

The mutual impact between the economic growth rate and the growth rate of exports outside the hydrocarbon sector in Algeria

الأثر المتبادل بين معدل النمو الاقتصادي ومعدل نمو الصادرات خارج قطاع المحروقات في الجزائر

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Abstract:

This research aims to study the mutual impact between the economic growth rate and the growth rate of exports outside the hydrocarbon sector. We have presented the efforts made by the state to increase the value of exports outside the hydrocarbon sector, through economic and trade policies, and the legislation and regulatory laws that the state has set for this purpose. We have also presented the reality of economic growth in Algeria, with the reality and nature of exports in Algeria, with an explanation of the mutual impact between them through analysing the available data. We have used the descriptive analytical approach to address this topic. The study concluded that the economic growth rate has an impact on increasing the rate of exports outside the hydrocarbon sector, but at a weak rate, despite all the efforts made by the state to promote it.

Keywords: Economic growth rate, Non-hydrocarbon exports, Algerian economy, Economic and trade policies, foreign trade, Gross domestic product.

Jel Classification Codes: F430, F4, F630.

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Introduction:

Algeria has sought to foster an economic environment where the growth rate of the economy and the expansion of non-hydrocarbon exports mutually influence each other. Despite significant efforts to boost exports beyond the hydrocarbon sector, tangible improvements have been limited, even though Algeria possesses the potential to establish a robust economy capable of increasing growth rates and diversifying its export structure. To fully grasp the extent of this reciprocal relationship between economic growth and the expansion of non-hydrocarbon exports, it is essential to analyze and understand this interaction, which leads us to raise the following issue:

Research problem:

How can the reciprocal relationship between Algeria's economic growth rate and the growth of exports outside the hydrocarbon sector be established, and which one exerts a stronger influence on the other? To explore this matter, we must consider the following sub-questions:

- What are the economic policies that Algeria has made to diversify exports outside the hydrocarbon sector?
- What is the reality of the economic growth rate in Algeria?
- What is the reality of Algerian exports outside the hydrocarbon sector?

Research hypotheses:

- Trade and economic policies play an important role in improving the economic climate of the country.
- Economic growth affects the diversity of the export structure.
- Increasing the volume of exports leads to improving the economic growth rates of the country.

Research importance:

The importance of the study lies in clarifying the reciprocal relationship between the economic growth rate and non-hydrocarbon exports during the study period, and presenting the various efforts made by the Algerian state to increase the value of these exports and providing some solutions capable of solving the obstacles that prevent increasing their value.

Research methodology:

In this study, we used the descriptive analytical approach, by collecting and presenting information, analyzing it, and drawing conclusions.

Search plan:

This study is divided into three main sections. The first section addresses the key trends in Algeria's trade policy. The second focuses on analyzing the country's economic growth rate, while the third examines the growth rate of non-hydrocarbon exports in Algeria.

I-Main directions of trade policy in Algeria

Algeria has recognized that generating a sustained surplus in exports is key to bolstering the country's economic strength. Its policy to promote exports beyond the hydrocarbon sector has

focused on encouraging the export of industrial and agricultural products, providing comprehensive support, and continuously seeking to expand into new international markets. Efforts have included offering financial aid to certain export industries to compete globally, reducing production costs for exported goods, and developing ports and essential infrastructure to streamline export operations. Below is an overview of the most significant of these efforts.

I-1- Encouraging exports outside the hydrocarbon sector:

Algeria has drawn up a comprehensive strategy to develop exports outside the hydrocarbon sector, aiming to reach high rates, by supporting large, medium and small enterprises, enabling them to enter international markets. It has taken a set of measures through stages, the most important of which are:

A- Export financing: This was done through a set of tools, which are:

- The Special Fund for Export Development (FSPE) was established under the Finance Law of 1996. To enhance the fund's effectiveness, a joint ministerial decision No. 10 was issued on March 26, 2000, outlining the criteria for receiving state assistance from this fund and exempting export operations from turnover fees and direct taxes. The FSPE undertakes the following actions: (FSPE 2021. From the site May 31, <https://www.commerce.gov.dz/ar/a>)
 - Assisting institutions that wish to participate in international exhibitions listed in the Ministry of Commerce program, as well as in other private international exhibitions.
 - Covering transportation and transit costs, along with advertising expenses, where 80% of advertising costs are covered for participation in exhibitions registered with the Ministry of Commerce, and 50% for those not registered.
- Establishing a single window at banks to streamline financial transactions for exporters, and offering loans to businesses seeking to export, whether for importing raw materials used in export products or to support the export process itself.
- Algeria has implemented a series of tax and customs exemptions to encourage exports. This includes exempting certain export operations from various customs duties and taxes, such as the exemption from the professional activity tax for goods linked to export activities, as well as the exemption from value-added tax, as outlined in Articles 13, 42, and 50 of the Tax Code.
- By adopting a flexible exchange rate policy, Algeria has devalued the Algerian dinar multiple times since the 1990s and continues to do so today. This strategy aims to boost foreign demand for exportable national goods and services and to promote exports outside the hydrocarbon sector.

