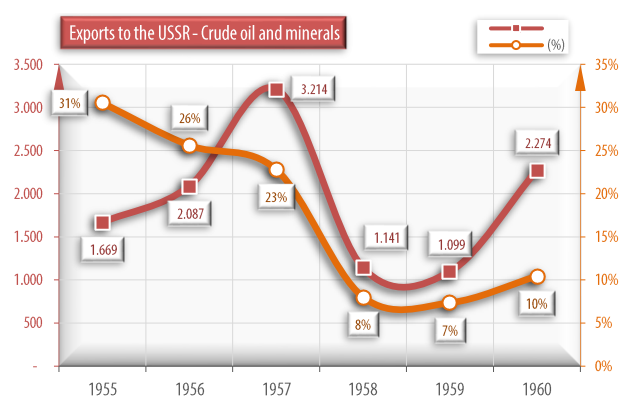


Fig.5. Share of oil and minerals in Albanian's exports to the USSR (1955-1961).

The export of industrial products significantly contributed to the change of the structure of Albania's exports between 1950 and 1960. Exports of these goods had grown rapidly, from 0 % in 1955 to 34% in 1960. Figure 3 illustrates the composition of the exports: agricultural exports dominate, followed by mineral exports. In 1958, agricultural and mineral exports accounted for 30 and 33% of total USSR exports, respectively, whereas in 1938, they accounted for 46 and 33% of total Italian exports. The passive balance, or the accumulated debt, of the Albanian state during the period 1950-1960 amounted to 316 million dollars. Only after the cancellation of debts until 1956, spanning 4 years (1957–61), did the debt in foreign trade increase to 97 million US dollars [15], with 60% of it going to the Soviet Union. According to Western sources, Albania's unpaid debt for the period 1956-1960 was 177 million US\$, of which \$117 million to the Soviet Union, \$49 million to the countries of Eastern Europe and \$11 million to the People's Republic of China [16]. Meanwhile, the accumulated debt in the period 1927–1938 was 107 million gold francs (\$35 million) [17], or at the 1960 prices, about \$73 million. If we can make a comparison, Albania had at least four times more debt to foreign capital in the period of 1950–1961 (\$ 316 million) than in the period of the Albanian kingdom. However, despite Albania's enormous debt in the 1950s, the communist regime's propaganda allowed it to declare:

“Zogu liked to be labeled a ‘reformer,’ but no serious transformations took place, except for an ear-splitting noise about planned reforms for the country's progress. No substantial investments were ever made, whereas the millions received as loans from abroad were used to build government palaces and gloomy jails. ...The Italian state loans were spent on unproductive investments and were unable to be

repaid on time. Albania became financially dependent on Rome.[18]

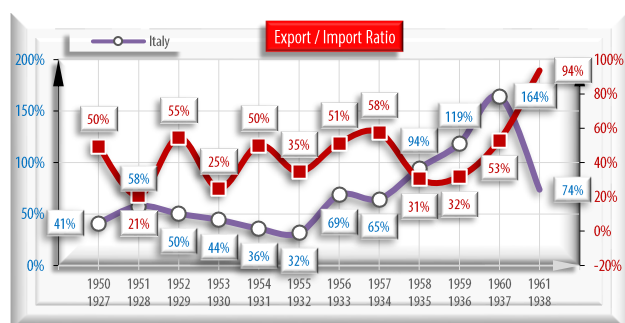


Fig.6. Export-to-imports ratio in trade with the USSR (1950-1961) and Italy (1927-1938). [19]

Based on the aforementioned, it is safe to say that: the trade balance, the proportional importance of each partner in overall commerce, and the structure of exports to the two main trading partners—Italy and the Soviet Union are all very comparable.

Figure 6 compares the exports-to-imports ratio between the two periods. In both periods, exports do not cover imports, while the ratio between them averages 41% for the years 1950–60 and 73% for 1928–38. Similarly, the positive trend in the trade balance with Italy appears to have contributed to an active balance in 1936 and 1937. Furthermore, Figure 6, which displays the export-to-imports ratio for both periods, reveals some notable changes:

- Trade exchanges with the USSR exhibit greater variation, with a variance of 53%, compared to only 24% with Italy. In the case of the USSR, we observe an almost sinusoidal foreign trade balance, with the values of the export-to-import ratio fluctuating from 21% to 58%. In the case of trade with Italy, the ratio's values range from a peak of 164% to 32%.
- Trade with Italy exhibits a superior export-to-imports ratio. The export-to-imports ratio for the period 1928-1938 in trade with Italy has an average of 73%, while in the period 1950-1960 in the trade with the Soviet Union it is 41%.
- Active balance with Italy. The ratio steadily improved in exchanges with Italy from 1931 to 1938, leading to a positive trade balance between the two countries.

