Beyond Price Competitiveness : non-price competitiveness as a strategic lever for sustained diversification of the Algerian economy.

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Abstract:

The main objective of this article is to present and analyze the strategic levers related to non-price competitiveness in order to support the diversification of the Algerian economy, which continues to face the challenge of weak non-hydrocarbon exports.

This article suggests that to regain export success, the country possesses considerable potential to expand and diversify its production and integrate into global value chains. To achieve this, it must focus more on developing non-price competitiveness than on a hypothetical restoration of its price competitiveness.

Keywords: Price competitiveness, non-price competitiveness, Algerian economy, Diversification, Hydrocarbons, Non-hydrocarbons.

Jel Classification Codes: F14, L15, L25

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1. INTRODUCTION

Integrating the Algerian economy into a dynamic environment where it is imperative to address increasingly competitive challenges has become its top priority today, more so than ever before. Indeed, its competitiveness is characterized by structural erosion, resulting from its increased dependence on imports and a trade balance highly sensitive to fluctuations in hydrocarbon revenues. Therefore, among the main structural transformations required by the country is intensifying its efforts in economic diversification to develop non-hydrocarbon exports. The objective is to reduce its dependence on hydrocarbons in the medium term, while simultaneously optimizing import rationalization and further enhancing domestic production.

To strengthen its capacity to achieve this strategic objective, the country is requiring Algerian economic sectors to pursue more sustainable economic diversification for their development. Dynamic growth in the domestic market and an increased international presence are considered priorities.

In this context, the pursuit of competitiveness remains the major challenge for the national economy and a necessity for every nation to face national and international competition. Indeed, the establishment of a new era of global competition compels it to constantly integrate its immediate actions with a competitive objective that is sustainable in the long term. The resulting intensity of competition implies an imperative of overall competitiveness : from price competitiveness to non-price competitiveness.

According to the European Commission (1999), competitiveness is defined as the set of factors essential to long-term economic success. Traditional studies break it down into two determining factors : the ‘‘ price factors of competitiveness’’ developed by classical analyses (Kravis and Lipsey, 1971), and the ‘‘ non-price factors of competitiveness ’’

developed by new theories of international trade (Krugman,1989 ; Grossman and Helpman, 1991). While price competitiveness is certainly a current concern in the context of globalization, non-price competitiveness, also known as structural competitiveness, constitutes a necessary path for national development. It now seems essential to emphasize this avenue. Therefore, this article provides a comprehensive analysis of these performance factors, adapted to the specific context of the Algerian economy. However, particular attention is paid to qualitative non-price factors, which have been neglected until now in most empirical studies. Thus, our research question revolves around the following : ***How does non-price (structural) competitiveness represent a strategic lever for sustained diversification of the Algerian economy ?***

The main objective of this article is to present and analyze the strategic levers related to non-price competitiveness in order to support the diversification of the Algerian economy, which continues to face the challenge of weak non-hydrocarbon exports. To this end, we relied on a qualitative and analytical approach covering the period from 2020 to 2025. This approach is based primarily on an examination of official documents, national statistics, and international reports (National Statistics Office, World Bank, Algerian websites, and press articles), which constitute our source material. The choice of this approach is motivated by the strategic and structural dimension of the subject, which cannot be grasped through a purely classical macroeconomic perspective but requires an integrated understanding of the productive and commercial challenges.

Therefore, our article is structured in two fundamental parts : The first focuses on a review of the literature on the imperative of overall competitiveness. This section attempts to shed light on the concept of overall competitiveness, which interacts at different levels, from the competitiveness of a company to that of the nation, and results from multiple factors, sometimes difficult to quantify, ranging from price competitiveness to non-price competitiveness. The second section aims to analyze the strategic levers of non-price competitiveness for the sustained diversification of the Algerian economy. To this end, an analysis is conducted on the price and non-price factors upon which the national economy relies to effectively compete with its rivals in the market.

2. The Imperative of Global Competitiveness: Literature review

Global competitiveness is structured around two issues : those that are likely to converge in the end, ‘‘*from the competitiveness of the company to that of the nation*’’, and those who rally, *from* ‘‘*price competitiveness to non-price competitiveness*’’.

2.1. Concept of Overall Competitiveness : From the Competitiveness of the Company to that of the Nation

A review of the literature dealing with the concept of competitiveness reveals the absence of a single definition to guide researchers' efforts. We will present several definitions often used to express different levels :

According to Michael PORTER : ‘‘*Competitiveness is considered the ability of an individual, a company, or a state to meet consumer expectations while countering the actions of competitors*.’’ (PORTER , 1986, p. 29). This aligns with another definition by

Jean-Yves CAPUL and Olivier GARNIER, "*Competitiveness is the ability of a company, sector, or economy to cope with foreign competition, both in external markets and in its domestic market*" (CAPUL & GARNIER , 2005, p. 77). Furthermore, Alain BEITONE, Christine DOLLO, Jean-Pierre GUIDONI, Alain LEGARDEZ define : ''*Competitiveness as a measure of the performance of an economic entity in relation to its competitors ; we will speak of the competitiveness of a company, a sector or a country*'' (BEITONE , DOLLO, GUIDONI , & LEGARDEZ, 1991, p. 45).

Through these broader definitions of the concept, it becomes clear that overall competitiveness changes depending on the level of analysis (at the firm, industry, or national level). In this regard, we can highlight three layers of overall competitiveness :

At the microeconomic level, competitiveness refers to a firm's ability to maintain or increase its market share in a specific market profitably and sustainably, relative to other firms attempting the same activity; this is referred to as ''**the firm's overall competitiveness**.'' At the mesoeconomic level, competitiveness refers to an industry's ability to face competition in both external and internal markets by adapting to their evolution ; this is referred to as ''**the industry's overall competitiveness.**'' And at the macroeconomic level, competitiveness is a concept that refers to a country's ability to gain or retain a share of the international market for tradable goods; this is referred to as ''**the nation's overall competitiveness**.''

