

# Economy at risk if investors rethink

FROM JANET MCBRIDE  
IN TIRANA

ALBANIA risks lurching from political to economic crisis if it does not swiftly end the violence in the South of the country, economists said yesterday.

Western firms that had been tempted to pump money into developing over 170 miles of Adriatic coastline and recovering oil and metal deposits may reconsider after last weekend's insurrection.

An alarming drop in consumer spending that accompanied the rise and fall of fraudulent pyramid investment schemes is also threatening domestic enterprise.

Retail sales dropped by half at the end of last year as Albanians poured their meagre savings into the pyramids. When they crumbled in January, people scrambled to exchange leks for dollars, driving the domestic currency down by up to 50 per cent.

On Friday the lek was quoted at 134-137 to the dollar on Tirana's grey, open-air currency market, compared with 104 in early January.

"The country needs to get back to a normal business environment. There are major difficulties ahead and if they are not overcome soon, the costs will be higher," said Carlos Elbirt, the World Bank's resident representative in Tirana.

"The destruction is in itself a big problem. In addition there is the question of how much damage there has been in terms of business that will not materialise."

Oil firms, including Occidental Petroleum Corp of the United States and Austria's OMV AG, have been drilling offshore. Some have also been eyeing onshore sites. Other foreign firms, mainly from Italy and Greece, have put money into producing textiles and shoes.

Analysts say events over the past two months will have done little to instil confidence abroad. But the country still has hope, because of its abundant natural resources. (Reuter)