

Out of Albania: the Albanian Civil War and the second Albanian “Migration Crisis” (1997)

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Introduction

Between the end of the 80s and the beginning of the 90s of the 20th century, the Albanian regime started to change: within a few years, it passed from an isolationist communist state to a parliamentary democracy. Nevertheless, the new regime wasn't strong as it needed to be to deal with a new crisis: indeed, in 1997 there was the “Ponzi Crisis”, an economic and social crisis that involved about 2/3 of the Albanian families¹. During the same year, this crisis was the main motive for the outbreak of the Albanian Civil war, that caused about two thousands deaths. In turn, the most important international consequence of this civil war was the second Albanian migration crisis, which involved large flows of Albanians to the Italian coast.

The aim of this paper is to explain how the crisis broke out and what its immediate consequences were in the European scenario.

1 - The “Ponzi Crisis” and the Civil War

1.1 – The Albanian economy and the Ponzi Schemes

According to the International Monetary Fund, the Albanian transition from a socialist economy to a free market economy –between the end of the 80s and the early 90s of the 20th century- was «rapid and quite successful»². In spite of this, between 1992 and 1996, the Albanian agricultural and industrial production collapsed, and the economic had basically been guided by the proceeds of criminal activities and international aids³. Moreover, the Albanian financial system was still elementary, indeed there were few private banks and only three state banks. Both private and public banks were not able to satisfy private sector demand for credits: due to this flaw in the financial system, «an informal credit market based on the family ties and financed by remittances grew»⁴.

In addition to this informal system, there were deposit-taking companies that «invested to their own account instead of making loans». This is how these societies, between the early 90s and the beginning of 1997, became pyramid schemes (“Ponzi Scheme”). More precisely, a Ponzi scheme «is an investment fraud that pays existing investors with funds collected from new investors. [...] Ponzi scheme organizers often promise high returns with little or no risk. Instead, they use money from new investors to pay earlier investors and may steal some of the money for themselves. [...] When it becomes hard to recruit new investors, or when large numbers of existing investors cash out, these schemes tend to collapse»⁵.

The proliferation of Ponzi schemes was the main reason of the Albanian political and economic crisis. In 1996 two of the most important deposit-taking societies –Xhafferi and Populli- in few months attracted nearly two millions depositors (at that time the Albanian population was composed of three and half millions of people)⁶; moreover the investment funds started to feel under pressure and consequently began to offer

¹ Jarvis C., *The Rise and Fall of Albania's pyramid scheme*, Finance & Development, imf.org, March 2000, Volume 37, N°1

² Ibidem

³ Paoli S., *Frontiera Sud. L'Italia e la nascita dell'Europa di Schengen*, Mondadori, 2018, p. 234

⁴ Op. cit., Jarvis C.

⁵ And again: «Ponzi schemes are named after Charles Ponzi. In the 1920s, Ponzi promised investors a 50% return within a few months for what he claimed was an investment in international mail coupons. Ponzi used funds from new investors to pay fake “returns” to earlier investors». - *Ponzi Schemes*, investor.gov

⁶ Op. cit., Jarvis C.

higher rates on deposits to clients. To invest in the pyramid schemes Albanians people gave up their homes and/or their livestock, selling them to make money and invest in pyramid societies. The outcome of this situation was that in November the face of the schemes' liabilities amounted to \$ 1.2 billion; moreover, in the previous month, the Bank of Albania discovered that one of the pyramid societies -VEFA- had an abnormal economic power, having in its deposit the equivalent of 5% of Albanian GDP (\$120 million)⁷. Nevertheless, and despite the repeated warnings and the subsequent doubts of the IMF and World Bank about the fact some pyramid societies might be surviving yet by laundering money (the first warning of the IMF was in September 1996)⁸, the Tirana's central government initially remained a passive spectator of the events.

1.2 – The broke out of the Civil War

In November 1996, under international pressure (especially from the IMF), the reluctant Albanian Government, led by Alexander Meksi (1992-1997), established a committee to investigate the affairs of the pyramid schemes; but this committee was useless, since it never met. On November 19th Sude –an important pyramid society- defaulted, starting the series of collapses of pyramid societies that led to the civil war in early 1997. Indeed, from November 1996 to January 1997 VEFA, Kamberi, Silva, Cenaj and other pyramid schemes bankrupted⁹, in many cases wiping out people's savings.

Following this financial disaster, the Government –once again under international pressure- has tried to remedy it: it tried to block the fraudulent system of the pyramid companies. Moreover, Tirana refused to compensate depositors for their losses, with the aim of speed up the stabilization of the economy after the crisis (by not spending money on scammed people). Even the Bank of Albania, on its own initiative, took action: limited daily withdrawals from bank accounts to prevent other schemes from emptying their accounts.