Regarding the competitiveness of a company or industry, these remain central to national competitiveness. However, nations do not compete with each other in the same way as companies. This is affirmed by Krugman, who stated that ''*Countries do not compete with each other in the same way as companies*,'' because they ''*cannot go out of business*,'' thus describing competitiveness as ''*a dangerous obsession*'' for policymakers (KRUGMAN , 1994, p. 41).

More precisely, competitiveness is a complex concept to grasp, as it results from multiple factors, sometimes difficult to quantify, that interact at different levels. Its measurement is associated with profitability, productivity, cost control, added value, market share, technological innovation, and product quality. However, another dimension encompassed by the concept, according to authors who subscribe to a broad vision, ranges from price competitiveness to non-price competitiveness.

2.2. Key Factors Determining Overall Competitiveness

Overall competitiveness is defined by its price and non-price factors :

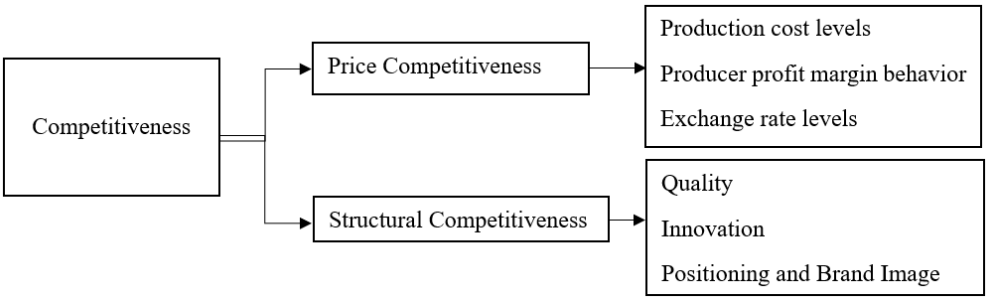
Price competitiveness is the primary factor by which an economic entity can respond to competition by adjusting its prices. It lies in its ''*ability to withstand sustained competition from its peers, to generate high margins without compromising the competitiveness of its selling prices, and to control its production costs, relative to its foreign competitors*'' (ELKHRCHI & al, 2023, p. 186). It refers to the ability to produce goods and services of comparable quality to competing products at a lower cost or price. Therefore, the ability of a national entity to respond to competition is closely linked to the

relative cost structure it and its competitors face, and this leads, in particular, to an examination of real exchange rates, factor productivity, and costs.

Non-price (structural) competitiveness constitutes the second factor, where the economic entity differentiates itself from its rivals through approaches other than those related to price. In its broadest definition, structural competitiveness represents ‘‘*the ability of an economic entity to distinguish itself from the competition through means other than price*’’ (DEJARDIN , 2006, p. 6). Michael Porter (1990), who first developed the concept, defined it similarly as the ability of an economic entity to produce a quality offering capable of succeeding in both domestic and international markets. For him, it is essential for maintaining a sustainable competitive advantage, especially in a context where product life cycles tend to shorten. Thus, competitiveness goes beyond simply offering competitive prices; it is achieved primarily through innovation, the quality of goods and services produced, individually or in combination, and the image and reputation that the market helps to confer upon them or that are forged through marketing.

Understood in this way, the following schematic distinction emphasizes the combined effect of these two factors of competitiveness.

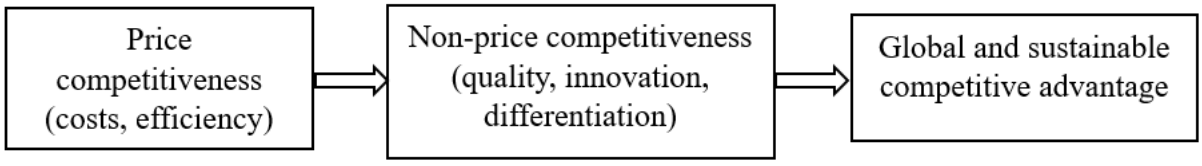
Fig.1.Factors of Competitiveness



Source : CAPUL Jean-Yves, GARNIER Olivier (2005), Dictionnaire d’économie et de sciences sociales, Édition HATIER, Paris, P.78.

Alongside this simplified presentation of competitiveness, where its determinants focus on two complementary components, price and non-price, which are not opposed but rather complementary, price competitiveness, while important, is no longer sufficient on its own to guarantee a sustainable market position. This is why non-price competitiveness generates profits that allow for growth investments, thus achieving economies of scale that ultimately strengthen price competitiveness. It is structural competitiveness, more than price competitiveness, that determines an economy's export performance (Morris, 1985). The real challenge lies in the coherent integration of price and non-price competitiveness in order to sustainably consolidate a competitive advantage. (See Fig.2)

Fig.2. Process of Evolution of Global Competitiveness



Source : Author

3. Overview of the Algerian Economy: between configuration and competitiveness

Understanding the national economy requires examining its evolving structure, characterized by a rentier economy dominated by hydrocarbons. It also requires analyzing its competitiveness, which is reflected in a decline in its ability to effectively compete with its rivals. To this end, we have chosen the trade balance as our measurement indicator over the period from 2020 to 2025, which constitutes the timeframe of our analysis.

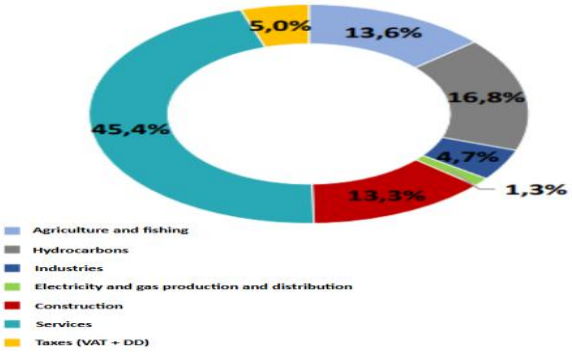
3.1. Configuration of the Algerian Economy

Although its history remains important, the configuration of the Algerian economy is essentially based on the evolution of its economic activity, but also of its foreign trade.