In addition, we should consider data from Figure 7, which shows the absolute value of transactions at 1960 prices between the USSR and Albania, as well as between Italy and Albania. The two Figures 6 and 7 will help us understand the factors that drive fluctuations in the trade deficit. However, it's crucial to recognize that this variation in trade deficit

between socialist countries was a common occurrence. The inadequate international trade planning and considerable political influence on economic ties were the primary causes of this fluctuation [20]. Let's investigate the reasons behind the influence of political crises on foreign trade indicators, specifically on the “patron” state and the dominant trade partner in both periods. During the first period, from 1928 to 1938, there was a simultaneous decrease in the volume of exchanges (Figure 7) and an increase in the export-to-imports ratio, which resulted in a decrease in the trade deficit (Figure 6). The two most serious political crises between Italy and Albania occurred during this period:

The first, over the renewal of the First Pact of Tirana (1931), and

The second, in 1934, over Albania's growing independence in both internal politics (approving changes to the education law) and foreign politics (applying for inclusion in the Balkan Entente). The latter reached its peak when the Italian warships showed their force in the port of Durrës in August 1934.

This situation in trade exchanges was a consequence of:

1. Albania primarily exported its goods to Italy. It is impossible to sell them in Greece or Yugoslavia, which had similar export structures. However, a defining characteristic of Albania's trade is that imports from Italy did not hold the same weight in the total of imports as its exports to Italy. Albania diversified its imports for its domestic market, but not its exports. Thus, a political crisis with the dominant partner and a decrease in foreign trade volume are likely to exacerbate the trade deficit. However, when we examine imports, we find that Italy continues to be Albania's largest relative partner, surpassing exports in absolute value. In this way, the decrease in the level of trade with the host country can lead to a decrease in the deficit in foreign trade, and the behavior of the curve (Figure 6) is more than normal at the time of political crises. (1931-34)
2. The global economic crisis (Great Depression) simultaneously affected Albania's trade, not just with Italy, in the years 1929-34, leading to a significant decline in the prices of agricultural products.

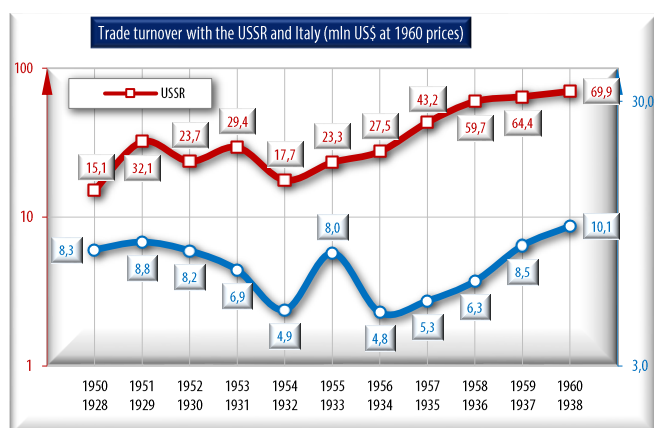


Fig.7. Volume of trade exchanges with the 'patron' state (1927-1961) at constant prices of 1960 (million US\$; logarithmic scale) [21]

3 Dynamic of foreign trade and political crises

It is impossible to pinpoint a single factor that has exerted the greatest influence on the current bilateral trade situation. However, in the lowest point of foreign trade in 1934–1935, the ratio of exports to imports increased to 65%, up from 36% in 1931. [22] Given that the economic crisis significantly impacted the prices of agricultural goods, with Italy serving as the primary recipient of Albanian exports, it's plausible that both the World economic crises and political crises in relations with Italy collectively impacted Albania's foreign trade balance. However, it's important to note that the export-to-imports ratio, even after the economic crisis, continued to improve, reaching 164% in 1937.

The crises in political relations with the USSR occurred in 1954-1955 and in 1960-1961, which resulted in the interruption of economic and political relations. It appears that during political crises with the USSR, non-political factors do not interfere with the contraction of trade exchanges, and, similar to Italy's experience, the export/import balance in Albania's trade improves. In Figures 6 and 7, we seem to have had a rapid and stable increase in the volume of trade with the USSR until 1952. While fluctuations in the trade balance should not come from any crisis in bilateral relations, they apparently come from the cyclical processing of USSR loans and/or the defective plan of foreign trade (1949 and 1951).

