

Economic diversification in Algeria, prospects and challenges.

التنوع الاقتصادي في الجزائر الآفاق والتحديات

Kermi Malika ^{1,*}, Dahmoune Fatima ²

¹ University blida 2, Algeria,

² University blida2, Algeria,

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Abstract:

This research paper delves into the critical importance of economic diversification for oil-reliant countries, particularly Algeria. It examines the profound impact of fluctuating oil prices on oil revenues and the subsequent inability of oil-dependent states to finance their economies. This underscores the need for oil-dependent countries to diversify their economies and seek alternative strategies to foster national economic growth. The paper presents case studies of countries that have made significant strides in economic diversification after relying on a single revenue source to draw valuable lessons from their successful experiences.

Keywords: Economic Diversification ; Algeria ; Prospects ; International Experiences.

Résumé :

Cette recherche vise à souligner l'importance capitale de la diversification économique pour les pays pétroliers, en particulier l'Algérie, face aux crises engendrées par la volatilité des prix du pétrole. La chute des revenus pétroliers met à mal la capacité de l'État à financer son économie, d'où la nécessité impérieuse de diversifier ses sources de revenus et de développer des stratégies alternatives Afin de diversifier l'économie nationale. L'étude présentée des expériences de pays ayant franchi des étapes significatives en matière de diversification économique après avoir longtemps dépendu d'une source unique de revenus pour avoir de bénéficier de ces expériences réussies.

Mots-clés : Diversification Economique ; Algérie ; Perspectives ; Expériences Internationales.

ملخص:

تهدف هذه الورقة البحثية إلى تبين أهمية التوجه نحو التنوع الاقتصادي بالنسبة للدول النفطية ومن بينها الجزائر، لما يخلفه انخفاض أسعار النفط من أزمات ، وتأثير ذلك على تقلص الإيرادات النفطية وبالتالي عجز الدولة عن تمويل اقتصادها، ومن هنا تظهر ضرورة التوجه تنوع اقتصادها والبحث عن استراتيجيات بديلة من أجل التنوع في الاقتصاد الوطني، ومن خلال هذه الدراسة قدمنا تجارب عن دول قطعت شوطا مهما في مجال التنوع الاقتصادي بعدما كانت تعتمد على مصدر وحيد لإيراداتها ومحاولة الاستفادة من هذه التجارب الناجح.

الكلمات المفتاحية : التنوع الاقتصادي ؛ الجزائر ؛ الآفاق ؛ تجارب دولية .

1. Introduction

Economic diversification has garnered increasing attention and assumed significant importance in the programs of most oil-exporting countries. This heightened focus stems from their

* Kermi Malika, m.kermi@univ-blida2.dz.

dependence on a single source, oil, as a principal component of their gross domestic product (GDP). The inherent volatility of global energy prices, particularly during periods of decline witnessed in 2008 and 2014, exposes these economies to adverse effects. This research posits that economic diversification is a critical risk mitigation strategy, fostering resilience against external financial shocks.

Considering Algeria is an oil-exporting country, with oil revenue exceeding 95% of its national income, this research paper is significant in presenting Algeria's orientation toward economic diversification and highlighting its efforts to achieve it. The paper will also incorporate international experiences of successful transitions from a mono-economy to a diversified economy.

1.1. Research Problem:

Based on the preceding, a research problem can be formulated as follows

What is Algeria's economic diversification strategy, and what are its capabilities for achieving it?

1.2. Hypothesis:

- Adopt the diversification of primary industry, agriculture, and services sectors.
- The Algerian economy is a mono-export economy (Resource-dependent economy, Oil-based economy) based on oil exports
- The Algerian state is making efforts to diversify its economy.
- Economic diversification is the optimal strategy for countries that rely on a single source of income to finance their public services.

2. Literature review

2.1. The concept of economic diversification and its objectives

Economic diversification is "a process that aims to diversify the production structure and create new income-generating sectors, thereby reducing the overall dependence on the main sector's revenues in the economy. This process will open up new areas with higher added value and capable of providing more productive job opportunities for the national workforce, which will lead to higher growth rates in the long term."(Hamed, Abd, Hussein Al-Hayouri, 2024, p.1).

