Features of competition and development of markets in an age of globalized economy

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The fall of communism in Eastern Europe in the beginning of the 90-ies of the 20th century marked the beginning of a historical process of triumph of market economy in a wide geographical area and a large population, which had to have an influence on global developments. This age is characterized not only by a comprehensive ruling of capitalist market economy, but also by a series of important structural changes in economies of various countries, national and international mechanisms of market functioning, and relevant institutions thereto. Distinct authors have various opinions on characteristics and positive and negative outcomes of a globalized economy era. Some consider the globalization of world economy as a quantitative and qualitative expansion of market economy throughout the world, similar to the situation before the World War I. Other more serious authors consider the globalization of world economy as a new qualitative era, with important consequences on many areas, specifically: a) on a different organization of production, structure in various countries, and as a result, the rise of new phenomena of international labour division, and role of various countries and institutions in developing the global economy. In these areas, one may view a substantial fall of production organization methods in conditions of total automatization, and creation of new political and economic bonds, within regions and the whole world.

b) Globalization of the world's economy has on one side created conditions for an accelerated economic growth and wealth, but on the other side, it rose to surface and exacerbated all problems of economic inequality between countries, and between various social categories within the same country. In this field, especially after the recent economic and financial crisis, there is deterioration of social and regional contradictions between the richer and the

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poor. Despite a large growth of production and services recorded in the most recent years, economic vulnerability and poverty of some social categories grew, not only in traditionally less developed countries, but even in developed countries such as the USA and some countries of the European Union.

c) Together with the changing roles of countries and institutions in the international area, the expansion of economic globalization processes has brought about new risks in ensuring full preservation of democratic rights and relations, not only between different social layers of a country, but also in relations between countries and regions. This necessitates the undertaking of joint measures to avoid eventual political turmoils and violation of human rights at individual and national levels. In the today's era of globalization, new political and economic problems have springed, expressed through a more general and rougher competition in various markets of goods, investments, movement of labour and especially in financial markets, which are more volatile and are faster in terms of electronics, where within seconds there are movements of monetary capitals at unimaginable figures. From this view, one may easily comprehend that the current economic-financial crisis brought to the surface the unavoidable contradictions of economic globalization, in terms of stronger competition in markets, and in various types of relations within any country, between various social layers and in global markets between countries of different levels and structures of economic development.

To understand better the today's severity of numerous contradictions and competition in specific markets of goods, capital and currency, one must take into account firstly the changes made in development and roles of countries and most important groupings of world's economy. In this direction, essential indicators are to be viewed on new dimensions the volume of Gross Domestic Product has taken, in general and in main countries and regions, in conditions of a large change in growth rates of specific countries, and their increased role in a global economy. Based on IMF and Eurostat data processing, the Reuter agency has published the following figures on 2009 GDP, estimated in Billion USD:

Countries	GDP in $ billion	Specific weight in % to global product	In USD per capita (at official exchange rate)
I. World – Total	61.963	100%	---------
1. European Union	16.107	26%	32.234
2. USA	14.624	23,6%	47.132
3. China	5.745	9,3%	4.283
4. Japan	5.391	8,7%	42.325

From EU			
a) Germany	*3.306*	*5,3%*	40.512
b) France	*2.555*	*4,1%*	40.591
c) UK	*2.259*	*3,6%*	36.298
ç) Italy	*2.037*	*3,4%*	33.829
5. Brazil	2.024	3,3%	10.471
6. Canada	1.564	2,5%	45888
6. Russia	1.477	2,3%	10.522
7. India	1.430	2,3%	1.176
8. Australia	1.220	2%	54.869
9. Mexico	1.044	1,7%	9.243
10. South Korea	986	1,6%	20.165
11. Turkey	729	1,2%	10.207
12. Other countries of the world	9622	15,5%	

Note: Amounts of four EU countries are a repetition (included in category 16107)

The data in the table above show clearly that in the world's economy, there are leading states such as the USA producing 23,6% of the GDP of the world, and the EU producing 26% of the GDP of the world. What is easily seen is that the EU and the US make for almost 50% of the global GDP. The truth is that in the last decade, the EU has exceeded the GDP volume of the USA, thereby increasing its impact on the globalized economy. Despite this growth, and despite the fact that 12 of the EU Member States use a joint currency (Euro), one must again consider that the effect of such growth, in comparison to the USA, loses ground due to the fact that the EU does not represent a single state unity, since each Member State has its own budget, its own tax system and many other elements which are not consolidated with the Central Bank or a single Ministry of Finance, or a single Government.