The period from 1953 to 1956 coincided with the Soviet government's reduced focus on Albania

following the death of the dictator Stalin, while the rapprochement between the Soviets and Yugoslavia further cooled the political and economic relations between the two countries. Therefore, the political crisis played a significant role in reducing the volume of exchanges to a minimum in 1954 while simultaneously improving the trade balance to 50% from 25% the previous year. In 1961, the volume of exchanges immediately decreased, while the balance in bilateral exchanges improved to 94 %, coinciding with the peak of the conflict. In 1961, the USSR consciously reduced the shipment of goods to Albania until their ban in June, leading to the final severance of diplomatic relations between the two countries in December [23].

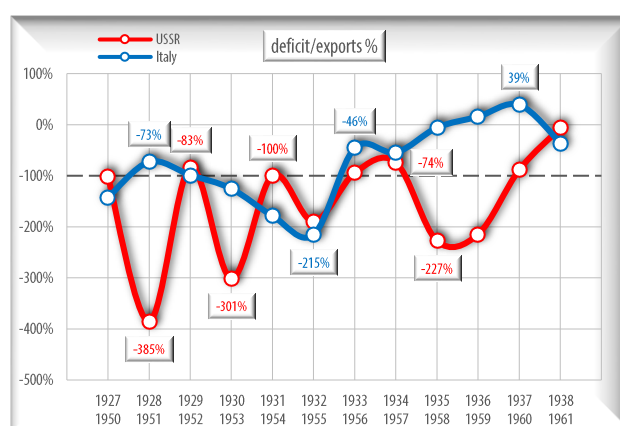


Fig.8. Deficit/export ratio for 2 periods [24].

The differences between two periods:

- In the 1950s, Albania relied heavily on Soviet imports of machinery, equipment, and grain, whereas Italy's imports in the 1930s were not as dominant.
- Similar to Italy in the 1930s, the USSR provided a stable market for Albanian products. However, oil was a critical product for Italy's economy, accounting for a large portion of Albanian exports at the end of the 1930s. During the 1950s, the USSR clearly used Albanian foreign commerce to integrate Albania's economy with that of the CMEA countries. Meanwhile, trade with the CMEA countries existed solely for political reasons, since they had little or no interest in Albanian commodities.
- The passive trade balance with the USSR began to improve after 1959, reaching a near-positive status only in 1960–61, a development that coincided with the onset of the Soviet–Albanian conflict. In contrast, the second half of the 1930s saw an active balance in trade exchanges, primarily due to the rise of natural resources exports.
- Good political relations did not continue to negatively impact the trade balance between Italy and Albania. On the contrary, the two crises in relation to the USSR and Albania impacted the trade balance in

the same way. In the second case (period 1950–60), Albania relied on the USSR for both imports and exports. Albania required Soviet capital for its industrial investments and to access the Soviet market, as nearly half of its total exports went to the USSR.

- Figure 8 shows the trade deficit to exports ratio for the periods 1927-1938 and 1950-1961 in Albania's trade with Italy and the USSR, respectively. The trade deficit to exports ratio for both periods shows Albania's better performance and lower dependence on the patron state in the 1930s.

Attempts to break free from Soviet dominance in trade exchanges appeared in the early 1960s. On the contrary, the dynamics of the 1930s reveal Albania's constant policy of seeking other partners, which contributed to the political crisis between Italy and Albania. In 1961, the Soviet government found it easier to use trade as a means of pressure, pushing Albania to the verge of economic disaster, a situation only averted with comprehensive Chinese assistance. Of course, other factors influenced the subsequent course of events in both periods, but it seems that in foreign trade, Albania was more dependent on the dominant partner in the 1950s, that is, on the Soviet Union.

The political relationship between Albania and the Soviet Union had a significant influence on foreign commerce. Relations with the USSR deteriorated between 1953 and 1955 as Soviet leadership shifted course, resulting in a 25% drop in overall commercial trade in 1955 compared to 1952 [25]. After Stalin's death and the end of Georgy Malenkov's brief rule (1954-1955), Nikita Khrushchev became the Soviet Union's new leader. The USSR tried to convince the Albanian government to abandon its rapid industrialization strategy in favor of leveraging Soviet assistance to develop economic areas that would allow Albania to achieve self-sufficiency. The Soviets opposed the Albanian leadership's decision to continue investing in heavy industries such as mining.

Table 6. Albania's imports during the period 1951-1954 (million leks) [26]

Country	1951	1952	1953	1954	Change in % to 1951	Change in % to 1953

Imports CMEA	1,918	1,441	1,849	1,176	- 39%	- 36%
USSR	1,170.3	685.3	1,061.2	535.7	- 54%	- 50%
Czechoslovakia	254	246.3	330.9	125.2	- 51%	- 62%
Hungary	130.3	169.1	112.7	120	-8%	6%
Poland	132.8	126.2	138	112	- 16%	- 19%
Romania	209.2	120.9	133.1	70.2	- 66%	- 47%
Bulgaria	21.3	93.3	73.2	212.6	9 fold	190 %

Another contributing factor was the Soviet endeavor to reconcile with Belgrade following the Yugoslav-USSR split eight years prior. In May 1955, Khrushchev visited Belgrade to reconcile with Tito. Additionally, Yugoslavia received a loan of 215 million rubles (\$54 million) and a foreign currency loan of \$30 million as a result of Soviet-Yugoslav agreements. In the interim, Albania received half the quantity of Soviet financial assistance it had received in 1951. This behavior significantly weakened the ties between Albania and the Soviet Union.