Arab Planning Institute summarizes Economic Diversification as the pursuit of a broader range of income sources. This, in turn, would enhance the state's capabilities in the global competitive landscape. Diversification is realized through endeavors to augment production capacities in diverse sectors.

Economic diversification can be conceptualized as comprehensive policies to reduce a dependence on a restricted number of commodities. These commodities are inherently susceptible to pronounced market price fluctuations. The overarching goal of diversification revolves around mitigating economic risk and fostering a nation's resilience in the face of crises and economic shocks.(Zhang, Le-Yin, 2000, p.6)

An alternative conceptualization of economic diversification as strategic utilization of oil revenues to create a durable foundation for a post-oil economy by establishing additional non-oil heavy industries that generate foreign currency and contribute to general budget revenues and

creating sustainable sources of funding for productive and service sectors to facilitates the absorption of the growing domestic labour force into non-governmental employment opportunities.(Hassina, Mehidi, 2018, p.181)

Economic diversification generally entails reducing reliance on a single resource, transitioning towards a robust industrial and agricultural development phase, and establishing a diversified production base. This implies constructing a sound national economy striving for self-sufficiency in multiple sectors.

As for the focus on the primary goal of diversification lies in mitigating dependence on the oil sector and its associated revenue streams by developing a non-oil economy, non-oil exports, and other sources of revenue. At the same time, it aims to reduce the public sector's role and strengthen the role of the private sector in development.

2.2. Objectives of economic diversification in oil-producing countries

The adoption of economic diversification in oil-producing countries aims to achieve the following:

- The attenuation of economic risk and the enhancement of the capacity to cope with external crises and shocks. This includes fluctuations in the prices of primary commodities such as oil, droughts affecting agricultural products, or the deterioration of economic activity in global markets, particularly in partner countries (e.g., European countries for Arab countries)(Arab Planning Institute, p.6).

- The attainment of self-sufficiency in goods and services, the augmentation of exports, the reduction of reliance on external sources for the importation of consumer goods, the provision of employment opportunities, and the consequent amelioration of individuals' living standards.

- Enhance and ensure the sustainability of the development process by developing multiple and diverse sectors as a source of income, foreign currency, and general budget revenues, raising their added value in the gross domestic product and encouraging investment in them.

- Empowering the private sector to participate in the economic process, play its essential role, and reduce the state's role.

- Diversifying investment across various sectors such as agriculture, industry, and services.

- The cultivation of competitive economies for effective integration into the global economy.

- Instilling society's cultural dimension is crucial to economic diversification success.

2.3. The importance of economic diversification

Economic diversification is of paramount importance. Proponents of economic diversification emphasize the following key reason (Mamdouh, Awad Al-Khatib, 2024, pp.113-114):

- Mitigating Investment Risks: Economic diversification increases economic growth rates by expanding investment opportunities. Distributing investments across diverse economic activities reduces the risks associated with concentrating investments in a limited number of sectors.

- Reducing Risks Leading to Declining Export Revenues: Some countries with low economic diversification rely on exporting a single product or a limited number of products. When the prices of exported products decline, export earnings in foreign currency decrease, which limits the country's ability to finance imports or the economic development process.

- Augment the Productivity of Human Capital: Economic diversification contributes to increasing labour productivity and human capital, leading to higher economic growth rates.

-Strengthening Inter-sectoral Linkages: Economic diversification resulting from increased productive economic sectors strengthens their linkages, leading to numerous positive production externalities that impact economic growth.

-Reducing fluctuations in GDP Levels: Weak economic diversification due to concentrated production in a limited number of products leads to significant volatility in GDP levels.

- Increasing Value Added: Vertical diversification strengthens forward and backward linkages in the economy as the outputs of one sector become productive inputs for another. Diversification also contributes to generating job opportunities, leading to higher incomes for factors of production and their stability, increasing the value added sectorally and domestically.

3. Economic diversification in algeria, capabilities and motives

Algeria possesses significant potential for the development and growth of its national economy. The most prominent is the oil resource or the hydrocarbon subsoil wealth. However, other non-hydrocarbon potential can contribute to development and even replace hydrocarbons, especially when oil prices fall. These include the agricultural, industrial, and even tourism sectors.