3.1.1. Analysis of National Economic Activity

National economic activity is measured by GDP, which is broken down by sector of activity. This breakdown is represented by the figure below, which allows us to identify: the sources of wealth creation, and the productive structure of the economy.

Fig.3. Main sectors of activity in GDP in 2024



Source : Included in Bank of Algeria, Rapport annuel (2024), évolution économique et monétaire, P.24, (juin 2025) available at : https://www.bank-of-algeria.dz/stoodroa/2025/09/Rapport-2024-fr.pdf.

In this sense, the Algerian economic fabric is characterized by a structural duality between hydrocarbon exploitation (oil and natural gas), which constitutes the central pillar of its productive structure, and the development of the non-hydrocarbon sector, which constitutes a second pillar for diversifying its economic activity.

The hydrocarbon sector represents nearly a third of GDP, more than a third of tax revenues, and 92% of Algerian exports (Rapport économique, Algérie, 2025, p. 4). Its share remains significant, placing it second among economic sectors at 16.8% of GDP, behind services (see Figure 3). Indeed, the structure of the Algerian economy reflects an economy still heavily influenced by the hydrocarbon sector.

Undoubtedly, it is the traditional cornerstone of the country, as its growth generates the bulk of export revenues and budgetary resources. In this perspective, it is appropriate to present the evolution of its growth through the following fig.4, which highlights these fluctuations and its impact on the national economy.

Fig.4. Growth in the Hydrocarbon Sector



Source : Bank of Algeria, Rapport annuel (2024), évolution économique et monétaire, P.24, (juin 2025), available at : https://www.bank-of-algeria.dz/stoodroa/2025/09/Rapport-2024-fr.pdf

Between 2020 and 2022, the sector experienced strong expansion, with increased value added and growth rates, particularly in 2021. This momentum was driven by the global economic recovery following the health crisis and rising hydrocarbon prices, which boosted revenue and sector activity. From 2022 onward, a gradual slowdown was observed, with a slight decrease in value added in 2023 and 2024. It fell from positive growth of 3.6% to a contraction of 1.4%, making hydrocarbons the only sector to post negative performance in this period. This decline weighed on the entire national economy, reducing overall real growth by 0.27 percentage points. This period was also marked by respective increases of 3.6% and 3.75% in hydrocarbon production and exports (Bank of Algeria, évolution économique et monétaire, 2024, p. 24).

At current prices, the value added of the hydrocarbon sector fell to 6,022.77 billion dinars in 2024, compared to 6,435.38 billion dinars in 2023, representing a nominal contraction of 6.41%. This decline reflects the combination of two unfavorable factors: lower production volumes and falling prices on international markets. As a result, the sector's weight in the national economy has decreased significantly, with its share of GDP falling to 16.83% in 2024, compared to 19.13% in 2023 (Bank of Algeria, évolution économique et monétaire, 2024, p. 4).

Thus, in recent years, Algerian economic activity has experienced significant fluctuations directly correlated to the fall in hydrocarbon prices on international markets, which have led to a decrease in oil revenues due to the combined effect of lower export volumes and lower export prices. However, beyond these cyclical effects, the country remains dependent on hydrocarbons and thus exerts a negative structural influence, hindering the performance of other sectors.

Certainly, for decades, the non-hydrocarbon sector was relegated to the background due to the abundance of oil revenues, which allowed the state to finance imports and public spending without resorting to diversified local production. Yet, its development constitutes a fundamental strategic challenge for the future of the Algerian economy.

According to Figure 3, it represents a significant share of GDP, often the majority in volume (83.2%) when excluding the hydrocarbon sector. It comprises several sectors, including a predominance of services, accounting for 45.4% of GDP, reflecting the growing importance of tertiary activities, particularly trade, transportation, and public services. However, a large portion of these activities remains unproductive and heavily reliant on public spending through oil revenues. Similarly, construction, agriculture and fishing

contribute significantly to GDP, accounting for 13.3% and 13.6% respectively. The construction sector is characterized by its dynamism, driven by the implementation of major infrastructure and housing projects launched by the country in recent years. The agricultural sector, however, still makes a limited contribution due to insufficient productivity, resulting in a substantial food import bill for the country.

Conversely, non-hydrocarbon industry represents a relatively small share of GDP at 4.7%, reflecting the country's gradual deindustrialization and highlighting the challenges facing its competitive and export-oriented industrial base. The sub-sector of electricity and gas production and distribution, representing 1.3% of GDP, reflects investments made in energy infrastructure for domestic consumption. To this end, although the non-hydrocarbon sector represents the dominant share of the national economy in terms of GDP, it remains insufficiently developed to ensure genuine independence from oil revenues.

Ultimately, the national economy is characterized, on the one hand, by the preponderance of hydrocarbons in GDP, whose prices fluctuate cyclically and are highly dependent on external factors. On the other hand, it is characterized by a modest share of non-hydrocarbons, resulting in incomplete integration into the country's foreign trade.

3.1.2. Analysis of Foreign Trade

Considered the leading economy in the Maghreb and the second largest in North Africa (after Egypt), the performance of the Algerian economy relies on its foreign trade, which encompasses all exchanges of goods and services between customers and suppliers within the country's borders. (See Table 1).

Table 1. Commercial Exchange, 2025

Exports of goods as a percentage of the total		Imports of goods as a percentage of the total	
Country	Percentage	Country	Percentage
Europe	63%	Europe	26%
Turkey	7%	China	22%
USA	5%	Bresil	6%
UK	4%	Turkey	6%
China	4%	Russia	3%

Source : Made from Coface, Actualité, available at : https://www.coface.com/fr/actualites-economie-conseils-d-experts/tableau-de-bord-des-risques-economiques/fiches-risques-pays/algerie

Europe remains the country's primary trading partner, accounting for more than half of its trade, with 63% of exports and 26% of imports, which signifies a strong dependence on European markets, particularly for industrial goods, equipment and intermediate products, as shown in Table 2.