The Albanian people -felt betrayed by the government, which had (at least initially) supported the pyramid schemes but «never warned people against the risk of high-flying investment schemes and for not regulating them»¹⁰- poured the «sea of popular anger»¹¹ into the squares of Albanian cities, both in the north and in the south of the country, demanding the return of their money. The demonstrators were supported by left-wing opponents, along with them in the squares, who encouraged people to arm themselves to obtain what was required¹². Left-wing opponents were there because they accused the Democratic Party, headed by the President of the Republic Berisha, «of using investment schemes to help finance its election campaign and they have noted that some leaders of the biggest investment schemes have close ties to the Government»¹³. It is in this framework that -between January and March 1997- a real civil war broke out: the riots had now expanded from protests to get the money back to a general protest against the government. The government promises to at least pay back some of the money to the scams and the ban by the Kuvendi I Republikës së Shqipërisë (the Albanian Parliament) of the pyramid societies have served no purpose.

⁷ Op. cit., Jarvis C.

⁸ Mehillaj O., *L'immigrazione albanese in Italia. Profili sociologici e politiche di controllo*, adir.unifi.it, 2010

⁹ Op. cit., Jarvis C.

¹⁰ Bohlen C., *Albanian Parties Trade Charges in the Pyramid Scandal*, nytimes.com, 27th January 1997

¹¹ Cadalanu G., *Dalla povertà al caos. Sei anni senza pace*, repubblica.it, 15th September 1998

¹² Op. cit., Mehillaj O.

¹³ Op. cit., Bohlen C.

During the protests, glasses and stones flew, cars were burned, shops were gutted; the army garrisoned the buildings of institutions, policemen were in the squares to clash with protesters, as well as to guard the streets. Extreme peaks of violence were reached when in Vlora (an important city in the South of the country), the palaces of the City Hall and the Province were burned down, and a bomb was launched against the cops¹⁴. However, the day that characterized the Albanian civil war was the 2nd of March: in several cities, the civilian population assaulted the barracks, backed by opposition political forces.

To control this state of anarchy, President Berisha, immediately after being re-elected for another five years term by the parliament (deserted by the opposition) –«in what was called a shameless piece of political management»¹⁵- declared «the state of emergency, censored newspapers, introduced the curfew, closed universities and schools»¹⁶.

2 – The migration crisis

2.1 – Out of Albania: the flight to Italy

The measures adopted by President Berisha, including the change of the Prime minister¹⁷, were not helpful in improving the situation, at least in the short term. In fact, armed gangs controlled now several cities, especially in the south of the country. The Albanians lived in constant fear, so much so that there was a weapon in every house to protect themselves. It is in this context that the desperation took over and the flight to the Italian Adriatic coast began.

The second Albanian migration crisis (the first one took place at the beginning of the 90s) can be divided into two temporal phases: in the first half of March 1997 mainly families of the urban middle-class of the Vlora area emigrated, on vehicles bought for the occasion and with the main concern of fleeing from violence. From the second half of March arrived in Italy mostly young Albanians, coming from the countryside¹⁸.

Despite the closure of the ports of Durres, Saranda and Vlora, and in spite of the reassurances that the President Berisha offered to the Italian centre-left Government (led by Romano Prodi), thousands of Albanians people landed on the Italian Adriatic coast, especially in Puglia¹⁹. The Italian Government immediately tried to contain the arrivals: on the one hand, there was an attempt to «reassure a national public opinion concerned about the consistence presence of criminals and men arrived armed aboard the boats and marked by the first heavy sacrifices imposed as a condition of entry in the Economic and Monetary Union». On the other hand «it was a question of being credible and reliable in the eyes of the European partners, keen to evaluating every single move of the most important candidate for entry into the Schengen area»²⁰. In pursuing the goal of boarder defence, the Italian Government in agreement with the Albanian

¹⁴ Caprile R., *Albania sull'orlo della guerra civile*, repubblica.it, 27th January 1997

¹⁵ Watson F.M., *Albania. Research Paper 97/59*, House of Commons library, commonslibrary.parliament.uk, 14th may 1997

¹⁶ Filippetto D., *L'esodo degli albanesi vent'anni dopo I primi sbarchi*, etd.adm.unipi.it, 2014, pp. 84-85

¹⁷ President Berisha decided to change the Prime minister to form a government of national reconciliation; Meksi was replaced by Fino, a member of the Albanian Socialist Party. – Op. cit., Filippetto, p. 89

¹⁸ Op. cit., Filippetto, p. 92

¹⁹ Between 13th and 23rd of March 1997, more than 13.000 Albanians landed in Puglia. - Ibidem

²⁰ Op. cit., Paoli S., p. 235

government -but without the consent of Parliament²¹- launched the operation “Bandiere Bianche”: it involved the use of units of the Italian Navy with the task of dissuading and rejecting the boats departing from Albania. The operation proved to be effective, until a tragic accident occurred in the Adriatic Sea.