B- Regulatory procedures: This was done through a set of tools, which are:(Journal officiel n° 32 du 2 mai 1999, p:14).

- **Establishing a Certificate of Origin:** To safeguard the reputation of national production in international markets and address issues related to the misrepresentation of Algerian products in terms of packaging, filling, and pricing, Official Gazette No. 32, dated May 2, 1999, mandated that Algerian customs require exporters to obtain this certificate from the Ministry of Commerce for specific items, such as dates, raw hides, iron and steel waste, and raw cork. Over time, this requirement has expanded to encompass all products that Algeria permits for export.

-**Establishing a Supreme Council for Export Development:** This council is tasked with formulating a comprehensive strategy for enhancing national exports and monitoring its implementation. It also advocates for the creation of commercial companies specializing in exports

to address the challenges posed by the limited efficiency and capabilities of small and medium-sized enterprises. Additionally, the council aims to facilitate access to credit facilities available to institutions focused on export activities.

- **Modernizing customs administration:** This involves updating operational mechanisms to align with international economic transformations and streamlining customs procedures for businesses in the export sector.

- **Issuing a guiding law on the promotion of small and medium enterprises:** This law will serve as a reference for assistance and support programs aimed at benefiting these businesses.

I-2- Concluding regional and international trade agreements:

To penetrate new global markets, Algeria has established several bilateral, regional, and multilateral trade agreements, as well as preferential trade arrangements with various countries. These efforts aim to create new opportunities and facilitate access to new markets for export development. Among the most significant of these agreements are: (Ben Habib Abdel Razzak 2002, Partnership and its Role in Attracting Foreign Investments, p. 14).

A- Partnership Agreement with the European Union: This agreement represents one of the most significant changes that Algeria has experienced, as it promotes a shift towards a market economy and confirms the country's economic openness to foreign markets.

The significance of this agreement for Algeria is underscored by the fact that approximately 60% of its foreign trade transactions are conducted with the European Union. Additionally, it serves as a gateway for Algeria to access the African continent alongside the EU. Consequently, Algeria aims to leverage this partnership to boost internal investments, attract foreign direct investment, increase the share of Algerian exports beyond the hydrocarbon sector, embrace a market economy, and align national laws with those of European Union countries.

B- Greater Arab Free Trade Area Agreement: The Greater Arab Free Trade Area Agreement came into effect in 1998, aiming to strengthen economic integration among Arab countries through trade. Although there were plans to achieve complete monetary and financial integration by implementing a unified currency by 2010, various political, institutional, and economic factors have delayed the adoption of this unified currency (Unified Arab Economic Report 2016, p. 44).

C- African Free Trade Area Agreement: Algeria signed the African Free Trade Area Agreement in 2018. A key objective of this agreement is to establish a unified market for goods and services, as well as to enhance economic integration among African countries.

The African Free Trade Area is viewed as a promising market, and Algeria's participation in the African Free Trade Area Agreement is a positive development for the national economy. This accession is expected to boost Algeri's foreign trade volume, facilitate access to neighboring markets, enhance and modernize exports, activate cross-border trade exchanges, and establish a coherent and controlled trade policy that opens the country to the global economy through the African Free Trade Area.

The African region is regarded as a promising market and has become a target for developed countries due to its abundant human and material resources. According to data published by the World Bank, the population of the African continent stands at 1.2 billion, with investment values and volumes exceeding 3 trillion US dollars and a gross domestic product surpassing 2.5 trillion dollars. These figures present significant opportunities for Algeria to strengthen its presence in Africa amid intense competition from major international economies (World Bank, Annual Report 2022, p. iv).

I-3-Opening Algerian banks abroad:

The most notable banks that have established branches in Africa and France are four public banks: the National Bank of Algeria, the Algerian Popular Credit, the Agricultural and Rural Development Bank, and the Algerian Foreign Bank. The Algerian Foreign Bank opened a branch in France under the name of the Algerian International Foreign Bank. Additionally, branches of the National Bank of Algeria, the Algerian Popular Credit, and the Agricultural and Rural Development Bank have been established in Mauritania, operating under the name of the Algerian Union Bank, along with the establishment of a bank in Senegal called the Algerian Senegalese Bank (*Guide des procédures du commerce extérieur algérien, Agencenationale pour la promotion du commerce extérieur, Algérie 2023*). These branches represent a significant demand from Algerian economic operators, as they will facilitate financial and banking transactions for local exporters and promote integration into the global economy, particularly in African countries.