These circumstances create many problems, leaving the EU in crossroads in many cases. After the US, in terms of individual countries, we have China, making for 9,3% of the world's GDP, for the first time surpassing Japan, which until recently was immediately after the US. This movement of China, taking the second place in terms of GDP volume, has increased its influence in a globalized economy. IMF experts have concluded in their studies that if China increases for 1 percentage point its growth pace, this will increase the global GDP for 0.4 percentage points (see journal "The Economist", October 2010).

The influence of China in today's global economy cannot be seen only in the GDP growth, but also in other factors strengthening the Chinese competitiveness, both in products' markets and financial markets (currency and stocks). If one views the data on the table above, the China's GDP per capita is around 11 times lower than the American one, and around 8 times lower than the average level of the GDP per capita in the EU-27. Roughly the same situation can be reported in terms of salaries and wages in China.

This means that only due to the low wage cost, China may be much more competitive in international markets, putting both US and EU in hard positions in terms of a number of traditional products. Nevertheless, the large cost difference due to low wages is not the only factor used by China to impose a strong competition on all capitalist countries. The second factor is its high growth rate in the recent years, which continues to mark figures like 10% annually, or 4-5 times larger than other countries. This factor is to be viewed from several angles. On one hand, high development rates in China are considered by many authors to be positive for the global economy, especially in times of crisis, thereby assuming that China may be the key engine of pushing the global economy out of the crisis. Still, other authors have gone deeper and in more complex ways, and have found large concerns which are brought about by the Chinese competition, and its markets and methods used.

First, high development rates in the recent years have caused a large increase of international prices of raw matter. It suffices to see carefully the numbers in the table below, for prices of several commodities, recorded in American Dollars per ton (from 2008 to 2010):

	Years			**Difference**	
Metals	2008	2009	2010	2010 / 2008	2010 /2008
1. Aluminum (Al)	2050	2000	2430 increase	+18,5%	+21,5%
2. Copper (Cu)	4500	5500	8345 increase	+85,4%	+51,72%
3. Zinc (Zi)	1200	1800	2300 increase	+50,0%	+27,8%
4.Nickel (Ni)	14800	15100	24100 increase	+2,0%	+59,6%

Source: "The Economist", editions of October 2010

Similar movements have been recorded more or less in other metals, such as lead, alloys or other energy resources, which are necessary for the industrial development of China. These increases also bring larger costs of industrial products in developed capitalist countries. The main issue is that the price growth continues. It suffices to mention that according to "Goldman Sachs", the price of copper will increase for 35% in the next 12 months, to get to the figure of 11.000 Dollars per ton. Apart from this, according to Western authors, with a long term strategy, China has captured 95% of global production of rare minerals (including 17 chemical elements of exotic names).

These rare minerals which were not used widely before now have a central role in new technologies, in producing electronics, computers, flat screens, laser rays, microscopic magnets; batteries, hybrid cars, etc. (see comments at www.bloomberg.com on 20-31 October 2010). Apart from all other means used by China to increase its competitive ability, the largest influence in consolidating the battle in currency markets is made by the policy of determining the rates of its currency "Juan" (also known as Reinmibin). In this sense, China exercises currency dumping, thereby rising up on currency exchange, but also in the market battle, damaging the US and the EU. First and foremost, China has depreciated its own currency, by disallowing a free market circulation of the "Juan", pursuant to demand and supply. By such depreciation, China stimulates exports (where profits are larger), and second, it prevents the impact of growth in production on its own internal consumption. For a more practical understanding of the problem, let us take a simple example: let us assume that the real rate of 1 Chinese Juan is 0,15 Euros, and 0,11 US Dollars, while China maintains its currency on a lower rate, e.g. 1 Juan = 0,10 Euro and 0,07 Dollars. In this situation, a Chinese product which in the internal market would cost 100 Juan, and at a real currency rate, it would be exported to the EU at a price of 15 Euros (100x0, 15) and to the US at 11 Dollars (100x0, 11). Maintaining the Juan's rate artificially low, the same product is exported to the EU at a price of 10 Euros, and to the US for 7 dollars, thereby competing with the same product manufactured in the EU or the US.
Another factor used by China to exercise its currency dumping (thereby inciting a ruthless battle in global markets) is the functional bond of the low rate of Juan with the US Dollar, and the regulation of all other rates based on this bond. This means that when the Dollar's value decreases, the Juan's value will decrease towards all other currencies. In this way, China ensures its consistent exports to the US, but also competes strongly with all other developed economies. So far, the demands of the EU and the US for a real rate of Juan have gone to a silent ear. This position held by China has coarsened the battle in currency markets. This is one of the main reasons which makes developed countries to pursue protectionist policies, which if used widely would create undesired consequences for the global economy, especially in the current period of financial crisis.