Table 2. The five main import and export products in %

The five main import products in %		The five main export products in %	
Products	Percentage	Products	Percentage
Machines and mechanical devices	13,60 %	Hydrocarbons	90,99 %
Cars and Tractors	8,54 %	Fertilizer	2,38 %
Cereals	7,59 %	Cast Iron, Iron and Steel	1,97 %
Plastics	6,27 %	Inorganic chemicals	1,53 %
Electronic devices and equipment	6,10 %	Cements	1,34 %

Source : Developed using data from the Fiche-pays-Algérie (2025), P.4, available at : https://event.businessfrance.fr/rencontres-algerie/wp-content/uploads/sites/1317/2025/04/Fiche-pays-Algerie-2025.pdf

Algeria balances its spending by reducing imports in sectors deemed secondary or capable of being manufactured locally (cars, cosmetics, pharmaceuticals, etc.) (Rapport économique, Algérie, 2025, p. 8). The aim is to control imports in order to protect its own producers and reduce the trade deficit. Thus, the Algerian economy exhibits an asymmetrical structure : hydrocarbon revenues finance imports, which compensate for shortcomings in domestic production, creating a cycle of dependency. Breaking this cycle requires simultaneously strengthening domestic productive capacity and external competitiveness through export diversification. This is precisely the central focus of current Algerian economic policies, the effective implementation of which remains the main challenge for the coming years.

3.2. Erosion of the Competitiveness of the Algerian Economy (2020-2025)

The erosion of the national economy's competitiveness refers to its diminished capacity to compete effectively in the market. This competitiveness is characterized by its resistance to foreign competition in the domestic market by reducing imports, but also by its performance in foreign markets by increasing exports. Thus, its performance is analyzed by the trade balance, which measures the difference between exports and imports of goods. (See Table 3)

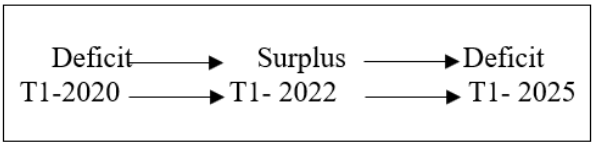
Table 3. Imports, exports and trade balance in billions of DA

	Q1-20	Q1-21	Q1-22	Q1-23	Q1-24	Q1-25	Percentage change				
	1	2	3	4	5	6	(2/1)	(3/2)	(4/3)	(5/4)	(6/5)
Imports in GDA	1103	1201,8	1314	1378,1	1496,3	1787,2	9	9,3	4,9	8,6	19,4
Exports in GDA	815,4	1025,2	1865,4	1875,3	1610,6	1517,9	25,7	82	0,5	-14,1	-5,8
IVU Imports	97,8	113,7	136,2	127,3	120,9	115,2	16,3	19,8	-6,5	-5	-4,7
IVU Exports	87,9	99,1	181	179,4	156	153,2	12,7	82,6	-0,9	-13	-1,8
Volume Index Imports	89,9	84,3	76,9	86,3	98,7	123,7	-6,2	-8,8	12,2	14,4	25,3
Volume Index Exports	88,2	98,4	98	99,4	98,2	94,2	11,6	-0,4	1,4	-1,2	-4,1
Trade Balance	-287,6	-176,6	551,4	497,2	114,3	-269,3	38,6	412,2	-9,8	-77	-335,6
Terms of the exchange	73	88,5	149,9	133,4	131,4	125,3	21.3	69,5	-11	-1.5	-4,6

Source : Office National des Statistiques (ONS), 1er trimestre 2025**,** N°1068, Indices du commerce extérieur de marchandises, available at : https://www.ons.dz/IMG/pdf/indice_commerce_exterieur_s1_2025.pdf

Between 2020 and 2025, the Algerian economy's trade balance experienced volatile and cyclical fluctuations, oscillating between deficit and surplus, which can be summarized as follows :

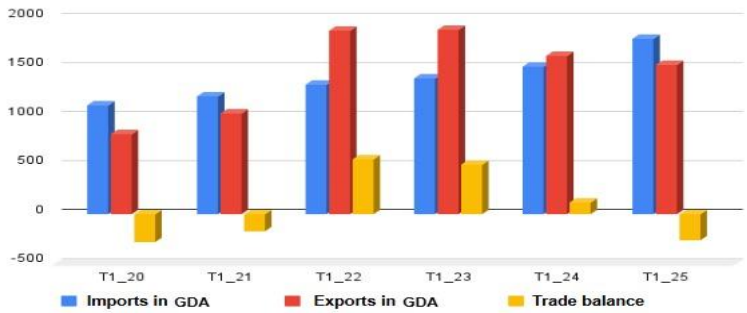
Fig.5. Evolution of the Trade Balance of the Algerian Economy (2020-2025)



Source : Author

This trend results in significant instability and sensitivity to international conditions. It is reflected in the export and import patterns of goods. (See Fig.6)

Fig.6. Imports, exports and trade balance in billions of DA



Source: Compiled by us from the data in Table No. 3

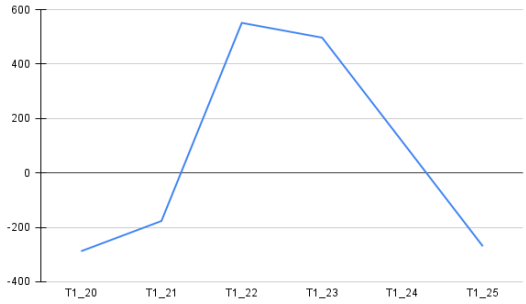
The graph highlights the fluctuating nature of the trade balance. This instability is primarily explained by the inability of the national production system to meet overall demand. In other words, domestic industry does not produce enough import substitutes, and Algerian companies are not competitive against foreign products. Exports remain heavily reliant on hydrocarbons. This dependence reflects the absence of a competitive production base capable of absorbing external shocks and maintaining a stable balance. However, the deficit in Q1 2025 is more concerning than in Q1 2020 because imports are at a very high level, exports are contracting, and the erosion is accelerating.