On 27th March 1997, two days before Easter, the Italian warship Sibilla rammed the Albanian Patrol boat Katër I Radës, which had been stolen and was used by human traffickers. The patrol boat («originally built for a crew of just ten people»²²) sank and eighty-one of the approximately one hundred and twenty people on board lost their lives²³. The Serious incident provoked indignation in the Italian public opinion; the leader of the political opposition Silvio Berlusconi, after visiting the survivors in Brindisi, declared in front of journalists that what was happening in the Adriatic Sea was unworthy for Italy itself, and was moved²⁴.

2.2 A new (international) strategy

In parallel with the March accident the Italian Government, stimulated by the new Albanian Government and the OSCE, on a mandate of the United Nations ran for a multinational peace mission in Albania (the countries that participated in the mission alongside Italy were Austria, Denmark, France, Greece, Romania, Spain, Turkey), «with full command and control responsibility»²⁵.

The Alba Mission was finally approved by the Italian Parliament on 9th April 1997 and took place from 13th April to 12th August of the same year. It had the task of «contributing to the economic and political stabilization of Albania, to avoid a new exodus of refugees on the Italian coasts»²⁶.

At the international level, while the UN decided to participate in the stabilization of the Albanian crisis- as it could «damage peace and security»²⁷ in the European continent, the European Union did not take charge of it. In addition to the fact that there was no Community competences in matter of defence, the second Albanian migration crisis was not perceived in the Eu as it was perceived in Italy²⁸.

Operation Alba was successful, as it succeeded in achieving the goals it had set itself: Albania was stabilized from a political and economic point of view (new parliamentary elections were held in two turns – the 29th of June and the 6th of July) and the migratory flows from it were contained. Moreover, unlike the first Albanian migration crisis, the Italian management of the second Albanian migration crisis received the approval of the European partners²⁹.

²¹ Di Francesco T., *Kater I Rades, una memoria che brucia*, ilmanifesto.it, 27th March 2017

²² Gatrell P., *The unsettling of Europe. The Great Migration, 1945 to the present*, Penguin Books, Great Britain, 2020, p. 327

²³ De Cesaris V., *Il grande sbarco. L'Italia e la scoperta dell'immigrazione*, Guerini e Associati, Milan, 2018, p. 133

²⁴ *Migranti, le lacrime di Berlusconi dopo la tragedia degli albanesi in Puglia del '97*, corriere.it, 15th July 2018

²⁵ *Venti anni fa la missione Alba*, difesa.it, 4th aprile 2017

²⁶ Op cit. Paoli S., p. 235

²⁷ Picco G., *Albania, la parola all'Onu*, repubblica.it, 19th marzo 1997

²⁸ Op. cit. Paoli S., p. 235

²⁹ Op. cit., Paoli S., p. 236

Conclusion

The second Albanian migration crisis has had an impact on different (intertwined) stages:

- Albanian political scenario. In Albania, the elections that took place between June and July 1997, after about two thousands victims of the civil war, promoted a change of power: the Socialist Party got the (not absolute) majority in the Parliament: Prime Minister Fatos Nano was now democratically legitimized. In addition, a month after the general elections the President of the Republic Berisha resigned.
- Italian political scenario. The management of the crisis allowed Italy to adopt policies never before undertaken: for the first time Italy had led an international mission and, even more important, for the first time Italy adopted policies of externalization of its borders³⁰ (trying to contain arrivals directly in the Adriatic Sea).
- Italian social scenario. At the end of 1997 there were 22.343 Albanians who landed in Italy, a smaller number than the migratory flows on the previous migration crisis. However, the Italians changed their attitude with respect to the warm welcome shown during the first wave of migration in 1991: already marked by the economic efforts to the enter in the euro area, Italian public opinion (backed by politicians looking for visibility³¹) began to feel “invaded” by the Albanians. Approximately, it can therefore be said that the myth of the “invasion of migrants” (current also and especially today) began to take shape in 1997.
- European political scenario. The reasons for the European impact were two: on the one hand, the action of «nation building»³² and therefore the political and economic stabilisation of Albania was fundamental at a time of crisis for the Balkans, with the disintegration process of the former Yugoslavia. On the other hand, the crisis has allowed Italy to show itself as a solid partner in front of its European allies (especially Germany and France) and has removed any doubts the country’s entry into the Schengen area (occurred in 16th October 1997).

³⁰ Op. cit., De Cesaris, p. 134

³¹ In March, the former President of the Deputies’ Chamber, Irene Pivetti, said that Albanians should be thrown overboard. – *Pivetti: albanesi? Buttiamoli a mare*, *repubblica.it*, 28th March 1997

³² Varsori A., *Storia internazionale dal 1919 a oggi*, Il Mulino, Bologna, 2015, p. 376

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