Based on the assessment of factors as above, one may claim also that the coarsening of the currency markets is partially a result of the low-rated dollar policy, pursued by the US to cope with the difficulties of the crisis, to increase production for export and lowering the unemployment rates, which continue to be rather high in the US, although the economy has generally been recovering. In this example, it is easy to understand that the largest burden of such currency policies is taken by the EU countries and other developing countries.

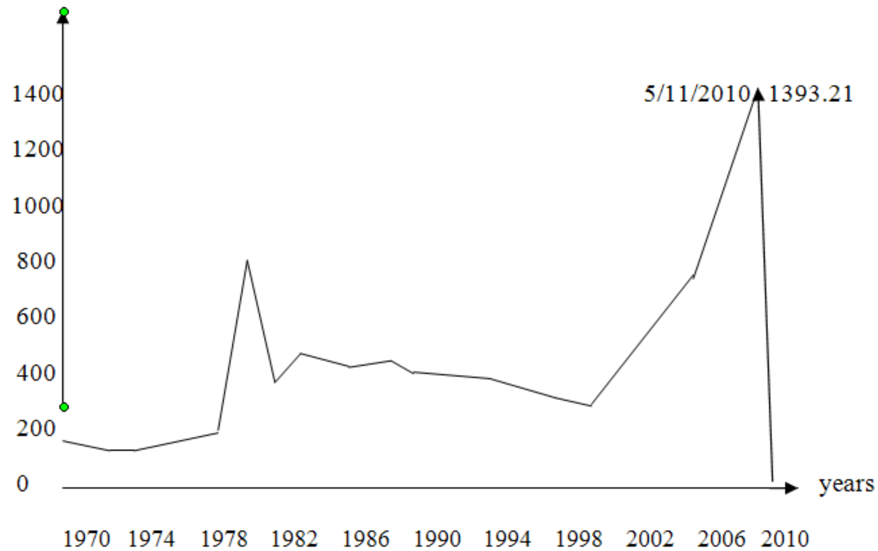
These occurrences and tendencies may be clearly viewed if one analyses the most recent data on currency rates: Euro rates versus other important currencies (calculated on data published by *www.bloomberg*" on relevant dates).

Currency	**Exchange rate**				**Change in %**
	1/6/2010	*6/9/2009*	*8/10/2010*	*22/10/2010*	
1.Euro vs. US Dollar	*1,2229*		*1,391*		*+14%*
2.Euro vs. British Pound	*0,83478*		*0,87257*		*+4,5%*
3.Euro vs. Chinese Juan	*8,3543*		*9.2842*		*+ 11%*
4.Euro vs. Japanese Yen	*111,22*		*114,04*		*+2,5%*
5.Juan vs. US Dollar		*6,8371*		*6,6583*	*+10 %*
6.Yen vs. US Dollar	*98,43*		*81,45*		*-7%*
7. Brazilian Rial vs. US Dollar	*0,5415*		*0,5984*		*+10.5%*
8. Indian Rupee vs. US Dollar	*0,02185*		*0,02251*		*+ 3%*

Source: calculated on data published by www.bloomberg" on relevant dates

These figures express the strong competition in currency markets, where the most vulnerable victims remain the Eurozone countries, obviously including several other countries. The coarsening competition in currency markets, and the diminution of the IMF's role in terms of currency fluctuations, has undermined the monetary security, making states and individuals turn to the gold markets, in which large speculations are taking place, thereby causing a large and persistent increase in prices. Gold prices' trends in different periods of monetary and economic insecurity are best characterized in the graph presented below:

Prices in USD/Onz (Çmimet në dollarë për Oncë)



As one can see from the graph above, since 1998 and until 5 November 2010, the price for 1 onz of glod has almost quadrupled, reaching the figure of 1393,21 US Dollars. It must be emphasized that the price of gold has boosted not only in US Dollars, but in all other currencies. In this sense, it is important to take into account the estimates provided by world organization of gold on annual growth percentages of gold in each currency:

Year	USD	AUD	CAD	CHF	CNY	EUR	GBP	INR	JPY
2005	20,0	28,9	15,4	37,8	21,3	36,7	33,0	24,2	37,6
2006	23,0	12,6	23,0	14,2	18,7	10,6	8,3	20,8	24,4
2007	30,9	18,3	12,1	21,7	23,3	18,4	29,2	16,5	22,9
2008	5,6	31,3	30,1	*-0,1*	*-2.4*	10,5	43,2	28,8	*-14,4*
2009	23,4	*-3,0*	5,9	20,1	23,6	20,7	12,7	19,3	26,8
2010	25,0	12,3	20,1	16,7	21,9	28,3	24,2	18,6	9,8
Average	21,3	16,7	17,8	18,4	17,7	20,9	25,1	21,4	17,9

Source: http//www.goldprice.org/

Data on the last five years show clearly that the "gold fever" has infected all key currencies of the world, thereby proving that monetary instability and speculations in gold markets have been widespread. In annual averages, the years 2005-2010 have brought the largest increases in gold prices in the British Pound and the American Dollar, which shows a larger depreciation of these currencies in comparison to other currencies.

Apart from these, the increase in gold prices has not been uniform throughout the period 1970-2010, because it has been related to monetary factors, but also with many other political and economic factors. Based on the indicators for the period 1970-2010, one can distinguish the following explosions in the world markets of gold:
a) the first major surge was recorded in 1971, in the period of the first oil crisis, Dollar depreciation and bankruptcy of the Bretton-Woods system. These events took the price of gold from 35 to 163.9 Dollar/Onz.
b) The second surge was recorded in 1978, at the time of the second oil crisis, when in January 1980, got to the figure of 850 Dollar/Onz. After this period, the price of gold had minor falls and rises, getting to the amount of 255.885 Dollar/Onz in April 2001. During this very month, the third surge begun, which concluded with the price of 1389.21 Dollar/Onz on the 5th of November, 2010.

Most recent forecasts claim that the price of gold is expected to go beyond 1500 Dollars per Onz soon enough. These strong fluctuations in gold prices show that the gold has turned into an important investment for speculators, who use every negative occurrence and insecurity in economy to secure colossal profits from trading with gold. Such a large increase of gold prices has been an outcome of greater insecurity in various monetary markets, and efforts to create reserves as safe investment, and ultimately the growth in demand for gold for industrial purposes and jewellery. These boosts have also fostered the uncovering of new mineral reserves, or the reopening of older gold deposits of the world, earlier considered to be unfeasible.

In 2009, the most important gold producers of the world were South Africa, USA, Australia, China, Canada and Russia. These countries, in 2009, made for around 52% of the world's gold production, at a time when the total global production got to 1800 tons a year. According to global statistics, the gold was used for the following purposes: jewellery (44%), gold reserve investment (38%), and industrial production (18%). (see paper "To Vima, 30 May 2010). The harsh currency battle in the recent years does not only spring from the currency dumping exercised by China, but also in many other factors, some of which are:

Firstly, the recent financial crisis, the inability of EU economic system to function normally, which has brought it to a crossroad.
The European Union is made of 27 Member States, with equal rights, but with very different levels of economic development, independent budgets, different tax systems and a joint currency zone only for 12 members. Despite having its own Central Bank, which emits the joint currency – the Euro, this zone only includes 12 members, which again have different levels of development, and internal financial systems and independent budgets, so far.

The use of Euro in internal markets of 12 countries favours the more competitive countries and damages those less competitive.

The most competitive country so far is Germany, which with the use of the common currency (Euro) has developed its economy by exporting goods to countries such as Greece, Portugal, Spain, etc., countries with less competitive abilities. To have a clearer understanding why the Euro is so favourable for Germany, which is not really concerned with the large boost of exchange rates, one must refer to the records on the structure of German exports in the region, presented in the following table (data of 2009):

German exporting countries:	Export amount in euro billion	Specific weight in %.
1. Eurozone states (12)	348	43,0%
2. Non-Eurozone EU states	160	19,8%
3. Other European countries	64	7,9%
4. Asia	83	10,3%
5. North America	59	7,3%
6. Other countries	94	11,7%
Total German exports	808	100%

Source: Table constructed based on data published by the German Statistical Service (presented in the journal "To Vima", 25 July 2010).

The data in the table show that 43% of all German exports go to the Eurozone countries, with which there are no customs barriers, and there are not even any differences in pricing in other currencies. Being a highly competitive country, German exports may easily eliminate local producers. Other Eurozone countries are not able to cope with such risk, even to the contrary, instead of lowering the costs and building competitive ability, they chose the path of financing internal demands with budget deficits and colossal public debts. On the other hand, Germany used the competitive vulnerability of these countries and increased its exports to these countries, by providing loans even for the purchase of weapons.