Furthermore, the trade balance measures the equilibrium of trade flows between a country and the rest of the world, thus determining its position in international trade. It indicates whether the country's foreign trade is in surplus or deficit. Based on Table 3, the terms of trade decline from 2022 onwards, falling from 149.9% in the first quarter to 125.3% in the first quarter of 2025, representing a deterioration in the trade balance. Consequently, the country is buying more goods than it is selling. (See Fig. 7 and 8)

Fig.7. Terms of Trade in %



Fig.8. Erosion of Competitiveness



Source: Compiled by us from the data in Table No. 3

Consequently, the erosion of the Algerian econom's competitiveness is primarily manifested by : a deterioration of the trade balance following a loss of export market share (due to fiercer competition in certain export markets), and a decline in trade caused by the increasing influx of foreign products into the domestic market (consumer preference for imported goods). This reflects the country's overall weak competitiveness, which remains a handicap in the face of competition from its main foreign partners.

In this context, the current challenge is to answer the following question : what is the competitive factor that allows the Algerian economy to meet this challenge of sustainable competitiveness in order to effectively compete with its rivals in the market ? Furthermore, what is the factor that allows it to acquire a competitive advantage that differentiates it from its competitors and strengthens its diversification ? In order to answer this, the objective of what follows is to shed light on the price and non-price factors on which the Algerian economy is based in order to deduce the factor which allows it to acquire a sustainable competitive advantage.

4. Non-price Competitiveness: a strategic lever for sustained diversification of the Algerian economy

The challenge currently facing the Algerian economy is to improve its competitiveness in both domestic and international markets. Its competitiveness depends primarily on the low international price of oil and gas. Therefore, non-price competitiveness becomes crucial due to its external dependence.

4.1. Price Competitiveness : a limited approach

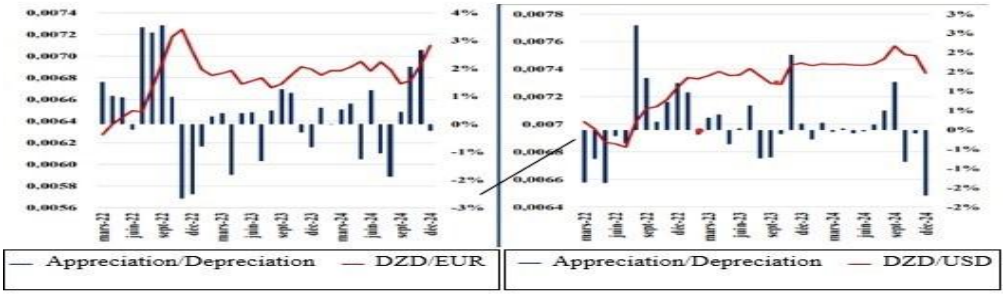
The Algerian economy is rooted in the tradition of comparative advantage, whereby the country exports what it produces at a lower cost thanks to its natural factor endowments. In this context, its foreign trade is heavily concentrated on hydrocarbons (oil and gas). This dependence makes any price-based strategy particularly vulnerable to exogenous shocks (oil price volatility, dinar depreciation). Consequently, the country's development strategy can no longer be limited to a market/price approach.

Thus, by making price levels the primary driver of its market positioning, a chosen quantitative indicator linked to prices allows us to measure the country's competitive performance (whether enhanced or limited), namely the exchange rate index, and more specifically, the real effective exchange rate (REER). This indicator has been well-known since its liberalization in the 1970s. It is the most effective because it takes into account bilateral exchange rates, relative inflation, and the structure of trade. The choice of this rate stems from the fact that its analysis is limited to the notion of international competitiveness in terms of price, without considering other structural factors that can generate higher prices without necessarily implying lower competitiveness. However, the distinction between the

nominal effective exchange rate (NEER) and the real effective exchange rate (REER) is crucial. Unlike the NEER, the REER incorporates into each term of the weighted average a factor composed of the ratio between two price indicators: one for the domestic economy and one for the trading partner in question, always expressed in a common currency.

Consequently, due to the diversity of currencies, a bilateral rate considered in isolation, such as the euro-dollar exchange rate, cannot provide a complete picture of competitiveness. From this perspective, we considered it important to first study the monthly evolution of the Algerian dinar against these two types of currency, which is presented in fig.9.

Fig.9. Monthly evolution of the Algerian dinar exchange rate

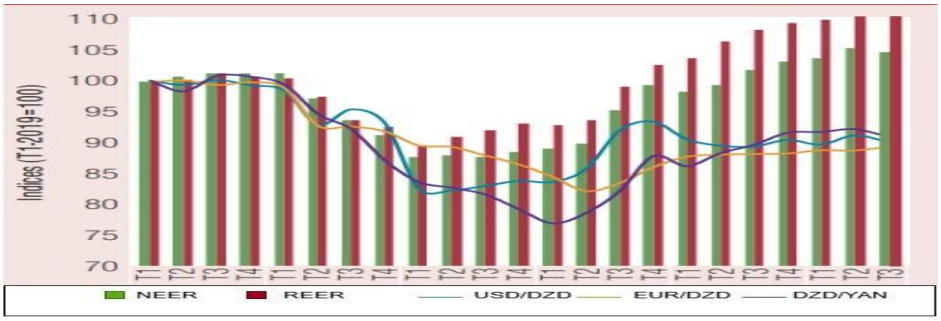


Source : Bank of Algeria, Rapport annuel (2024), évolution économique et monétaire, P.100, (juin 2025) available at : https://www.bank-of-algeria.dz/stoodroa/2025/09/Rapport-2024-fr.pdf

According to the Bank of Algeria's report (Bank of Algeria, évolution économique et monétaire, 2024, p. 100), the NEER shows an appreciation of the Algerian dinar of 5.82% on an annual average between 2023 and 2024, and of 5.72% at the end of the period, between December 2023 and December 2024, relative to the currencies of developed economies. The same report indicates that, for the second consecutive year, the Algerian dinar appreciated against the Japanese yen and the Chinese yuan, by an average of 8.56% and 2.93% respectively in 2024, compared to appreciations of 12.2% and 10.2% respectively in 2023.