3.1. The Agricultural Sector

Algeria occupies a strategically advantageous position as the focal point of the Maghreb nations, the gateway to Africa, and is close to the European market. The possession of fertile land, vast water resources, and human and financial resources complement this strategic location, enabling it to develop this sector and make it a driver of the national economy. These resources and potential can be summarized as follows:

3.1.1. Water Resources

Algeria's water resources are diverse, consisting of surface water, groundwater, and rainwater.

-**Surface Water:** This includes water from dams, water quarries, and rivers. The total volume of surface water resources is 13.5 billion m³/year, distributed geographically throughout the national territory. The basins and dams in the north contain 11.1 billion m³, while those in the south contain about 0.7 billion m³, and the southern regions contain about 0.6 billion m³.

-**Groundwater:** Algeria's groundwater is estimated at around 7 billion m³/year, distributed between 2 billion m³ in the north and 5 billion m³ in the south. In the northern region, groundwater exploitation reaches 93% (1.8 billion m³/year), and it is renewed annually by rainwater infiltrating into the earth's layers(Ahmed, Ti, 2011, p.3).

-Rainwater: Despite Algeria's vast territory, about 93% falls within the high plateaus and southern regions, with significantly lower rainfall levels estimated at 8%. Conversely, the northern region, encompassing only 7% of Algeria's total area, enjoys a Mediterranean climate with considerably higher annual rainfall, reaching 192 billion m³, representing 92% of the total precipitation. This observed disparity highlights a mismatch between land area and rainfall distribution. While 93% of the land receives only 8% of the total rainfall, the remaining 7% of the area accounts for 92% of precipitation. However, this spatial distribution does not imply a scarcity of water resources in Algeria, as both categories above contribute significantly.

3.1.2. Agricultural Land

Algeria possesses an estimated 42.46 million hectares of agricultural land. However, the area utilized for agricultural purposes is at most 8.42 million hectares, representing a utilization rate of only 20% of the total agricultural area.

Land reclamation has been undertaken, leading to an increase in the area suitable for agriculture. However, this increase remains relatively modest compared to the total land area. This highlights the significant potential for further investment in the agricultural sector and the development of improved agricultural practices to achieve food security and promote the export of agricultural products. By leveraging its agricultural potential, Algeria can position the sector as a viable alternative to the hydrocarbon sector.

3.1.3. Human Resources

The average number of workers in the agricultural sector reached approximately 3.15 million in 2009, representing a significant rise compared to 1.63 million workers in 1980. However, this increase in the agricultural workforce is insignificant compared to the population growth during this period. Despite the apparent availability of human resources in agriculture, they still need improvement, particularly in recent years, due to a growing aversion to agricultural work. Furthermore, farmers' lack of scientific qualifications and limited reliance on agricultural engineers, negatively impact this sector's productivity.

3.2. The Industrial Sector

The Algerian industrial sector has undergone two distinct phases: manufacturing (1962-1985) and privatization (1986 to present).

3.2.1. The Manufacturing Phase (1962-1985) :

This period was characterized by state dominance of the industrial sector. Following independence, Algeria adopted a socialist economic model, which relied on the state's centralized national economy management. The state assumed the role of the primary economic and social organizer for the country (Bouklia, Hassane, 2015, p.37-62).

The industrial growth between 1967 and 1977 was characterized by the implementation of numerous development plans to establish a large-scale industrial base. However, despite the significant financial investments, the outcomes were underwhelming. During this period, the Algerian industry relied heavily on external markets for raw materials and could not meet the domestic demand for consumer goods. Consequently, the proportion of industrial production covering domestic demand declined by more than half within a decade (from 48% in 1967 to 24%

in 1977). As a result, the Algerian experience with industrial development under the socialist model is considered a failure. International experts attribute this failure to the failure of the socialist system itself, as it is a system that depends on plans to manage the economy and not on the efficiency and efficiency of institutions.