In 1954, commerce with the Council of Mutual Economic Assistance (CMEA) countries declined by more than -29% from the previous year, with trade with the Soviet Union alone declining by 40%. Albania's imports from the Soviet Union, its principal provider of machinery and equipment, decreased by -50% in 1954 and -54% in 1951 (see Table 6). A similar pattern occurred in trade with more developed socialist countries, such as Czechoslovakia, Poland, Hungary, and Romania. Together with the Soviet Union, these four countries accounted for more than 95% of Albania's imports in 1951. Overall, imports from CMEA member countries were more than 36% lower in 1954 than in 1953 and over 39% lower in 1951. These reductions likely impacted Albania's economic growth rate [27].

While the situation in exports was slightly different, shipments to several nations nevertheless decreased significantly (Table 7). In 1954, Albania exported 24% less than in 1951 and 3% less than in 1953. It was shipments to Poland and Romania that decreased significantly. Exports to Romania declined by 77% in 1954 compared to 1953 and 78% compared to 1952. The new Soviet approach to Albania affected Albanian industrial output; blister copper output fell

from 1,200 tons in 1952 to 675 tons in 1954, while bitumen output fell from 36 thousand tons to 17 thousand tons and chrome from 24 thousand to 21 thousand tons [28].

Table 7. Albania's exports 1951-1954 (million leks) [29]

Country	1951	1952	1953	1954	Change in % to 1952	Change in % to 1953
Exports CMEA	450	629	495	480	-23.7%	-3.1%
USSR	241.1	373.6	264.5	268.3	-28.2%	1.4%
Czechoslovakia	85.5	103	115.3	83	-19.4%	-28%
Hungary	52	66.9	35	51.2	-23.5%	46%
Poland	41.1	48.6	40.1	35.7	-26.5%	-11%
Romania	11.7	14.9	13.8	3.2	-78.5%	-77%
Bulgaria	18.2	21.5	26.3	38.3	78.1%	46%

However, after 1957, the Soviet-Yugoslav relations were cooled again, and Soviet financial aid to Albania multiplied. Generally, from 1951 to 1960, trade with the Soviet Union was at a high level, and this period also saw the lowest export-to-imports ratio in Albanian foreign trade, averaging about 30%. This indicates a significant imbalance in trade with the Soviet Union. The conflict between the Albanians and the Soviets in 1961 resulted in the breakup of diplomatic and economic ties between the two nations. As a result, Albania lost its primary trade partner. In 1961, Albania's trade exchanges declined to levels similar to those in 1957 and 1958, and they decreased by 51% compared to 1960.

The dynamics of Albania's commercial exchanges with Italy during the period between the two wars bear similarities. The deterioration of relations with Italy resulted in an instant reduction in the volume of

commercial exchanges while concurrently enhancing the balance in foreign trade. The punitive action of the Soviet Union that preceded the final secession had serious consequences on the Albanian economy and trade. In the early 1960s, the Soviet Union exerted military pressure on Albania by withdrawing its naval ships and submarines from the Vlora naval base in May 1961 and severing diplomatic relations in December 1961, followed by a trade blockade. This had significant implications for the Albanian economy, as the Soviet Union was not only Albania's primary trading partner but also its largest creditor. Albania, which until 1960 in its propaganda had emphasized the "imperialist and monarch-fascist encirclement," [30] was now truly an isolated country.

4 Geography of trade exchange

Figure 9 illustrates the pattern of exports by nation over two different decades (1928–1938 and 1950–1960). The main thing that stands out about the geographical distribution of Albanian exports before and after the war is that most of them went to their patron countries, which were Italy and the Soviet Union, as shown in Figure 9. During the decade from 1928 to 1938, Italy constituted 65% of exports, but the USSR averaged 49% in the 1950s. In the 1930s, Greece was the second-largest destination for Albanian exports, accounting for an average of 17% [31]; in the 1950s, Czechoslovakia maintained the same position, accounting for 17% of all Albanian exports [32]. In the 1930s, the United States ranked third in Albanian exports with 12%, while East Germany had the same position in the 1950s.