II-The economic growth rate in Algeria:

The volume of trade exchange between Algeria and various countries worldwide is crucial for the Algerian economy and serves as a primary driver of economic growth. Although Algeria has made strides toward integration into the global economy, it still lags behind some comparable countries. The reciprocal relationship between the volume of foreign trade and the rate of economic growth in Algeria is closely tied to the scale of Algerian exports in global markets and their contribution to the gross domestic product.

II-1- Economic growth rate in Algeria:

Algeria has experienced significant growth over the past two decades, primarily due to rising fuel prices in global markets. However, this growth has been unstable, fluctuating in response to periodic declines in oil prices. Throughout the last twenty years, Algeria has faced challenges with weak growth performance, stemming from an unfavorable macroeconomic environment and the impacts of the COVID-19 pandemic, which severely affected the Algerian economy. Nevertheless, there has been a relative recovery in recent years, bolstered by the increase in global oil and natural gas prices. Economic growth rates in real terms are illustrated in Table No. (1).

Table n°1: Economic growth rate in Algeria(percentage%)

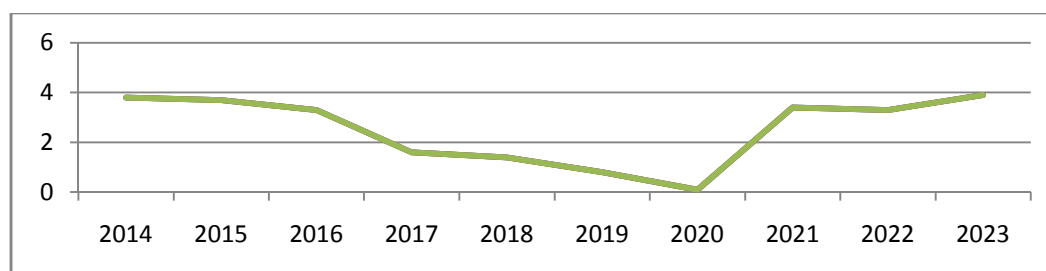
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Economic growth rate	3.8	3.7	3.3	1.6	1.4	0.8	0.1	3.4	3.3	3.9

Source: Arab Monetary Fund(2022),Arab Economic Outlook Report2022,Issue17,pp 227-229.- office national des statistiques.Résumé des changes,2015-2020,pp

Table (1) reveals that Algeria's economic growth rate has experienced fluctuating stages. Notably, the growth rates were relatively high in 2014, 2015, and 2016, reaching 3.8%, 3.7%, and 3.3%, respectively, due to improvements in the hydrocarbon sector, which maintained a degree of stability. However, this growth subsequently declined, with rates falling to 1.6%, 1.4%, 0.8%, and 0.1% in 2017, 2018, 2019, and 2020, respectively. This downturn was largely influenced by decreased revenues from the hydrocarbon sector and the repercussions of the COVID-19 pandemic, which severely impacted the global economy, resulting in the lowest growth rate recorded in 2020. Fortunately, the economy has shown signs of recovery in 2021, 2022, and 2023, with growth rates of 3.4%, 3.3%, and 3.9%, respectively (see Figure 1). The highest growth percentage was recorded in 2023, driven by improvements in the fuel sector and rising oil and natural gas prices in global

markets, largely as a consequence of the Russian-Ukrainian conflict and the subsequent increase in natural gas prices in European markets.

Figure n°1: GDP growth rate as a percentage



Source: Based on data from Table(1)

It is apparent that Algeria's economic growth rate is significantly influenced by the oil and natural gas sector, while the impact of other sectors remains limited. This situation necessitates an examination of the sectoral structure that contributes to the gross domestic product (GDP).

II-2- Composition of GDP according to economic sectors:

In examining the composition of the Algerian GDP, it is primarily comprised of four main sectors: agriculture, industry, services, and construction, with each sector playing a vital role in this composition. However, the overall figures presented in Table (2) do not provide a clear explanation for this composition.