3.2.2. Privatization Phase (1986 to Present) :

The collapse of oil prices in 1986 had a profound impact on Algeria's multi-sectoral strategy. The oil crisis reveals the fragility of the Algerian economy. This is because the manufacturing industry has failed to create a sustainable, hydrocarbon-free manufacturing sector. The state remained heavily reliant on oil revenues as its primary source of economic financing. The failure of economic policies pursued by Algeria since independence led to the country's recourse to the International Monetary Fund (IMF) for loans. The IMF's conditions for lending included structural adjustments and economic reforms aimed at transitioning towards a market economy. Starting in 1989, privatization of state-owned enterprises became a central component of these reforms, motivated by their perceived inefficiency and inability to generate significant value addition. The 1990s witnessed restructuring and efforts to achieve managerial autonomy through promoting democracy and decentralization. Privatization, which became a cornerstone of these reforms, was primarily based on the following principles: Liberation of enterprises from direct state intervention, Financial independence, Wage liberalization, Liberalization of foreign trade.

3.3. Tourism sector

Tourist resources feature a country's natural, physical, and industrial assets, forming the foundations of its tourism offerings. Can be categorized into the following:

3.3.1. Natural and Cultural Tourist Assets :

Natural and cultural tourist resources comprise all-natural, cultural, and historical assets with historical, cultural, and aesthetic value, necessitating their preservation and protection from extinction.

3.3.1.1. Natural Assets :

Algeria is the largest country in Africa and the Arab world and the tenth largest in the world regarding land area. It boasts a diverse topography, with the Tell Atlas mountain range stretching along the northern coast and a belt of mountain ranges surrounding the high plateaus. The Sahara desert in the south covers 80% of the total land area.

Since 1983, Algeria has classified 10 national parks, each with unique characteristics and features.

Mineral water springs also play a significant role in Algerian tourism. The country boasts 202 springs with varying physical and chemical properties, distinguished by their mineral content and therapeutic benefits.

3.3.1.2. Cultural Assets :

Algeria has a rich historical and cultural heritage rooted deep in antiquity. Among its most prominent historical attractions are the seven UNESCO World Heritage Sites(Omar Houtiya, 2024):

-Qal'at Bani Hammad in M'Sila (1980).

-Four sites were classified in 1982: Timgad, Tipasa, Djémila, and Tassili N'Ajjer.

-In 1992, two sites were classified: the M'zab Valley ksar (fortified villages) and the Casbah of Algiers.

Algeria's abundance of economic opportunities necessitates economic diversification as an imperative step to break free from overreliance on the oil sector. By embracing economic diversification, Algeria can unlock new avenues for growth and prosperity, thereby insulating itself from the adverse effects of oil price volatility on macroeconomic stability.

4. International experiences in the field of economic diversification

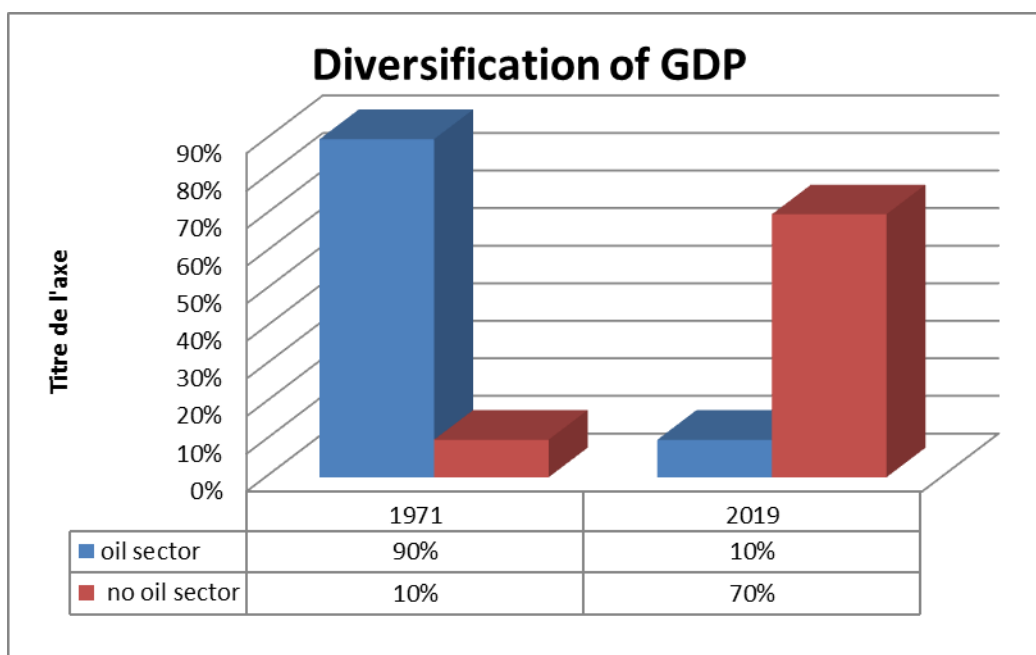
4.1. The United Arab Emirates (UAE):