Exports from Albania seemed more dependent on Italy in the 1930s than on the Soviet Union in the 1950s. However, we should not overlook the fact that the states in Eastern Europe have at the moment served as satellites of the USSR. It's evident from Figure 9 that the five primary partners were all the CMEA members. From 1950 to 1961, all CMEA member nations, including the USSR, took in over 95% of Albania's exports. Therefore, it was a total dependence on the Soviets, in contrast with the first impression from Figure 9. After 1961, the geography of Albanian exports underwent yet another dramatic change.

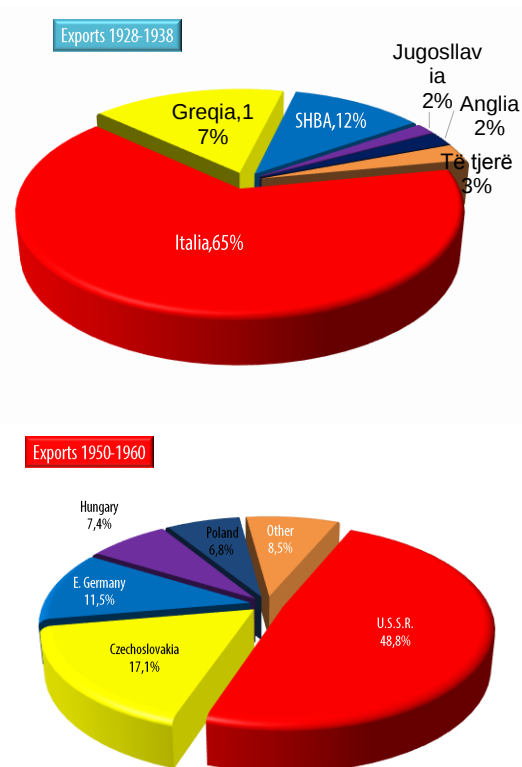


Fig.9. Albanian exports by the country (1950s and 1930s). [33]

The situation is slightly different regarding imports. The USSR occupies a relatively larger place than Italy in Albanian imports (they account for 51% and 38% of total imports, respectively). Additionally, Albania imported more goods from other countries during the 1930s. Yugoslavia occupied the second place in Albania's imports in the 1930s, while the United States ranked third. In the 1950s, Czechoslovakia followed the USSR in terms of import value, accounting for 13%. The five countries from which Albania imported the most goods during the period 1950–1960 were the CMEA member countries.

While trade exchanges with Western countries in the 1950s were almost zero, in the 1930s, trade exchanges with countries such as the USSR, Poland, China, or Bulgaria were absent. Not only had the export geography shifted, but it appeared that this shift was not organic, and the selection of trading partners did not align with economic principles. Not only did Albania not trade with its previous partners, but it also did not engage in any trade with its neighboring countries. During the 1950s, trade exchanges with neighboring countries were completely negligible (Italy 2.6%, Greece 0%, and Yugoslavia only 0.5% of the total), while in the

1930s, trade exchanges with the three neighboring countries together amounted to 83.4% of the total [34].

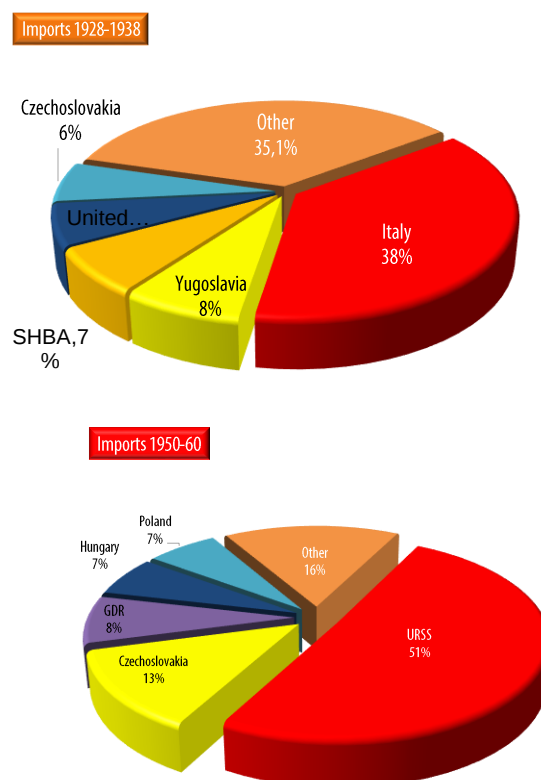


Fig.10. Imports by country (average) for the 1950s and 1930s. [35]

Countries such as Romania and Hungary occupy a larger place than before the war in trade exchanges. East Germany and Czechoslovakia, which remained trade partners both before and after the Second World War, are the exception. However, Czechoslovakia's share of total trade exchanges with Albania significantly changed between the two periods in question, from 3.2% in 1938 to 12.1% in 1960.