Table n°2: Composition of GDP by sectors

year	Agriculture	Industry	Services	Construction and Public Works Sector	DP
2014	10.6	37.1	41.5	10.8	100
2015	11.6	32.3	44.6	11.5	100
2016	12.3	30.7	45.1	11.9	100
2017	11.7	31.9	44.1	11.7	100
2018	12.3	28.7	47.1	11.9	100
2019	12.8	26.2	48.3	12.7	100
2020	14.7	21.1	50.7	13.6	100
2021	12.17	27.82	48.34	11.67	100
2022	11.58	36.01	41.95	10.46	100
*2023	12.91	39.24	37.33	10.52	100

Source;- office national des statistiques,Résumé des changes, 2015-2020.

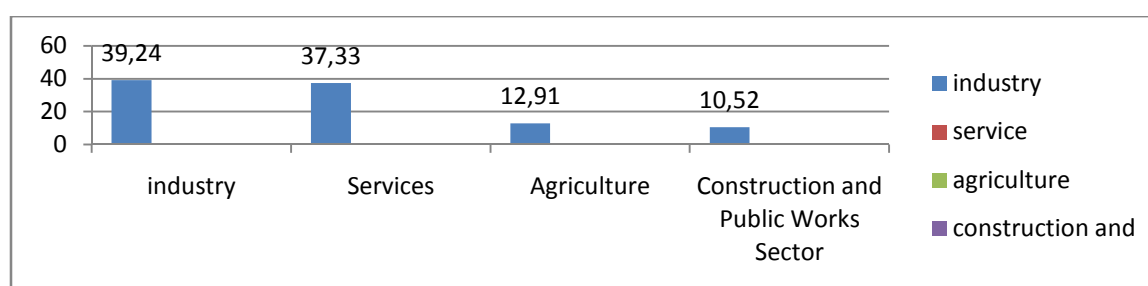
-League of Arab States (2022)," Unified Arab Economic Report2022.p:321

-L'Algérie en chiffres, résultats 2016-2018, Bulletin 2021 n°49 p.36

From the table above, it is evident that the agricultural and construction sectors account for the lowest shares of GDP compared to the industrial and services sectors, with their average contributions during the study period not exceeding 11%. The agricultural sector peaked in 2020, reaching a contribution of 14.7%, while the construction sector hit 13.6%. In that same year, the services sector recorded its highest contribution ever, at 50.7%. Conversely, the industrial sector fell to its lowest recorded share,

contributing only 21.1% to the GDP. This decline can be attributed to Algeria's limited production factors, unfavorable climatic conditions, and the initial effects of the COVID-19 pandemic on various industrial activities, which subsequently impacted export and import rates during that time. Overall, the industrial and services sectors comprise the largest portions of GDP compared to the agricultural and construction sectors, with their contributions in 2023 amounting to 39.24% and 37.33%, respectively, against 12.91% and 10.52% for agriculture and construction.

Figure n°2: Composition of GDP by sectors for the year 2023 Percentages%



Source: Based on data from Table 2

II-3-The volume of foreign trade and its contribution to the gross domestic product:

The GDP is influenced by the volume of exports and imports, with exports playing a more significant role in enhancing the economic situation and boosting the economic growth rate. Although Algeria has faced challenges in achieving robust economic growth due to an unfavorable macroeconomic environment, it has managed to increase its exports outside the hydrocarbon sector, which has positively impacted GDP in recent years. Additionally, Algeria's engagement in bilateral trade agreements with various countries and African nations, particularly after 2021, has further contributed to increasing the volume of bilateral trade. This analysis aims to clarify the percentage and volume of exports and imports relative to GDP during the period from 2014 to 2023.

Table n°3: Percentage of exports and imports to GDP in billion dollars

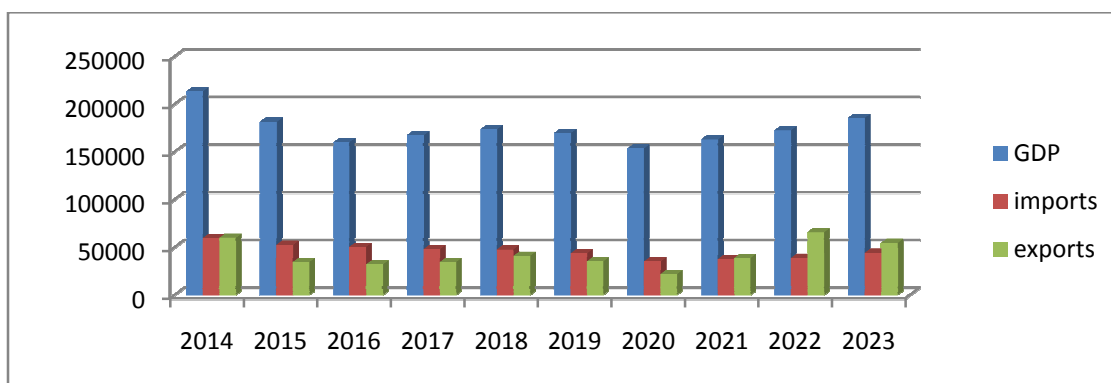
	Exports	Imports	GDP	Export to GDP ratio%	Import to GDP ratio%
2014	59996	59670	213569	28.10	27.93
2015	34566	52649	181712	19.00	28.10
2016	32031	50374	160141	20.00	31.45
2017	34569	48076	167391	20.65	28.72
2018	41115	47589	173756	23.66	27.38
2019	35312	43806	169857	20.78	25.78
2020	21925	35421	153633	14.27	23.05
2021	38637	37405	163044	23.69	22.94
2022	65526	38757	172554	37.97	22.46
*2023	54611	44321	185632	29.41	23.87