For the past 50 years, what is now the United Arab Emirates (UAE) has been a country with limited economic activities, mainly pearl fishing and other commercial activities. These areas were sparsely populated and had low levels of physical and human development. In terms of infrastructure could have been better; there were only a few roads, hospitals, and trained professionals, and education levels needed to be higher. The late 1950s and early 1960s witnessed a pivotal moment with the discovery of oil, propelling the UAE to economic prominence. Holding approximately 10% of the world's crude oil reserves, the UAE has parlayed its wealth into a diversified and powerful economy. Tourism thrives, sovereign wealth funds drive impactful investments globally, and companies like Dubai Ports demonstrate the UAE's significant reach in international trade. (Nyarko, Yaw, 2010, p.1)

Since the 1980s, economic policy in the United Arab Emirates(UAE) has realized the repercussions of periodic fluctuations in crude oil prices in the international oil market on the national economy and the necessity of adopting a national strategy to diversify its economic activity, which necessitated restoring the economic structures of production, investment, manufacturing, and foreign trade to a more open economy and adopting an economy to diversify sources of income. National and achieving sustainable economic growth(Amjad, S. Abdul, Ali, 2017, p.6).

Realizing an average annual growth in real GDP of approximately 7 percent, the UAE's economic trajectory has been shaped by successful diversification efforts into non-oil sectors such as petrochemicals, fertilizers, cement, aluminum, tourism, trade, and manufacturing. This deliberate diversification strategy has effectively reduced the country's reliance on oil revenues, reflecting its steadfast commitment to an outward-oriented growth policy. (Schilirò, Daniele, 2013, p.2).

Chart No.1 : "A Comparative Analysis of the Contribution of Oil Sector Revenues and Non-Oil Sector Revenues to National Income in 1971 and 2019"



Source: the United Arab Emirates-The Federal Competitiveness and Statistics Centre
<https://fcsc.gov.ae/>

4.1.1. Composition of gross domestic product in the United Arab Emirates

Analyzing the composition of GDP reveals the success or failure of the economic diversification strategy. This is evident through the contribution of non-oil sectors. A higher percentage contribution from these sectors indicates a more successful strategy in reducing dependence on hydrocarbon wealth and mitigating external shocks from price fluctuations impacting the national economy. Furthermore, the strategy aims to diversify income sources by increasing the contribution of commodity (or non-oil) sectors to GDP, known for their price stability (Amjad, S. Abdul, Ali, 2017, p.18).

Through the data in Table No. 01, it is clear that the contribution rate of the gross domestic product of non-oil sectors to the UAE economy has increased, reaching 1,174,614 Million dirhams in 2022, compared to 905,226 Million n dirhams in 2014. This is the highest rate of contribution that non-oil sectors have reached in their contribution to the gross domestic product. It is clear that the contribution of non-oil sectors to the gross domestic product of the United Arab Emirates has far exceeded 71%, especially in recent years.

Table No. 01: "Gross Domestic Product 2014– 2022 "

Value in Million AED

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Domestic Product	1304797	1393350	1470841	1481653	1501121	1517758	1442522	1505341	1623516
Non-oil	905226	95633	101617	105846	105907	10874	102834	109552	1174614

Gross Domestic Product		2	9	0	9	14	7	4	
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Source: the United Arab Emirates-The Federal Competitiveness and Statistics Centre
<https://fcsc.gov.ae/>

4.1.2. Composition of the gross domestic product in the United Arab Emirates by economic sectors

Regarding the composition of the GDP according to the contribution of commodity sectors to it, it can be noted that the contribution of the oil and gas sector to the composition of the GDP in 2022 did not exceed 28%. In 2021, the contribution of non-oil sectors to the UAE GDP reached 72.3%, compared to 71.3% in 2020. This continuous increase reflects the government's tireless efforts to develop various economic sectors.