4.1 Hirschman Index of concentration of trade

The Hirschman index [36] is a statistical indicator of the concentration of foreign trade. A country's foreign trade concentration increases as the number of nations engaged decreases. Typically, a nation with widely diversified foreign trade has a Hirschman index around zero, whereas countries with concentrated trade relations with a few other nations have an index near one (100%). The Hirschman index is easy to calculate. Relative shares in foreign trade, for each country participating in overseas trade, are squared. Then, multiply by 100

the root of the sum of the squares of each country's share.

$$HHI = 100 \times \sqrt{\sum_{i=0}^n s_i} \quad (1)$$

Where s_i – share of each partner to the foreign trade of a certain country ($i = 1$ to $i = n$)

HHI – Hirschman index

Table 5 displays the Hirschman index for Balkan nations from 1925 to 1938. The trend of Albania's international commerce markedly diverged from that of its neighboring countries. In 1938, Albanian imports had significantly greater diversity than in 1925, although the Balkan region saw a contrary trend. In 1938, Albania ranked second among Balkan states in the Hirschman Index of imports, behind Greece. Furthermore, Albania appears to have been less predisposed than other Balkan countries to concentrate its exports. Nevertheless, Albania had the most adverse indicators for foreign trade concentration relative to other countries. The mean export index was 69.7, whereas the Balkan average was 42.5. The import concentration rate index for Albania was 49.0, above the Balkan average of 38.6.

Table 4. Concentration of trade (Hirschman index %) 1925-1938

HHI		1925	1929	1932	1937	1938	Annual average change
Albania	I	78.0	49.7	43.6	32.6	41.2	-4.8%
	E	65.1	65.6	67.8	79.6	70.2	0.6%
Bulgaria	I	32.3	31.7	32.1	56.4	54.0	4.0%
	E	31.8	37.3	35.5	46.7	60.3	5.0%
Hungary	I	38.9	35.2	34.0	35.8	44.5	1.0%
	E	43.9	38.4	37.4	33.9	48.2	0.7%
Rumania	I	33.5	34.1	35.1	37.3	42.1	1.8%
	E	28.4	34.8	29.1	27.6	33.2	1.2%
Yugoslavia	I	35.4	33.3	32.5	38.4	43.6	1.6%
	E	37.7	35.6	37.4	32.3	45.5	1.5%
Greece	I	29.8	27.4	28.3	34.1	36.5	1.6%
	E	39.5	37.1	36.2	38.1	45.3	1.1%
Turkey	I	31.2	29.1	33.2	46.3	50.6	3.8%
	E	37.3	33.5	29.6	41.3	47.6	1.9%

Table 5a. Foreign trade concentration [37] in 2 periods

		1929	1932	1937	1938	1950	1955	1960	1964
Hirschman index	Imp + Exp	54	52	55	54	51	45	57	57
	Imp ort	50	44	33	41	49	45	59	65
	Exp ort	66	68	80	70	65	49	54	47

Table 5a displays the Hirschman Index estimates for Albania's international trade in the pre- and post-WWII periods. The international trade index ranged between 52% and 55% from 1929 to 1938, peaking at 57% in 1960–1964. The dependence on imports is clear in the post-World War II period. On the contrary, as shown in Table 5a, there has been greater diversity of exports since the end of WWII than in the 1930s.

Table 5b. Foreign trade dependency (National income in million \$) [38]

		1929	1932	1937	1938	1950	1955	1960	1964
Import plus Export	x 100	30	16	14	16	29	33	55	50
National income									
Import	x 100	22	13	11	12	22	25	34	31
National income									
Export	x 100	8	3	6	5	7	8	21	19
National income									
National Income		33.7	33.7	58	58	97	166	232	308

In the prewar period, Albania experienced a greater concentration of exports compared with the 1950-1964 period. The Hirschman Index for Albanian exports was 70–80% during 1937–1938 and 55% in 1960. Conversely, for imports, the pre-WWII era has lower Hirschman indices, implying that import was more concentrated throughout the 1950s.

The turnover-to-national income ratio is an indicator of the dependence of a country's economy on foreign trade and therefore on its trade partners. Table 5b shows that the turnover-to-national income ratio was 16% in 1938 and rose to 55% in 1960. Albanian economy experienced both for import and export during 1950s more dependence to the foreign trade compared to pre-WWII period.