Source:- Bank of Algeria (2019)," ANNUAL REPORT2018",p:119.

- Bank of Algeria (2022)," ANNUAL REPORT2022", p: 117.

Table (3) reveals that the volume of Algeria's trade exchanges with the outside world experienced annual fluctuations influenced by both the local and international economic situations. The data indicates that imports consistently exceeded exports, except in 2014, when their contribution rates were nearly equal. However, significant changes in Algerian trade exchanges occurred after 2021, showing a clear trend favoring exports. In 2022, exports reached their peak value of \$65.526 billion, accounting for 37.97% of trade, compared to imports at \$38.757 billion, or 22.46%. This marked the highest export percentage in decades. Despite a decline in 2023, where exports totaled \$54.611 billion (29.41%) and imports slightly increased to \$44.321 billion (23.87%), the rise in oil and gas export prices in international markets played a crucial role. Furthermore, there was a notable improvement in the volume of non-hydrocarbon exports over the past three years, reaching \$7 billion in 2023. This progress can also be attributed to the bilateral agreements Algeria has established with various countries, particularly in Africa, following the implementation of the African Free Trade Area Agreement in early 2021. These developments have had a positive impact on Algeria's gross domestic product, which has seen significant increases in recent years. Figure (3) illustrates the relationship between the growth rates of real GDP and the growth rates of exports and imports, highlighting the instability and constant fluctuations in these rates.

Figure n°3: Volume of exports and imports and their percentage to the gross domestic product, million dollars



Source: Based on data from Table(3)

III-The growth rate of exports outside the hydrocarbon sector in Algeria

To understand the reciprocal relationship between economic growth and the volume of exports in Algeria, it is essential to examine the current state and volume of exports. This involves analyzing total export data and calculating the percentage of exports outside the hydrocarbon sector for the period between 2014 and 2023.

III-1- The reality and volume of exports in Algeria during the period 2014-2023:

We can know the total volume of exports in Algeria through the following table:

Table n°4: Volume of exports in Algeria during the period 2014-2023 Million dollars

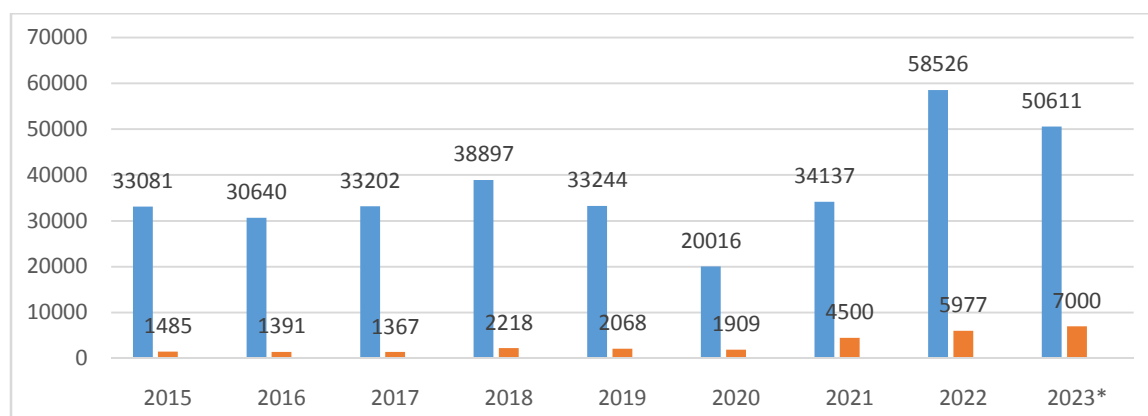
year	Hydrocarbon sector exports	Exports outside the hydrocarbon sector	Total Exports	Hydrocarbon sector exports %	of exports outside the hydrocarbon sector%
2014	58362	1634	59996	97.27	2.73
2015	33081	1485	34566	95.70	4.30
2016	30640	1391	32031	95.65	4.35
2017	33202	1367	34569	96.00	4.00
2018	38897	2218	41115	94.60	5.40
2019	33244	2068	35312	94.14	5.86
2020	20016	1909	21925	91.29	8.71
2021	34137	4500	38637	88.35	11.65
2022	58526	5977	649504	89.31	10.69
*2023	50611	7000	57611	87.84	12.16

Source:- Bank of Algeria (2019)," ANNUAL REPORT2018",p:119.
- Bank of Algeria (2022)," ANNUAL REPORT2022",p:117.

