

[DOI: 10.20472/IAC.2015.019.032](https://doi.org/10.20472/IAC.2015.019.032)

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MEASURING THE IMPACT OF COMPETITIVENESS (GCI-GLOBAL COMPETITIVENESS INDEX) ON TRADE FLOWS OF ALBANIA

Abstract:

Literature and the latest studies have enlarged their focus in the aspect of the factors that affect the economical competitiveness of a state. They have shown that the competitiveness among states doesn't depend only in the basic factors of production, but also on other social factors; public institutions such as: infrastructure; health; efficiency factors such as: efficiency in the market of goods, commercial flow or the labor market; Higher education or specialized training; innovation, etc.

The main purpose of this research paper is to analyze the bilateral trade flows among Albania and 35 other countries regarding the import-export statistics and also based in the " Gravity Model". The classical part of "Gravity Model" is to study the impact of the size of the economy, local and foreign, distance between particular places, etc. Another strong point of this research paper is the study of the influence of competitiveness (GCI-Global Competitiveness Index) in the commercial flows of Albania. In this research we will be able to give an answer to the question: "What is the information that the global competitiveness index gives to us regarding the performance of Albania in the foreign trade environment".

The data that was included in the study belong to the period from 2005-2012, in the form of annual time series. For the selection of the variables in the model, I relied on the traditional theory, where the exports are affected from the country's size, distance, exchange rates and the last year's theories for the evaluation of competitiveness factors in the variable's complexity that constitute on the GCI index. Other questions that arise are: Why all these elements mentioned above are important to increase competitiveness? What are the factors that affect competitiveness? How much do they affect on Albanians trade flows?

Keywords:

GCI-global competitiveness index, exports, imports, the 'Gravity Model', trade.