The above assessment of Albania's foreign trade in the 1930s and 1950s shows an increase in the concentration of foreign trade during the post-WWII period. Furthermore, it appears that from 1938 to 1960, economic dependence on foreign trade virtually tripled in terms of circulation, exports, and imports. This proves heavy dependence of the Albanian economy on its main partner, the USSR. During Albania's confrontation with the USSR from 1960 to 1962, the latter utilized an embargo on foreign trade as a coercive instrument. According to the Albanian authorities, those were the most difficult years for Albania after WWII [39]. Without China's help, Albania would face a famine catastrophe and a paralyzed economy. China's urgent supply of wheat, as well as economic agreements with the new ally, spared Albania from economic ruin and potential military involvement by the USSR and the Warsaw Pact.

5 Peculiarities on foreign trade from 1950 to 1960

5.1 Overvaluation of Prices

Some Western analysts observed a phenomenon in the USSR's exports to Eastern European countries: the setting of prices higher than international market prices [40]. In Albanian trade with USSR has also observed this phenomenon. But the hypothesis remains that this phenomenon in the 1950s represented the trade advantage of the USSR over satellite countries, unfairly exploiting the lack of a free market and political and military dominance. Of course, given the volume of exchanges, Albania cannot be considered a typical example of this phenomenon.

Table 8 shows the overpricing of Soviet exports experienced by Eastern European countries. The data show the price difference between Soviet goods sold in satellite countries and the price of similar products in Western Europe, expressed as a percentage of Soviet export prices. The table shows data for a

limited number of commodities. Albania appears to be among the countries most affected. In 1955, Soviet exports to Albania were overpriced by 35%, while goods exported to other countries were overpriced by a range of 13% to 20%. Between 1955 and 1958, Soviet exports to Albania averaged over 20%, compared with 12% for other Eastern European countries.

The Table 8 clearly shows that more developed Eastern European countries, such as Czechoslovakia or Poland, were less overcharged than backward countries like Albania and Bulgaria, which could be attributed to the small and weaker countries' much greater dependence on the dominant partner.

Table 8. Price overcharged % of Soviet exports to CMEA countries [41]

Country	1955	1956	1957	1958	Average
Albania	35%	15%	14%	17%	20%
Hungary	20%	14%	10%	16%	15%
Bulgaria	20%	3%	7%	24%	14%
Czechoslovakia	17%	14%	10%	10%	13%
East Germany	14%	11%	7%	12%	11%
Poland	13%	10%	7%	5%	9%
Rumania	14%	6%	-2%	14%	8%
All countries	16%	11%	7%	12%	12%

Table 9 illustrates the losses incurred by the CMEA member countries in USSR imports, expressed in millions of dollars, as a result of overestimating prices of 41 commodities compared to international market prices, with between 1958 and 1960, with Albania contributing \$5.5 million. However, in a total account, Albania cannot be called a "victim" of this imperialist behavior [42]; moreover, its debts and its obligations to repay loans granted by the USSR were canceled (about \$105 million).

Table 9. Losses from overvaluation of import prices from USSR (\$ per capita) [43]

Country	1958	1959	1960	1958-60 (average)
East Germany	4.0	7.9	8.6	6.8
Czechoslovakia	2.6	7.2	7.9	5.9
Bulgaria	3.1	2.3	4.3	3.2
Hungary	2.5	3.6	2.8	3.0
Albania	5.0	1.0	1.5	2.5
Romania	1.3	2.2	1.8	1.8
Poland	0.3	1.8	1.9	1.3
Average	2.7	3.7	4.1	3.5

According to calculations, the Soviets profited by around \$1 billion from this trade approach between 1958 and 1960, while Albania lost \$12 million [44]. According to Table 10, if Western estimates are true, Albania would have lost almost \$200 million, or more than 12% of its USSR imports, between 1955 and 1960. It is crucial to highlight that the losses attributable to price overestimation mostly reflect the difference between Albania's imports from the Soviet Union and the value of purchasing the same commodities from Western nations [45].

Table 10. Albanian losses due to the prices of the imported Soviet commodities (million US\$)

Albania	1955	1956	1957	1958	1959	1960	Total
Imports from USSR	15.7	16.7	26.0	44.7	48.0	45.7	196.7
Price overcharged (%)	35%	15%	14%	17%	3%	5%	12%
Losses	5.5	2.5	3.6	7.6	1.5	2.5	23.2

5.2 Profiting more than anticipated in agreements

According All CMEA countries offered loans to Albania to cover its trade deficit. Unlike the USSR, countries of Eastern Europe had no significant political or economic interest in Albania. However, Albania according to Wiles, had benefited even more than the loan agreements with these countries anticipated, due to the under-fulfillment of its export quotas. Table 11 provides an example of this, using the case of trade between Albania and East Germany (German Democratic Republic).