The table reveals the following observations:

- Hydrocarbon exports dominate total Algerian exports, accounting for a remarkable 97.27% of the total in 2014, while exports outside the hydrocarbon sector constituted only 2.73%, marking the lowest rate recorded.
- In recent years, there has been a slight improvement in exports outside the hydrocarbon sector. The volume of these exports reached approximately \$4.500 billion, \$5.577 billion, and \$7.000 billion in 2021, 2022, and 2023, respectively—representing the highest percentages in decades. This increase can be attributed to recent political trends in Algeria's foreign trade and the government's efforts to enhance and expand exports beyond the hydrocarbon sector.
- The volume of Algeria's total exports has exhibited instability, primarily due to the significant influence of international fluctuations in oil and natural gas prices. The highest export value was recorded in 2022, reaching \$649.504 billion, coinciding with oil prices around \$104 per barrel. Conversely, the lowest export value occurred in 2020, with exports totaling \$21.925 billion, when oil prices plummeted as a result of the Covid-19 pandemic, which severely impacted global economies and led to a decline in global economic growth rates.
- The volume of Algeria's trade activity remains quite limited concerning exports outside the hydrocarbon sector, which does not align with the strength of the Algerian economy, its material and human resources, or its strategic geographical position.

Figure n°4 Volume of exports in Algeria during the period 2014-2023 Million dollars



Source: Based on data from Table 4

III-2-Composition and structure of exports in Algeria during the period 2010-2023:

The export structure in Algeria is characterized by a diverse mix of goods and materials that the country is known for producing, with significant growth rates achieved in these production sectors, as illustrated in Table No. 5.

Table n°1 Composition and structure of Algerian exports during the period 2014-2023 Million dollars

year	foodstuffs	Raw materials	Semi-finished materials	consumer goods	Industrial equipment	Agricultural equipment	Other	the total
2014	323	110	1173	11	16	1	1	1634
2015	238	107	1111	11	18	0	0	1485
2016	326	84	909	18	53	0	0	1391
2017	350	73	845	20	78	0	0	1367
2018	373	93	1626	33	90	0	0	2218
2019	408	96	1445	36	83	0	0	2068
2020	437	71	1287	37	77	0	0	1909
2021	575	182	3486	63	188	1	1	4578
2022	269	263	5086	111	84	2	2	5977
*2023	301	373	5380	216	194	2	2	7000

Source:- République Algérienne Démocratique et Populaire, Direction Générale des Douanes, statistique du commerce extérieur de l'Algérie, 2023, p:12.

- office national des statistiques, Résumé des changes, 2015-2020, pp:250-252.

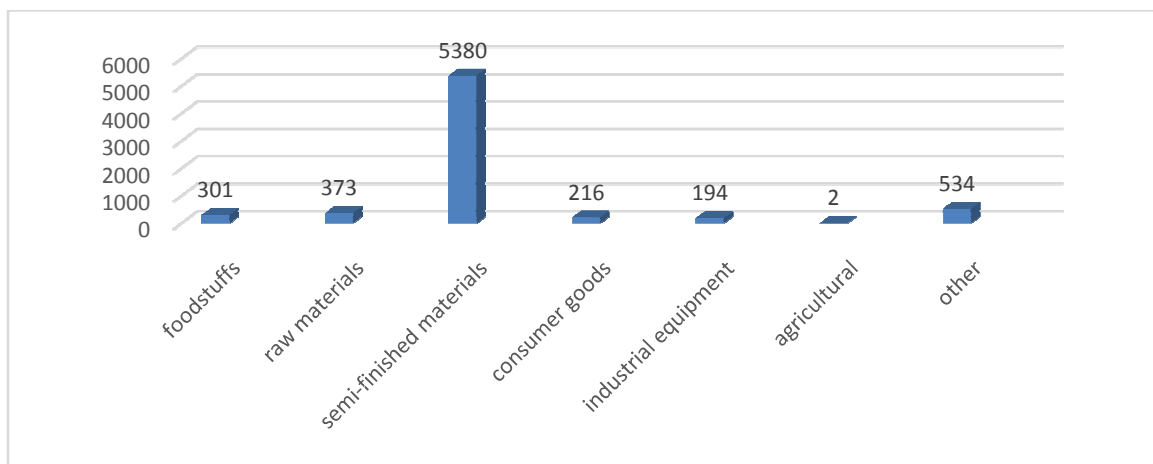
- Bank of Algeria (2022)," ANNUAL REPORT2022", p: 87.

