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ALBANIA SEEKS ECONOMIC CONTACTS IN THE WEST

GEHEIM

Albania is probing for increased trade with the West as part of its program to offset the economic effects of Tirana's growing estrangement from the Soviet bloc. Some Soviet aid projects in Albania have been suspended, and many Soviet advisers have left the country. In cooperation with Communist China, whose role in Albania is growing and probably will become of major importance by the end of the year, Tirana apparently intends to maintain its ideological position undeterred by the threat of Soviet economic sanctions.

Albania's nonbloc trade amounted to only \$4,000,000 in 1958--less than 4 percent of total trade. It has trade agreements with only seven nonbloc countries--Italy, Yugoslavia, Iraq, Syria, Cuba, Brazil, and Austria. The Austrian agreement is signed in late July and is apparently a direct result of Tirana's trade overtures to the West. Tirana plans to send a delegation to Paris to discuss a trade agreement.

Several Albanian purchasing missions have visited Italy this year to negotiate with Italian firms.

Pending clarification of Albanian trade plans, the Italian-Albanian trade agreement due to expire on 30 June was extended four months.

In its only major purchase in the West so far, Tirana took delivery of a merchant ship of 12,000 dead-weight tons built in Italy. Albania's interest in acquiring its first large merchant ships capable of worldwide commerce suggests an attempt is under way to expand trade outside normal channels with the USSR and Eastern Europe. The ship purchased from Italy has

been scheduled for a voyage to China--the first voyage outside home waters by an Albanian-flag ship except for occasional trips to the Black Sea.

It is not certain whether the Albanian initiative to expand trade contacts with the West is chiefly a precautionary measure in anticipation of more stringent Soviet economic pressure, a response to sanctions already imposed, or simply a reflection of a long-term policy of reducing Albania's dependence on the USSR. The Albanians are negotiating with an Italian firm for the construction of a chemical fertilizer plant which the Soviet Union was originally committed to build as an aid project. Work on at least two other Soviet aid projects is known to have been suspended.

However, Soviet-Albanian trade continues and there is no conclusive evidence of a curtailment of Soviet commodity credits, which normally underwrite a large part of Tirana's chronic trade deficit.

The problem of hard-currency payments for imports from the West may eventually prompt an Albanian appeal for Western aid. The French have indicated that, to finance purchases from France, they would permit the use of Albanian gold assets held in Paris since 1945. In the meantime, Peiping since last autumn has purchased grain for Albania in the West, and French and Italian officials believe Tirana is using foreign exchange made available by the Chinese to pay for other goods. The ship purchased from Italy required a cash outlay of about \$3,000,000--a sum larger than Albania's total annual earnings of hard currency.