Table 11. Fulfillment of exports quotas GDR – Albania (million \$, 1952-59) [46]

Year	GDR's exports to Albania			Albania's exports to GDR		
	Plan	Fact	% of fulfilment	Plan	Fact	% of fulfilment
1952	2.3	2.4	1.0	0.3	0.5	1.6
1953	3.0	2.9	1.0	0.8	0.6	0.8
1954	3.5	2.2	0.6	1.0	0.6	0.6
1955	5.7	6.1	1.1	2.4	1.3	0.5
1956	4.0	4.2	1.0	2.0	1.7	0.8
1957	6.0	4.3	0.7	2.8	2.3	0.8
1958	6.2	5.5	0.9	4.7	2.5	0.5
1959	6.8	6.9	1.0	6.0	4.8	0.8
	37.6	34.4	91%	19.9	14.2	71%

Table 11 shows that Albania has a significant underperformance in its exports to the German Democratic Republic (GDR). Thus, according to the trade agreements, Albania's exports should account for 53% of East German imports and the difference covered by the trade loan offered by GDR to Albania. However, during the entire period from 1952 to 1959, Albania's exports only accounted for 41% of German imports, and only 71% of the planned exports to East Germany being fulfilled. In other words, the trade deficit expected to be covered by the GDR loans during 1952-1959 period was \$17.5 million; in fact, the GDR was forced to cover \$20 million, or 15% more. This difference might be negligible for the GDR, as trade with Albania accounted for only 0.2% of the total, [47] but it was significant for Albania, as the GDR accounted for an average of over 10% of its total exchange volume.

Schnytzer, conversely, argues that the under-fulfillment of export quotas from Albania was unintentional. Schnytzer analyzes Albania's exports to East Germany from 1952 to 1959 and compares them to the overall value of its exports [48]. He concludes that the failure of Albania's economy to cope with the plan and the socialist control of foreign trade during this period led to underperformance in Albanian exports. However, he doesn't explain why socialist planning didn't have the same effect on both Albanian and East German exports.

The analysis, based on official Albanian statistics on foreign trade, contradicts the conclusions drawn by both scholars. Albania has completed 96% of its exports to the GDR, while East Germany has completed 98% of its intended dispatches to Albania, according to Albanian statistics [49]. Peter Wiles and Adi Schnytzer may have relied upon alternative sources of information as a result of the absence of credible statistical data from the People's Republic of Albania. Nevertheless, it is more probable that the official data concerning Albanian trade was inaccurate.

6 Conclusion

From the ideological point of view, Albania's relation to the USSR throughout the 1950s differs significantly from its relationship with fascist Italy during the 1930s. Nonetheless, despite ideological differences, foreign trade indicators exhibit analogous characteristics to the relationship between a client state and a great power:

- High foreign trade deficit. Exports-to-imports ratio (except for the 1936-37 period) in trade relations with the protector state, as well as in total, is under 100%

- There is a correlation between fluctuations in the extent of the exports-to-imports ratio and political crises between Albania and its protector state.

- Absorption of Albanian exports to a large extent by the dominant partner. In both cases, the dominant state becomes a safe haven for Albanian exports, which otherwise might not be able to find another destination. This is more pronounced in the case of the alliance with the Soviet Union.

Of course, Albania utilized the loans from fascist Italy to construct its road infrastructure and to fund administrative reforms. Between 1950 and 1961, Albania utilized a substantial portion of the loans to import food items and bridge the trade deficit. Fascist Italy essentially tolerated the trade imbalance with Albania to its detriment, while also using it as a tool to boost Albania's foreign trade. Meanwhile, the USSR utilized trade credits as a mechanism to stimulate Albania's foreign trade and simultaneously boost Albanian industry. We must say that the fascist corporative organization of the economy under the Mussolini regime in Italy bore many similarities to the Soviet one, particularly in the intervention of state policies in the economy.

Regarding the two periods from the perspective of foreign trade, we can say that the features of the client state are more pronounced in the second period, i.e., from 1950 to 1960. The rise in the volume of foreign trade, especially in the 1950-60 period, led to an increase in its weight in the net material product. In 1950, Albanian exports constituted 3.3% of the country's GDP, reaching 10.5% in 1960 [50]. This demonstrated the swift expansion of Albania's export-oriented economy. In the 1930s, the same indicator stood at approximately 7.7%. However, the primary characteristic of Albanian foreign trade was the passive balance, which the patron country either directly or indirectly covered. According to Peter Wilies:

"[A] striking instance is Albania, the only one of ...really poor Soviet-type economies that publishes statistics. ... Albania never was in visible balance [foreign trade balance] ... Albania's performance can only be described as a remarkable diplomatic achievement. Albania has always depended on someone imperial power. [51]

and this conclusion could "be hard to dispute" [52].

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