Consequently, the analysis of the trend in the REER presented in fig. 10 allows us to assess the price competitiveness of the Algerian economy.

Fig.10.Exchange rate evolution in H1-2024



Source : La banque mondiale, Rapport de suivi de la situation économique, un cadre holistique de soutien aux exportations, (automne 2024), P .9, available at : https://openknowledge.worldbank.org/server/api/core/bitstreams/c1a55863-672a-4fc7-9c46-6fc3501c8f33/content

From 2023 onwards, both the NEER and the REER appreciated, driven by the appreciation of the dinar against the currencies of its main trading partners. This appreciation of the REER means that Algerian products become more expensive on international markets. In other words, these products will be more expensive abroad, thus penalizing their price competitiveness, while simultaneously stimulating imports, particularly from China, exacerbating the pressure on the non-hydrocarbon trade balance. This loss of competitiveness is all the more concerning for these exports, whose success in foreign markets relies precisely on attractive prices. Such an appreciation is a sign of the limited price competitiveness of the Algerian economy.

Ultimately, price competitiveness remains an important factor for the Algerian economy, but it is no longer sufficient to explain the country's performance in international trade. To overcome these limitations, a transition to a new approach is necessary.

4.2. Non-price Competitiveness : towards a sustainable competitive advantage

The analysis presented expresses a profound conviction : strengthening its price competitiveness is, of course, always a goal of the Algerian economy, but it is well aware that its competitors will likely have similar price competitiveness. Therefore, the pursuit of non-price competitiveness is necessary to bolster the diversification of its exports and extend the lifespan of its competitive advantage. The analysis focuses on structural factors, including the country’s capacity to diversify its economy, improve the quality of its production, and strengthen its structural efficiency.

4.2.1. Objectives and scope of diversification for the competitiveness of the Algerian economy

Numerous economic studies have demonstrated the advantages of diversification in mitigating risk for a country. China, for example, has become the most diversified country in the world thanks to its remarkable ability to withstand the consequences of international market fluctuations, despite its increasing economic openness. Conversely, Algeria experiences significant economic instability due to a lack of export diversification.

Indeed, despite several successive economic plans, the national productive structure remains poorly diversified. This diversification only began in 2017, with a considerable increase in non-hydrocarbon exports, rising from 0.7% of GDP to 1.8% of GDP in 2023 (La banque mondiale, Accélérer les gains de productivité pour une croissance diversifiée et résiliente, 2025, p. 15). This development reflects the positive effects of diversification efforts undertaken to promote economic development less dependent on hydrocarbons. It is in this context that it is essential to accelerate export-oriented efforts, particularly in non-hydrocarbon sectors, which improve the trade balance and competitiveness.

Analyzing value-added growth trends in different sectors offers avenues for reflection on accelerating the structural transformation of the Algerian economy, thereby supporting its diversification. To this end, the table below allows us to identify the drivers of economic activity and assess the degree of diversification.

Table 4. Growth in added value by major business sectors at chained prices Q1 2023- Q2 2025

Changes t/t-4 in %, CVS data

Headings of the major sectors	2023					2024					2025	
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2
Agriculture and fishing	4.1	2.9	2.5	2.5	**3.0**	3.2	6.7	6.0	5.3	**5.3**	6.1	4.5
Hydrocarbons	0.7	2.9	13.6	-2.1	**3.6**	0.3	3.1	-7.6	-0.3	**-1.3**	-2.9	-1.2
Industry	0.9	12.8	8.6	1.5	**5.7**	2.2	6.4	9.0	5.2	**5.7**	6.2	6.4
Electricity and gas production and distribution	4.6	1.7	7.2	4.4	**4.5**	5.7	8.5	4.7	5.6	**6.1**	3.9	9.7
Construction	5.0	4.0	2.8	2.0	**3.4**	3.5	3.6	3.6	4.2	**3.8**	3.0	3.4
Services	3.4	4.5	3.5	4.7	**4.0**	4.1	4.4	5.1	5.0	**4.6**	4.9	4.0
Import taxes	4.3	12.0	10.6	15.1	**10.4**	6.4	11.7	8.5	1.9	**7.0**	14.6	31.0
Net taxes on products (after subsidies)	6.3	6.4	11.8	16.2	**10.1**	13.0	-6.9	8.2	9.9	**6.3**	16.1	18.7
Gross Domestic Product	**2.4**	**5.1**	**6.1**	**3.0**	**4.1**	**4.3**	**3.7**	**2.4**	**4.2**	**3.7**	**4.3**	**3.9**
Gross Domestic Product HH	**3.9**	**4.8**	**4.1**	**4.4**	**4.3**	**4.3**	**4.4**	**5.4**	**5.1**	**4.8**	**5.5**	**5.3**

Source : Office National des Statistiques (ONS), Les comptes nationaux trimestriels-2ème trimestre 2025- N° 1069, P.2, available at : https://www.ons.dz/IMG/pdf/CNT2T2025.pdf.

We observe that the agriculture and fishing sectors, as well as services, are performing well, resulting in dynamic non-hydrocarbon GDP growth of 4.8% in 2024, compared to 4.3% in 2023, and continuing to increase in Q2 2025 to 5.3%. However, the industrial and construction sectors are experiencing stable but still limited growth. These observations lead us to conclude that Algeria's productive structure is characterized by a diversified but limited sectoral composition. It is diversified by having achieved sustainable growth in certain sectors, but limited because the structure is unbalanced by the dominance of the hydrocarbon sector.

Furthermore, despite this imbalance, a notable transition from the hydrocarbon sector to a predominance of the non-hydrocarbon economy confirms a resilient diversification. Moreover, according to the Explanatory Report for the 2026 Finance Bill (PLF 2026, 2025, p. 6), national economic activity is expected to maintain its positive momentum over the period 2026-2028, with a projected growth rate of 4.1% in 2026, 4.4% in 2027, and 4.5% in 2028. This favorable trajectory is expected to be driven primarily by the anticipated performance of non-hydrocarbon sectors.