From the table, we note the following:

- Despite the trade agreements signed and the efforts made towards achieving regional and African economic integration, the volume of Algeria's trade movement remains quite modest, particularly in terms of exports outside the hydrocarbons sector. This does not align with the strength of the Algerian economy, its material and human resources, and Algeria's strategic location.

- In 2022 and 2023, Algeria experienced a significant increase in total exports outside the hydrocarbons sector, with volumes reaching \$5.977 billion and \$7.000 billion, respectively. This growth is attributed to improvements across various export sectors.
- Among the exported goods outside the hydrocarbons sector, semi-finished products dominate, accounting for over 80% of total exports. In 2023, these goods amounted to approximately \$5.380 billion out of the total \$7.000 billion. They are followed by food commodities, whose export value has remained relatively stable, with a notable increase in 2021, reaching \$575 million.
- There has been a noticeable increase in the volume of goods exported from other sources in recent years, reaching approximately \$83 million, \$162 million, and \$534 million in 2021, 2022, and 2023, respectively, whereas no exports were recorded in the earlier years of the study. This trend indicates the entry of new exporters into the market, which can be attributed to improvements in Algeria's overall economy, economic growth, and the success of government policies aimed at promoting the export sector beyond hydrocarbons.
- We observe a certain convergence in the exports of consumer goods, raw materials, and industrial equipment, although raw materials have shown slight superiority in recent years. However, overall export levels remain below expectations, given Algeria's natural resources, industrial capacity, and production institutions that are supported by government initiatives to promote exports outside the hydrocarbon sector.
- The agricultural equipment sector stands out as the weakest link in the chain of exported goods, with its value not exceeding \$2 million throughout the study period. This reflects a lack of government investment in the development of this sector and a decline in private investments in agricultural equipment.

Figure n°5 Composition and structure of Algerian exports in 2023 million dollars



Source: Based on data from Table(5)

III- Geographical distribution of Algerian exports by region during the period 2014-2023:

The key trading partners of Algeria can be determined by examining the geographical distribution of Algeria's exports, as illustrated in Table (6).

Table n°6 Geographical distribution of Algerian exports by region during the period 2014-2020%

Year	European Union	north america	south america	Asia	Arab countries	Maghreb	Africa	Rest of the world
2014	57.3	6.6	4.9	22.3	3.8	1.1	0.2	3.8
2015	55.1	5.9	5.5	24.9	3.6	1.4	0.2	3.4
2016	52.7	6.0	6.6	25.9	4.1	1.5	0.5	2.7
2017	54.1	5.3	7.2	27.9	3.3	1.3	0.4	2.6
2018	53.7	4.6	8.2	25.8	4.1	1.2	0.4	2.2
2019	53.1	4.8	7.9	25.7	3.9	1.4	0.3	2.8
2020	56.2	3.7	7.1	27.6	1.8	1.1	0.4	2.1

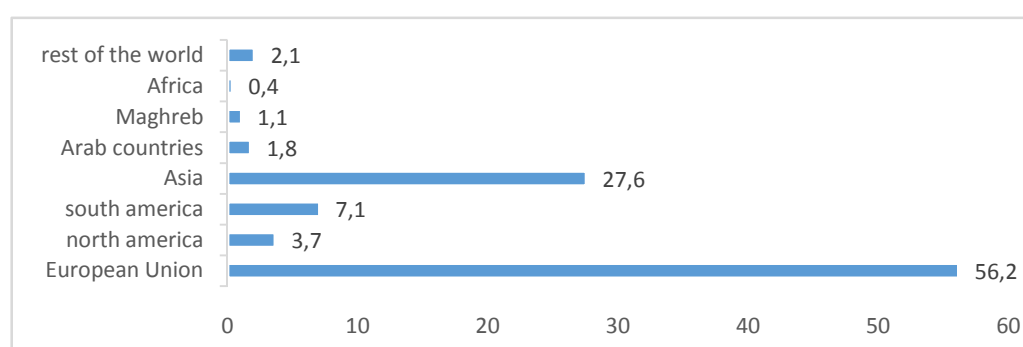
Source:- République Algérienne Démocratique et Populaire, Direction Générale des Douanes, statistique du commerce extérieur de l'Algérie, 2023, p:12.