Table No. 02 shows that trade is vital to the UAE's economy. The table indicates a 12.7% contribution to GDP for trade in 2022.

Manufacturing industries, focusing on high-added-value sectors like food, chemicals, and metals, are another area of interest for the UAE. The exact contribution of these manufacturing sectors is 11.0% in 2022. Financial services also contribute to the UAE's GDP, which constitutes approximately 8.2% of it.

Table No. 02 : " Distribution of Gross Domestic Product at Constant Price 2016 – 2022 (%) "

Economic Sectors/ Activities	2016	2017	2018	2019	2020	2021	2022
Agriculture,Forestry and Fishing	0.6	0.6	0.7	0.7	0.7	0.9	0.9
Mining and Quarrying (includes crude oil and natural gas)	30.9	28.6	29.4	28.4	28.7	27.2	27.6
Manufacturing	9.1	9.3	9.3	9.5	10.3	10.9	11.0
Electricity, gas, and Water Supply; Waste Management Activities	1.9	2.1	2.2	2.3	2.4	2.6	2.6
Construction	8.6	8.7	8.8	8.5	8.4	8.2	8.0
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	11.6	12.7	12.7	13.0	12.8	13.1	12.7
Transportation and Storage	5.3	5.5	5.5	5.7	4.0	4.3	4.8

Accommodation and Food Service Activities	2.0	2.1	2.1	2.3	1.7	1.8	1.9
Information and Communication	2.7	2.9	2.8	2.8	3.0	3.0	2.9
Financial and insurance activities	8.5	8.4	7.9	8.0	8.2	8.2	8.2
Public Administration and Defence; Compulsory Social Security	5.9	5.6	5.4	5.2	6.2	5.9	5.5
Activities of Households as Employers	0.5	0.5	0.6	0.7	0.7	0.7	0.7
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Non-oil Gross Domestic Product	69.1	71.4	70.6	71.6	71.3	72.8	72.4

Source: the United Arab Emirates-The Federal Competitiveness and Statistics Centre
<https://fcsc.gov.ae/>

4.2. Indonesian

The Indonesian economy has undergone several changes in its sectoral composition in recent decades. The foundation of Indonesia's economic development was laid in the 1970s with a focus on the extractive sector. The following decade, the 1980s, witnessed a turning point as the government adopted an import substitution policy, marking the beginning of Indonesia's industrialization journey. (Nassim, KEDDARI and Karima, TOUATI, 2020, p.141)

Since 1970, Indonesia has assumed an important position among emerging economies. Its resource wealth, including oil, minerals, and fossils, fueled economic takeoff. The 1973 oil boom provided Indonesia with financial resources that aided its rise as an industrial competitor on the world stage. However, the 1986 oil shock slowed Indonesia's economic development. (Tifor, farouk ,2017, P.335).

Since then, The Indonesian government has seen a focus on diversification away from oil exports and towards manufactured exports. Since the mid-1980s' (Stephen, Elias and Clare, Noone, 2011, p.33).

Indonesia made several policy changes. These included eliminating non-tariff barriers to trade, exempting companies that exported more than 85% of their production from import tariffs, issuing 30-year permits for foreign direct investment (FDI), and permitting up to 95% foreign ownership in export-oriented firms.(Thorbecke, Willem , 2023, p.2).

Indonesia's GDP growth averaged 6.1 per cent annually from 1980-1990. It rose to 7.6 per cent annually from 1990-1995 and increased to 7.8 per cent in 1996. This consistently high growth has been associated with impressive economic diversification and strong economic performance (Table No. 03) (Islam, Rizwanul, 1998, p.2).

Table No. 03 : "Sectoral Composition of Employment, 1996 "

Sector	Number	Percentage
Agriculture	37,720,251	44.01
Mining and quarrying	774,211	0.90
Manufacturing Electricity	10,773,038	12.57
, gas and water	164,142	0.19
Construction	3,796,228	4.43
Trade,hotel and restaurants	16,102,552	18.79
Transport and communication	3,942,799	4.60
Finance, insurance real estate and business	689,733	0.80
Public services	11,728,495	13.68
Others	10,364	0.03

Source(Islam , Rizwanul,1998, p.2)

Indonesia's economic boom abruptly halted in the face of the devastating 1997-1998 Asian Financial Crisis. Capital flight caused the Indonesian rupiah to plummet, leaving domestic firms saddled with unhedged foreign debt exposed by the devaluation. Unable to secure new loans, these companies were forced to cease production, resulting in a staggering 14% decline in actual output by 1998. The crisis, coupled with widespread social unrest and political instability, further discouraged foreign direct investment (FDI), particularly from multinational corporations (MNCs) that had previously utilized Indonesia as an export hub. (Thorbecke, Willem, 2023, p.2).