In this way, while the European Commission was not being able to ensure the observation of budget deficit thresholds of 3% of the GDP by Member States, as established by the Lisbon Treaty, less developed members continued their erroneous path, by failing to take measures to increase their competitive abilities. With their wrongful economic policies, these countries have allowed increases of budgetary deficits and an extraordinary boost of public and private debts to figures which even threaten by bankruptcy. Greece found itself in this situation, and after it, Portugal and Spain. In these conditions, the common currency Euro kept rising, thereby making it difficult for the less developed countries to increase exports, making them unable to impose a depreciation of the Euro, which they would do if they had their own national currency.

On the other hand, the stronger Eurozone countries were compelled to take urgent steps to avoid bankruptcy of their less developed and debt burdened peers. These measures resulted into an assistance mechanism for the Eurozone countries at an amount of 750 Billion Euros, and strict surveillance was required to cut budget deficits and service debts. Such a measure was imposed initially on Greece, which was more threatened by bankruptcy, and had to take urgent measures to cut its budget deficit and high salaries, to reform the pension system and the state administration, and to cue some excessive expenditure of a social character. With the establishment of the 750 Billion Euro fund and relevant mechanisms, other assistance measures were taken to save the Eurozone countries from the risk of bankruptcy.

In this sense, in the case of Greece, a part of this mechanism was used, which combined with the International Monetary Fund, made a three-year loan of 110 Billion Euros, with the condition that Greece adopts all measures set forth by the "Group of Three" (the European Commission, the Central European Bank and the International Monetary Fund). These measures are related to a drastic decrease of the budget deficit (which had reached the rate of over 15% of the GDP in 2009), combating fiscal evasion, reform of the pension system, cutting budget expenditure, etc.

Besides this, the EU's Economic Committee will be entitled to a preliminary check of the budgets to be approved by Member States' parliaments, with a view of limiting budget deficits. Despite all these measures, so far no one is able to say that the risk of the Greek crisis spreading towards other countries such as Spain, Ireland, Portugal, etc., has been averted. Currently, the EU is in a crossroad: either there should be a full unification in economic, monetary and fiscal senses to match the US, or large changes must occur in terms of decision making, by establishing first class and second class members. It is obvious that second class members would not enjoy equal rights in terms of important decision-making.

The Central Bank of the European Union, despite being the single emitter of the common currency, will not be able to perform functions and policies as taken by the Central Bank of the US (the Fed) or other countries, with the actual organization. No longer will it be possible for the monetary policy to be decided by a single centre (the EU Central Bank), while financial policies are decided independently by parliaments of each Member State.

In this manner, each state will be able to create uncontrollable budgetary deficits, and in turn, the Central Bank would need to cover for such deficits on the account of members maintaining financial discipline and budget surplus. This explains why the monetary policy pursued by the Central European Bank has not been able to prevent the boosting rates of the Euro versus the other currencies, and especially versus the American Dollar. In fact, with the most recent monetary policy of the US, the EU is in a dire difficulty in coping with the economic crisis many members are going through. If one would take a look on the events of the most recent days, he would be able to see that the Euro is gaining much value above all other currencies, and most importantly, the US Dollar. Hence, the exchange rates between the Euro and the US Dollar have surged much in the recent months, thereby rendering EU exports very difficult. More concretely, the Euro has had the following trends versus the US dollar:

Periods or dates	Euro vs Dollar	Change in % relative to average rates in the last 10 years	Rate changes relative to previous rates
1. Average in 10 last years	1,190 dollars	Taken as base =100%	
2. Lowest level (September 2008)	0,850	-28,6%	
3. September 2007	1,42	-------+11,9%	+66,8%
4. June 2008	1,59	+33,6%	+12%
5. October2008	1,36	+14,2%	-14,5%
6. October 2008	1,49	+25,2%	+9,5%
7. June 2010	1,20	+0,8%	-19,5%
8.5 November 2010	1,413	+18,7%	+17,8%

Source: http//forecast-chart.com/usd-euro html.