In short, strengthening the diversification of the non-hydrocarbon sector is a process of challenging the country's current economic framework and structure. The need to reorient the Algerian economic model towards sectors with strong export potential is part of this strategic transformation strategy aimed at improving its competitiveness. To this end, sustained diversification can be stimulated by improving non-price factors, which strengthen the country's capacity to adapt to global changes by reducing its dependence on a single sector. These factors correspond to what Michael Porter calls competitive advantages based on differentiation strategy, as opposed to cost leadership.

4.2.2. Levers for the Sustainability of the Diversification of the Algerian Economy

The World Bank's latest report on Algeria's economic situation (La banque mondiale, un cadre holistique de soutien aux exportations, 2025, p. 15) confirms the country's strong performance while highlighting the need to adopt a set of complementary economic policies to diversify exports for sustainable growth. To meet this demand, the country must strengthen the levers of sustainable diversification, such as improving the quality of its production, innovation efforts and technological content, and brand image. However,

measuring these factors remains a complex exercise because they rely on indirect qualitative data, which can be presented in the following table :

Table 5. Non-price Competitiveness Indicators

Domain	Relevant indicator
Quality	ISO certification rate Compliance with standards
Innovation	R&D expenditure Number of patents filed
Brand image	National Reputation Index Export performance

Source : Author

4.2.2.1. Competitive Advantages Related to Production Quality

The pursuit of quality production reflects the Algerian economy's desire to meet the demands of international markets. Its development is part of a comprehensive strategy to move upmarket and create added value. Indeed, an economy that sells higher-quality goods exports more easily and reaches more distant markets, confirming the link between product quality and export performance.

It is clear that international trade is governed by standards, and exports depend on the application and adherence to these standards. Currently, the Algerian economy lags behind in terms of standardization, certification, and accreditation. This lag can be attributed to the absence of regulations mandated by executive decree for Algerian companies to export their products. In this context, to align with international legislation, the country has established organizations and institutions such as the Algerian Institute for Standardization (IANOR), the Algerian National Institute of Industrial Property (INAPI), and the National Accreditation Body (ALGERAC). These organizations address Algeria's need to strengthen its alignment with international standards by issuing certificates that demonstrate a commitment to prioritizing customer and stakeholder satisfaction in areas such as quality (ISO 9001), environmental management (ISO 14001), and occupational health and safety (ISO 45001). The main achievements of these organizations in 2024 are presented in the table below :

Table 6. Number of Algerian companies certified in 2024

ISO standards	Number of certified companies	Nature of the standard
ISO 9001	3188	Quality management
ISO 14001	123	Environmental management
ISO 45001	92	Occupational health and safety management system

Source : Prepared by us using data Algeria invest (2024), 3.188 entreprises algériennes certifiées ISO, newspaper Horizons available at : https://algeriainvest.com/fr/premium-news/3188-entreprises-algeriennes-certifiees-iso

The ISO has over 25,000 standards, while in Algeria, this number is 11,000. Across Africa, it reaches nearly 4,500.

Since its inception, IANOR has supported various economic sectors by addressing their needs. The most certified sectors are construction, agri-food, industry (mechanical

engineering, petrochemicals), and services (transport, healthcare, etc.), with a predominance of ISO 9001 (quality management). These sectors are dominant due to their exposure to export requirements. IANOR has also established national standards, such as the quality standard based on 14 fundamental commitments. Thus, IANOR offers economic operators a diverse range of certification programs covering management systems (NA ISO 9001, 14001, and 45001) (Institut Algérien de Normalisation, 2025)

As for ALGERAC, it has broadened its scope to ensure that Algerian products comply with international standards. To this end, the World Bank supported it in developing a five-year strategic plan and strengthening the skills of its staff. In July 2024, the number of accredited laboratories had reached 135, compared to 77 in 2021, representing a 75% increase in three years (Comment l'Algérie façonne son avenir économique, 2025).

In conclusion, to respond to national and international calls for tenders, promote exports, and gain market share abroad, the Algerian economy must strengthen its efforts by focusing on industry and improving the quality and competitiveness of its products. In this context, innovation appears as a key lever, enabling it to adapt its production processes to meet standardization and certification requirements.

4.2.2.2. Competitive Advantages linked to Technological Innovation

The Algerian National Institute of Industrial Property (INPI) highlights the weak innovation performance of the Algerian economy. Indeed, it currently relies heavily on foreign-developed technologies and benefits little from its own domestic technological innovation capabilities. These capabilities are assessed through research and development (R&D) and patents, which are key indicators of the country's technological capacity and competitiveness.

Investments in R&D remain low in the development of Algeria's industrial sector despite sustained economic growth and high levels of public investment. This low level of spending on research activities is confirmed by the World Bank, whose latest statistics show that it represents only 0.38% of GDP in 2024. However, since 2022, the number of patents filed by Algerian professionals has been steadily increasing (see Table 7).

Table 7. Key figures for patent filings (2022-2024)

Year	Patents
2022	1 118
2023	1 245
2024	1 411

Source : Aller à l'international, L'expertise INPI au service des entreprises, La propriété intellectuel en Algérie, INPI (2025), available at : https://www.inpi.fr/sites/default/files/2025-09/Fiche%20PI%20Algerie%202025.pdf

This dynamic evolution reflects a rise in innovation activities, indicating a shift towards technology-based competitiveness, although this dynamic remains limited in terms of economic impact and international integration. This observation is supported by the ranking of the Global Innovation Index (GII), which places Algeria 115th out of 133 countries, with

a score of 16.2 out of 100, representing a slight improvement compared to 2023 (16.12), as shown in Table 8.