The 1998 crisis served as a harsh rebuke to the excesses of nepotism during the Suharto era and, more importantly, to the hypertrophy of a financial system that lacked proper supervision. This crisis's economic and social consequences compelled the country to undertake major structural reforms.

The Asian Financial Crisis left a lasting mark on Indonesia, fostering public skepticism towards the International Monetary Fund (IMF) and its free trade and capital flow recommendations. Newly established democratic institutions brought with them the rise of interest groups and rent-seeking behaviors, leading to the implementation of protectionist policies. This shift in strategy is evident in data from the Global Trade Alert, which reveals that Indonesia enacted twice as many protectionist measures between 2009 and 2022 compared to Malaysia, and a staggering four times more than Thailand. As a consequence, Indonesia has deviated from its pre-

crisis focus on trade liberalization to attract export-oriented foreign direct investment (FDI). (Thorbecke, Willem, 2023, p.2).

Despite political changes, government transitions, and population growth, Indonesia has become a successful development experience and a model for non-rentier economies. It has achieved this by capitalizing on its natural and human resources, creating an attractive investment climate, promoting education, reducing poverty through job creation, developing tourism, and fostering non-oil exports(Rashdi, Fatima,Hamed, Afaf and Edward, Nashed, 2018.p.5)

From 2008 to 2017, Indonesia experienced exceptional economic growth of 5.3%. This significantly outpaced inflation, which averaged 3.5% during this period. The country's GDP per capita has tripled in the past two decades. According to the IMF, Indonesia's GDP grew 8% in 2018 to reach approximately \$1,042 billion, exceeding the previous year by \$81 billion.

Indonesia accounted for roughly 40% of ASEAN's GDP and ranked the world's 16th largest economy in 2018. Forecasters predict the country will become the world's 10th largest economy by 2030. (Table No. 04) (AURÉLIE, SEGUIN, 2019, p.3).

Table No. 04:" Sectors with the highest contribution to GDP in Indonesia"

Sector	the components
Agriculture	• Products: crude palm oil, cacao, coconut, rubber, coffee and fishery, and their derivative products
MANUFACTURE	Consumer goods: pharmaceuticals, cosmetics and medical devices, Labor intensive industry: textile, leather and footwear, Mineral processing : nickel, bauxite, cooper and aluminum Transportation vehicles : car and motorcycle Electronics and ICT : television, mobile phone, refrigerator and others
TOURISM	Rank in Travel & Tourism Index(from 50th in 2015 to 30th in 2019) Products: hotel and shopping center

Source(Anton,H Gunawan, 2016, p.41)