From the data above, one may ascertain that the main battle in currency markets is made between the Euro and the Dollar, with the following features: a) in comparison to the 10 year average rate (excluding several months in 2008), at all other periods, the Euro has had a higher value in comparison to the dollar. b) Nevertheless, if we compare the records on rates at specific periods, we would see a large fluctuation of increase percentages from +11, 9% to +33, 6%, but also the existence of large falls, such as those in 2008 and 2010. c) If one compares the lower rate of the Euro versus the Dollar (1, 20) with the highest rate recorded in June 2008 (1, 59), it is easy to observe that the ups and downs of these rates are rather large, and may get to 1, 59-0, 85=0, 74 points (an increase for Euro, and decrease for the Dollar). If we consider that at the point of emission, the EU Central Bank had calculated the purchase strength of the Euro as being equal to 1, 18 Dollars, it is easy to observe that the variations between the two currencies are 0, 74x100/1, 18= 62, 71%, which is a wide range. These variations make room for speculations in currency markets, and on the other hand, they bear the risk of exacerbating the climate of trading exchange, with protectionist tendencies and dire consequences for less developed economies with small currency reserves. The coarsening of the battle in currency markets firstly renders difficult the undertaking of measures to stabilize economies of poor countries. In a second stage, it hampers the growth of exports of Eurozone countries, thereby preventing the coming out of the financial crisis, and making it hard to cope with large social issues in these countries with high debt. A comparison of monetary policies of the US Fed and the EU Central Bank underlines the contradictions between the two policies, thereby bringing about the coarsening of the competition in all markets. The US has employed a monetary policy with an effort to cope with the high unemployment and economic growth, without much concern for the inflation levels, thereby pursuing an almost zero interest rate policy in stimulating investment and increasing employment.

The measures taken by the Fed at the end of October even consolidate the policy, and therefore the contradiction. The Fed decided to print and emit 600 Billion Dollars to purchase its own state bonds. By such an action, the US cut its public debts, and added the monetary mass in circulation, with a view of increasing the inflation rates at one side, to stimulate production and employment in its internal economy and consolidate exports, without much concerns for the effects of such policy in terms of further weakening Dollar (thereby damaging the countries with large reserves in Dollars).

According to the media, only China owns 2.5 Trillion Dollars of Treasury bonds. In a difference from the American monetary policy, the EU Central Bank has set an objective on the stability of prices, avoiding the increase of monetary mass in circulation and further lowering of the base interest rate of 1%. These differences in monetary policy have increased the Euro rate, and Germany excluded (which as underlined above, exports mainly within the EU and has a high competitive ability), the majority of countries are coping with large difficulties in exporting, distict inability to pay their debts, thereby being compelled to burden a large part of economic difficulty on the wider society, by adding on unemployment, reforming the pension system and cutting other social expenditure.

Recently, Greece is not the only state coping with large difficulties, trying to stand up with the recipes recommended by the European Commission, the Central Bank of Europe and the IMF. The alarm raised by strikes in France and elsewhere warn about the difficulties before the EU. If the situations in Spain, Portugal or other countries boil to the level of Greece, then the assistance mechanism of 750 Billion Euros will be needed again to help the other Member States, and this is not easy, in terms of the amount of funds required, or in terms of use and repayment.

It is not random that the German Chancellor Merckel has warned that the German taxpayers are not there to cover for all abuses of other EU members.

This might be the place to emphasize that the battles in the currency markets and the rough competition seen in other international markets will surely influence countries such as Albania, Romania, Bulgaria, etc. Each of these countries not only has specific problems, but also common concerns. For example, the issue of large fluctuations of currency exchange rates between the Dollar and the Euro, or the issues of debt structures and levels, are common problems for the majority of these countries, including Albania, despite the fact that throughout the years of crisis, it has recorded economic growth.

While fluctuations of these currencies may be large, for our country we believe that it is important to choose the most suitable standard of exchanging foreign currencies with the local currency, the Lek. We believe that there is room for discussion and further improvement in the field. Without denying the principle of free market in terms of demand and supply, one needs to study the basic standard of exchange used by the Central Bank. Two main scenarios may be utilized and compared:

First, the Lek value versus other currencies is set in reference to only one currency, such as e.g. the Euro. In this case, if 1 Euro is exchanged with 140 Lek, then the rates of other currencies versus the Lek will be automatically set based on the Euro rate versus other currencies. What happens in this case? Let us assume that on a certain day, the exchange rate in the market is 1 Euro = 140 Lek, while the Euro/Dollar rate is 1 euro= 1,4 Dollar, Swiss Franc 1 euro =1,42 Franks, and British Pound 1 euro = 0,85 Pound. If the Euro is taken as a reference standard, then the rates of other currencies will be set as the following:

For the dollar: 1 Dollar = 140/1,4 Dollars =100 Lek, for the Swiss Franc 1 FrS = 140/1,42 Francs = 98,59 Lek, and for the British Pound 1 Pound Sterling = 140/0,85 Pound = 164,7 Lek. Knowing that currencies may have different fluctuations and different directions of fluctuation, we believe that it would be better for the country's economy to set the reference rates for the Lek based on a standard calculated with a basket of several currencies (for example the four currencies mentioned), taken on a certain proportion, e.g. 50% units in Euro, 30% units in Dollar, 10% units in Swiss Franc, and 10% units in British Pound.