Table 8. Algeria's GII ranking 2020-2024

Year	Position of the GII	Contributions of innovation	Results of the innovation
2020	121	111	126
2021	120	109	128
2022	115	110	118
2023	119	118	116
2024	115	113	115

Source : Indice mondial de l'innovation (2024), Statistiques sur la Propriété Intellectuelle, P.16, available at : https://dgrsdt.dz/storage/brevets/November2025/D1KCcwpeoj5QmFn8wUYr.pdf

This moderate growth is primarily driven by investments in innovation, with signs of recovery in 2024 following the decline in 2023. It reflects a shift towards a more innovative Algerian economy, where R&D is beginning to yield concrete results but still requires strengthening in terms of industrial application and internationalization.

Ultimately, the development of research activities in Algeria has been part of a comprehensive strategy to build a knowledge-based economy and achieve economic emergence. This process has gradually led to increased innovation, but this momentum has not yet been matched by commercialization through branding.

4.2.2.3. Competitive Advantages Related to Brand Image

A brand can be presented in various forms : verbal, figurative, or even through an advertising slogan. These brands, known in marketing as ‘‘branding,’’ are currently gaining importance in Algeria with the rise of e-commerce and local brands. They are all the more effective as they are an integral part of a comprehensive strategy for managing and marketing the Algerian economy.

It is worth noting that before the 2000s, the advertising market in Algeria was characterized by a complete absence of advertising. It was only from the 2010s onward that the rise of multinational corporations and digital technology accelerated the adoption of modern strategies, with a growing interest in ‘‘brand management’’.

It is in this context that Algeria, like other countries, created an advertising slogan called ‘‘*Made in Bladi*,’’ incorporating the Arabic phrase ‘‘*Algerian product,*’’ which is registered with the ‘‘*Business Leaders Forum*’’ to encourage the consumption of Algerian products. This Algerian brand plays a crucial role in advertising and marketing strategies, contributing to shaping the image and establishing the reputation of the country's products in the eyes of consumers and helping them compete with international brands. The objective is to revitalize national industry to reduce imports by legally obligating economic operators to prioritize local goods and services in their orders. This approach reflects a commitment to protecting and supporting Algerian industry. Moreover, this slogan is gaining popularity in the 2023-2025 agricultural sector (agribusiness) and industrial sectors (household appliances, electronics, and mechanical engineering). It also applies to other developing

sectors such as textiles, construction, and local crafts. These sectors benefit from tax incentives designed to : encourage innovation among national startups, develop a dynamic entrepreneurial ecosystem capable of meeting the needs of the domestic market, and stimulate economic growth through non-hydrocarbon exports.

These successes demonstrate that ‘‘*Made in Algeria*” can establish itself on the international market, provided that efforts in quality, compliance, and marketing are continued. This has encouraged the creation of compliance marks by IANOR, which has launched several national labels such as the TEDJ brand, the Halal brand, and the Quality of Hospitality (Fi khidmatikoum), symbols of trust, safety, and excellence for Algerian products and services (Institut Algérien de Normalisation, 2025). INPI’s expertise presents trademark filing figures in Algeria in the table below.

Table 9. Key figures for trademark filings (2022-2024)

Year	Brands
2022	12 252
2023	11 956
2024	11 245

Source : Aller à l’international, L’expertise INPI au service des entreprises, La propriété intellectuel en Algérie, INPI, (2025), P.2, available at : https://www.inpi.fr/sites/default/files/2025-09/Fiche%20PI%20Algerie%202025.pdf

The country possesses significant potential for products that could qualify for a geographical indication or a protected designation of origin. Currently, three products have received certification : Tolga dates, Beni Maouche dried figs, and Bouhezza cheese, and three more are in the process of certification : Oulhaça white onions, Sig olives, and Misserghine clementines (Aller à l’international, L’expertise INPI au service des entreprises, 2025, p. 4). Today, exporting these branded products is one of the most effective ways to sustainably strengthen a country's image.

In short, studying these factors is particularly relevant to the country’s current situation, which is undergoing an active transition characterized by an economic model less dependent on hydrocarbons. While the model is still influenced by hydrocarbon revenues, it is becoming an emerging model based on diversification, local production, and innovation. Its success will depend on its ability to sustainably consolidate non-hydrocarbon sectors to make diversification not a short-term policy, but a genuine change in economic structure.

5. CONCLUSION

To regain export success, the Algerian economy must now focus more on developing non-price competitiveness than on a hypothetical restoration of its price competitiveness. In this context, it faces a situation that compels it to revise its economic framework to support and strengthen its diversification.

Indeed, the competitiveness of the Algerian economy is weak and will remain one of the country’s structural characteristics by the end of 2025, due to the fact that its export structure remains heavily dominated by hydrocarbons. This is despite a recent increase in

non-hydrocarbon exports, which remains marginal and represents a limited integration of the sector into international trade. This constraint is compounded by its still fragile price competitiveness.

This combination of persistent dependence on hydrocarbons, still insufficient diversification, limited price competitiveness gains, and low technological content of exports restricts the Algerian economy's capacity to conquer new markets and sustainably absorb external shocks, confirming the deeply structural nature of the competitiveness constraint.

In this context, the strategic levers for sustainable diversification of the Algerian economy presented in this article represent a crucial challenge for the country. The need to develop them lies in differentiating oneself in the market through means other than price, such as quality, innovation, branding, etc. While these can certainly be considered a partial but privileged area for enhancing a country's competitiveness, they are essential. Partial, because these levers cannot encompass all of a nation's objectives or all areas of activity on their own, but privileged because mastering them can be a country's strength, as they generate profits that allow for growth investments, which ultimately strengthen price competitiveness and thus ensure its distinctiveness relative to the competition.

In short, non-price competitiveness has the potential for greater diversification of the country's non-hydrocarbon exports, which helps stabilize export earnings and reduce the impact of international price fluctuations on the terms of trade. It can also accelerate economic growth by improving productivity, stimulating structural transformation, and fostering competition. These benefits make it an explicit economic objective for many countries. Some countries have made significant progress in this regard.

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