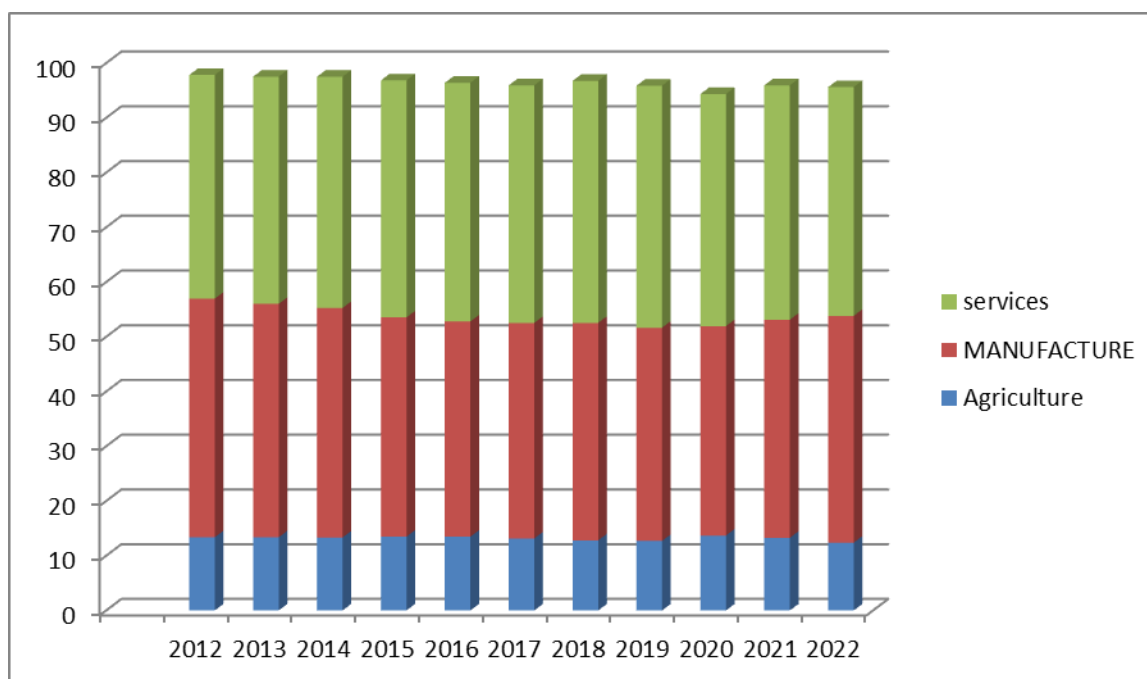
The following table shows the development of each sector's contribution to GDP from 2012 to 2021

Table No. 05: "Share of major sectors of GDP in Indonesia from 2012 to 2022 "

years	Agriculture	MANUFACTURE	services
2012	13.37	43.59	40.87
2013	13.36	42.64	41.52
2014	13.34	41.93	42.24
2015	13.49	40.05	43.31
2016	13.48	39.31	43.61
2017	13.16	39.38	43.4
2018	12.81	39.73	44.22
2019	12.71	38.95	44.22
2020	13.7	38.24	42.41
2021	13.28	39.84	42.82
2022	12.4	41.43	41.79

Source:STATISTA SITE<https://www.statista>

Chart No. 02: "Share of major sectors of GDP in Indonesia from 2012 to 2022 "



As evident from the preceding table, the primary sectors contributing to Indonesia's national income over the past decade are agriculture, industry, and services. This transformation can be attributed to the country's economic diversification policies, which have enabled it to transition away from a rent-seeking economy reliant on hydrocarbon revenues.

5. Conclusion

The precipitous decline in oil prices at the end of 2014 compelled oil-exporting nations to recalibrate their economic strategies, pivoting towards diversification and non-oil revenue streams. In response to this exigency, Algeria unveiled its 2030 Strategy, which aims to augment the contribution of non-hydrocarbon sectors by 6.5% annually. This comprehensive strategy encompasses a multifaceted approach to fiscal consolidation, sustainable financial management, institutional reforms, enhanced tax collection, streamlined public spending, improved business climate, and strategic reallocation of financial resources towards infrastructure development to attract foreign investment. Furthermore, the strategy seeks to increase the contribution of the manufacturing sector to 10% by 2030.

By exploring the experiences of the United Arab Emirates and Indonesia, the study revealed their victories in liberation from dependence on hydrocarbons. For the United Arab Emirates, this strategic shift facilitated successful diversification into pivotal non-oil sectors such as petrochemicals, fertilizers, cement, aluminium, tourism, trade and manufacturing, which effectively led to reduce dependence on oil revenues. Conversely, Indonesia has used its potential to drive economic diversification and promote growth in various sectors including agriculture, industry and services. Despite sharing a common goal, their distinct approaches to diversification highlighted their individual achievements in reshaping their economic landscape.

6. Proposals

To diversify the Algerian economy and break free from its reliance on oil, we propose the following:

- Reassessing manufacturing and investment policies to foster sustainable and competitive industrial growth.
- Leveraging the economic diversification experiences of countries that have preceded Algeria..
- Prioritizing other economic sectors such as agriculture, tourism, and services and reevaluating their strategies to achieve genuine economic growth.
- Involving the private sector alongside the public sector and working together to forge a more diversified economy.

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