Then, the reference would be:
140x50/ 100+ 100x30/ 100 + 142x10/ 100+ 164, 7x10/ 100 ≈ 130, 7 Lek.
In these conditions, if the currency rates change in relation to the base period: the Euro rate grows for 5%, the Dollar rate weakens for 4%, the Swiss Franc grows for 2% and the British pound lowers for 10%, the standard of the currency basket would grow: 5x50/100 - 4x30/100 +2x10/100 – 10x10/100 = +1,4% or become: 130,7x101,4%=132,5 Lek. In relation to specific currency rates versus the Lek, they would become: 1 euro = 140 x102, 5/100 =143, 5 Lek, US Dollar 100x98, 8/100=98, 8 Lek, Swiss Franc 142x100, 2/100=142, 28 Lek, and British Pound 164, 7x99, 9 /100 = 164, 53 Lek.
These rates would avoid the changing rates from a large boost of a single currency, and internal prices of imported goods from different currency areas would not be treated as if being imported from a single currency area. Hence, goods imported in Dollars, such as fuels, would not be influenced from the changes in Euro/Lek and Dollar/Lek exchange rates, but only from the change in Dollar rates. This is only a simplified treatment of the problem, and it would require from the Central Bank of Albania to engage in a more elaborate study for a more suitable reflection of fluctuations in various currencies in internal prices of goods imported from different currency areas.

Apart from this issue, larger fluctuations of currency rates must also be considered in terms of calculating GDP per capita in US Dollars. This is an important indicator in international comparisons, and therefore, apart from the exchange from Lek to US Dollars, setting from the current Dollar/Lek exchange rates, the GDP calculation must be made on the basis of such an exchange rate, determined by the PPP method - Purchasing Power Parity. The absence of such a method makes impossible an accurate estimate of the GDP rate per capita, in comparison with other countries. The large differences in GDP rates per capita in relation to various exchange rates may best be seen in comparing statistical data of several countries publishing GDP rates per capita in two currencies.
In the following table, one may view clearly the large differences in GDP rates per capita in various countries, calculated with two methods.

The Gross Domestic Product per capita, in US Dollars:

Country	In dollars, official rate	In dollars, PPP rate	Difference in %
1. Bulgaria	6720	12370	+84%
2. Croatia	14300	17400	+21,6%
3. Czech R.	19050	25480	+33,7%
4. Greece	33860	30360	-10,3%
5. Hungary	12850	18380	+43,4%
6. Romania	8680	11760	+35,5%
7. Poland	12490	18550	+48,5%
8. Slovakia	16310	21280	+13,4%
9. Slovenia	28210	25510	+10,5%

Source: "The Economist", 13 November 2009.

A comparison of these data shows clearly the relevance of calculation methods for the income per capita, with the Dollar rate as determined by the PPP method, which takes into account the impact of internal prices in each country for this important indicator.

In a globalized world, the coarsened competition unavoidably moves from one market to the other, and therefore the international capital market cannot remain unaffected, because it is connected to state loans to cover for budget deficits, and with most feasible investment of private capital in various countries.

Today, the majority of countries visit capital markets to obtain loans (including Albania, which recently emitted successfully the first Eurobond in international markets, for 300 Million Euros). In obtaining capital to be used in covering budget deficits of various countries, the competition is focused on considerations of the political-economic situation of each country, a study of the size and structure of debt in comparison with the GDP, and the level of loan costs for the debtor and the real interest rates for the creditor. Therefore, in studying conditions of competition and the battles being fought in goods and currency markets, each country must study the trends of competition in capital markets, because they are strictly related to the level and structure of debt. Failure to obtain debt may render difficult the coverage of necessary demands for development of a country, while the high level of debts may also be a time bomb in terms of independence of countries in the future. Therefore, in this sense, the US has installed a large board in New York, which shows in every second the size of the debt and the changes from one second to the other.