- office national des statistiques, Résumé des changes, 2015-2020, pp:227-228.

From the above table, it is clear to us the following:

- The table illustrates the primary markets for Algeria's exports globally, indicating that there are four main markets: the European Union, the Asian region, North America, and South America.
- The European Union is Algeria's primary trading partner, accounting for over 55% of the country's total exports on average during the study period. The Asian region follows in second place with an average share of 25%, while South America and North America account for approximately 6% and 5.5%, respectively.
- The Arab region ranks fifth in terms of the volume of Algerian exports, averaging 3.5% during the study period, followed by the Maghreb Union at 1.3%. Africa accounts for the smallest share at 0.4%. The remaining countries worldwide make up 3% of Algeria's total export volume. These percentages highlight the significance of Algeria's diverse export strategy, emphasizing the pursuit of greater international integration and cooperation through partnerships based on mutual interests, while avoiding dependence on any specific region.

Figure n°6 Geographical distribution of Algerian exports by region in 2020%



Source: Based on data from Table6

IV-Findings and recommendations:

A- Results: the study reached a set of results:

- Algeria has implemented various measures in its trade policies to promote exports of goods and services beyond the hydrocarbon sector, providing comprehensive support for these

initiatives. The country is committed to continuously expanding and exploring new foreign markets. To achieve these objectives, Algeria has established multiple bilateral, regional, and multilateral trade agreements, as well as preferential trade agreements with various countries. These efforts aim to create new opportunities and facilitate access to new markets to enhance export growth.

- The economic growth rate in Algeria has experienced various fluctuations. It is evident that this growth is heavily dependent on the performance of the oil and natural gas sector, while other sectors have a minimal impact. This reliance is largely attributed to significant international fluctuations in oil and natural gas prices. Additionally, Algeria's trade volume with the outside world has shown annual variability, influenced by both local and international economic conditions.
- The volume of exports and imports influences the GDP, with exports having a more significant role in enhancing the economic situation and driving economic growth. Despite Algeria's sluggish economic growth, primarily due to an unfavorable macroeconomic environment, the country has successfully increased its exports outside the hydrocarbon sector, positively impacting GDP in recent times. In 2023, the industrial and services sectors accounted for a substantial share of the GDP, contributing 39.24% and 37.33%, respectively, while the agricultural sector and the construction and public works sector contributed 12.91% and 10.52%.
- The volume of trade activity in Algeria remains quite limited, particularly regarding exports outside the hydrocarbon sector, which does not align with the potential of the robust Algerian economy, its material and human resources, and its strategic geographic location. While hydrocarbon exports dominate the total exports of Algeria, there has been a modest improvement in non-hydrocarbon exports in recent years. The volume of these exports reached approximately \$4.5 billion, \$5.577 billion, and \$7.000 billion in 2021, 2022, and 2023, respectively—the highest levels in decades. This growth can be attributed to recent political shifts in foreign trade policy and efforts to enhance and expand exports beyond hydrocarbons, reflected in various government measures aimed at supporting these sectors. Semi-finished goods lead non-hydrocarbon exports, accounting for over 80% of total exports, with a value of approximately \$5.380 billion in 2023 out of a total of \$7.000 billion.
- The European Union is recognized as Algeria's primary trading partner, serving as the foremost destination for Algerian exports, which account for over 55% of the country's total exports globally on average during the study period. Following the European Union, the Asian region ranks second with an average of 25%, followed by South America at 6%, and North America at 5.5%.

In conclusion, the statistical data from recent years indicates a relatively weak relationship between the economic growth rate and the volume of exports outside the hydrocarbon sector. This is evident in the fluctuations of real GDP and the growth rates of exports and imports, which demonstrate instability and constant change. Despite Algeria's advancements toward integration into the global economy, the reciprocal influence between the volume of foreign trade and the economic growth rate remains contingent on the level of Algerian exports in global markets.

B- Recommendations:

- The investment climate needs enhancement, and efforts should be made to regulate laws and regulatory frameworks, as these are essential for fostering both local and foreign investment. This will facilitate the establishment of a robust economy and resilient economic institutions capable of competing domestically and internationally.
- It is crucial to encourage national economic institutions to explore new international markets, particularly in Africa, where opportunities for unrestricted exports are available. Additionally, support should be increased by developing sea, air, and land routes for transporting goods and merchandise, as well as facilitating capital movement.
- Algeria should draw lessons from countries that have successfully increased their exports through remarkable development strategies.
- Establishing specialized commercial banks is vital to support national economic institutions and create an advanced economic environment that fosters mutual integration among various

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