To have a better understanding of public debts of Albania, in comparison to several countries comparable to our country, we will provide data published by the "Economist" on October 30, 2010. The data are written in Million US Dollars, and are compared in % with the GDP rate of the same period, in total and per capita:

Nr	Country	Debt amount, in Million USD	Specific weight in % relative to GDP	Debt in dollars, per capita	% relative to GDP per capita, calculated by PPP rate (2009)
1	Albania	6463	59,1%	2052	???
2	Bulgaria	8043	17,8%	1076	8,7%
3	Greece	37060	129%	337225	109%
4	Italy	225001	118,3%	37462	???
5	Hungary	85476	72,4%	8850	48.1%
6	Poland	226225	49,9%	5937	32%
7	Romania	46320	32,8%	2163	18,4%
8	Serbia	15224	37,5%	2088	???
9	Slovakia	32315	39,7	5931	27,9%
10	Slovenia	18093	37,9%	9008	31,9%

For purposes of comparison, Greece and Italy must be emphasized for their rather high levels of public debt, but also stating that this debt has been created for more than 60 years. In terms of comparison, one must focus on Eastern European countries, amongst which Albania has the highest debt relative to the GDP, while Bulgaria the lowest level, not only in total, but also per capita. This means that our Government must be very careful next year in terms of increasing public debt in comparison to economic growth pace in the country, so that the future generations are not compelled to cope with such difficulties which could prevent a normal trend of economy. The problem of public debts is today a serious concern for the whole globalized economy. The volume of public debt in the world is estimated to be around 40 Trillion Dollars, or above 65% of the GDP of the world. Apart from this, one must underline that in the past, this used to be only an issue for the less developed countries, while today it is a distinct problem for many developed countries, including even the USA, where the public debt is over 9 Trillion Dollars, or 62% of the GDP.

Not only in the public debt market, but also in private capital markets, there is strong competition both between debitors and between creditors or investors. The financial crisis started at the banking sector and financial companies, the bankruptcy of which has shocked many sectors, thereby creating a crisis of confidence.

It is widely known that the private capital requires safer investments and higher return rates. In this view, the private capital is drawn towards the countries with a greater political stability, legislative basis for the protection of private investments, and incentivising policies in terms of tax, lower wages and lower percentages of social insurance. One must underline that Albania has created many favourable conditions to attract foreign capital, both in terms of low tax tariffs, and other facilities. In relation to this, data published by the "Economist" on 6^{th} of October 2010, on specific weights of payments made by a company in different countries on gross profit of 1 Million dollars. These data are drawn into a table, presenting percentage paid on profit taxes and social insurance:

Country	% of payment in tax and social insurance (for 1 Million Dollars of gross profit)	From this, % paid for social insurance
Croatia	55%	20%
Hungary	48%	14%
India	40%	10%
Germany	35%	14%
France	35%	20%
Turkey	35%	5%
UK	32%	8%
Mexico	27%	3%
Japan	25%	10%
China	25%	5%
USA	24%	6%
Pakistan	18%	4%
South Korea	17%	5%
Switzerland	14%	5%
Russia	12%	3%
Bahamas	2%	2%

If we consider that in Albania, the profit tax is 10%, while the social insurance rate paid by the company is 15%, and health insurance is 1,7%, both totalling 16,7%, to calculate total payments to be made by a company in Albania for 1 Million Dollars in gross profit, with the same calculation method of other countries, we must turn the % of social and health insurance paid on wages into % on gross profit.

The indicators mentioned above, taken from the "Economist" show that the private investor will not only consider the profit tax, but also the absolute amount of annual profit to be made, and the level of health and social insurance to be paid on the gross profit.

The coarsening competition and economic battles in all markets in the current globalization era, and a time of coping with dire consequences of the fincnail crisis, have brought to the surface a need for joining efforts of all countries of a globalized world, and not only leaving them to countries alone. The understanding of such necessity to fight jointly has brought to the establishment of collective bodies such as the Group of 20, multilateral forums and a more efficient use of international organizations such as the UN, the WTO and the IMF. For the latter, many authors mention a second "Bretton-Woods", which would set the new principles of functioning of currency markets and control on exchange rates' fluctuations. In this frame, we belive there is a need for a more fruitful cooperation of all Balkan countries to cope with negative phenomena affecting all countries, and influencing their growth rates. It seems that Balkan today needs a specialized institution for coordinating activities and developments in the fields of market, fiscal and monetary policies, investments and migration.

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