The Role of the African Continental Free Trade Area in Promoting Algeria's Economic Integration

Pr. Sari Nassereddine, University of Tebessa (Labo Pieem Univ Setif 1) (Algeria)
nassereddine.sari@univ-tebessa.dz
Pr. Rahem Farid , University of Tebessa (Algeria)
farid.rahem@univ-tebessa.dz

Received: 16-10-2025 **Accepted: 25-12-2025** **Published: 29-12-2025**

Abstract

This paper explores the role of the African Continental Free Trade Area (AfCFTA) in promoting Algeria's economic integration within the African continent. It examines the theoretical and historical foundations of African economic cooperation, Algeria's current trade profile, and the opportunities presented by the AfCFTA for diversification and regional growth. The study finds that although Algeria has significant economic potential and a strategic geopolitical position, its integration remains limited due to structural dependence on hydrocarbons, weak industrial diversification, and logistical constraints. Through an analytical and descriptive approach supported by recent data and reports, the research highlights Algeria's gradual progress toward aligning with continental trade objectives.

The findings suggest that full participation in the AfCFTA could enhance Algeria's non-hydrocarbon exports, stimulate intra-African trade, and attract foreign direct investment. To achieve these outcomes, Algeria must accelerate economic reforms, modernize infrastructure, and strengthen coordination with regional economic communities. The study concludes that deeper engagement in the AfCFTA framework represents a crucial opportunity for Algeria to transition toward a diversified, resilient, and regionally integrated economy capable of contributing effectively to Africa's long-term sustainable development.

Keywords: *African Continental Free Trade Area (AfCFTA); Algeria; Economic Integration; Intra-African Trade; Regional Development; Economic Diversification.*

1. **Corresponding author: Sari Nassereddine, e-mail address: nassereddine.sari@univ-tebessa.dz**

Introduction

The establishment of the African Continental Free Trade Area (AfCFTA) marks a historic milestone in the continent's pursuit of economic integration, sustainable development, and regional cooperation. Signed in 2018 and launched in 2021 under the auspices of the African Union, the AfCFTA aims to create a single continental market for goods and services, supported by the free movement of people and investments. It represents the most ambitious initiative undertaken by African nations to promote intra-African trade, industrialization, and inclusive growth. By eliminating tariffs on 90% of goods, reducing non-tariff barriers, and harmonizing trade regulations, the AfCFTA is expected to boost Africa's collective GDP, strengthen regional value chains, and enhance the continent's bargaining power in global trade.

Algeria, as one of Africa's largest economies and a founding member of the African Union, holds a strategic position in this continental framework. With its abundant natural resources, vast domestic market, and geographical location bridging North Africa and Sub-Saharan Africa, Algeria has the potential to become a key player in the realization of the AfCFTA's objectives. However, despite its economic and geopolitical advantages, Algeria's participation in intra-African trade remains limited compared to its potential. Structural challenges—such as the dominance of hydrocarbons in exports, limited manufacturing capacity, logistical constraints, and institutional barriers—have hindered the country's full integration into the African economic landscape. The AfCFTA therefore presents both an opportunity and a challenge: an opportunity to diversify Algeria's economy and strengthen its regional ties, and a challenge to adapt national economic structures to the demands of continental competition and cooperation.

Research Problem

Although the AfCFTA provides a unique platform for promoting regional integration, Algeria's role and potential within this framework have not been fully explored or leveraged. The main research problem can thus be stated as follows:

What is the role of the African Continental Free Trade Area in promoting Algeria's economic integration, and how can Algeria effectively utilize this framework to enhance its trade performance and regional participation?

Research Objectives

This study seeks to achieve the following objectives:

1. To analyze the mechanisms and principles of the AfCFTA and their implications for member states.
2. To examine Algeria's current position, readiness, and potential within the AfCFTA framework.
3. To identify the main challenges and opportunities facing Algeria in the context of African economic integration.
4. To propose policy recommendations aimed at strengthening Algeria's participation and competitiveness in intra-African trade.

Significance of the Study

The significance of this research lies in its contribution to understanding Algeria's evolving economic role within the African continent. While much of the existing literature focuses on the general impact of the AfCFTA on Africa's development, few studies address the specific case of Algeria—a country with significant economic weight but limited integration into African trade networks. This study therefore fills a critical gap by providing an in-depth analysis of Algeria's potential contribution to, and benefits from, the AfCFTA. It also offers insights for policymakers and researchers on how Algeria can align its national economic strategies with continental objectives, particularly in the areas of industrial diversification, export expansion, and infrastructure development.

Research Methodology

The study adopts a descriptive and analytical methodology. It relies on both qualitative and quantitative data drawn from secondary sources, including official reports, academic studies, government publications, and statistical databases such as those of the African Union, the United Nations Economic Commission for Africa (UNECA), the World Bank, and Algeria's Ministry of Trade and Export Promotion. The research will involve:

- A theoretical review of economic integration concepts and regional trade models.
- An empirical analysis of Algeria's trade patterns and economic indicators in the African context.
- A critical evaluation of opportunities, constraints, and strategic options available for Algeria under the AfCFTA.
- This methodological approach ensures a comprehensive understanding of both the conceptual and practical dimensions of Algeria's economic integration within the African framework.

Previous Studies

Several studies have explored the implications of the AfCFTA for Africa's economic development and regional trade dynamics. For instance, the United Nations Economic Commission for Africa (2020) highlighted that the AfCFTA could increase intra-African trade by more than 50% by 2030 if effectively implemented. Similarly, the World Bank (2020) emphasized that the agreement could lift millions out of poverty and enhance industrial productivity across the continent. However, these studies have largely examined the AfCFTA from a continental or subregional perspective, with limited attention given to individual country experiences such as Algeria.

A few academic and policy-oriented works have begun to assess Algeria's participation in African integration initiatives. Studies by the African Development Bank (AfDB, 2021) and the Algerian Ministry of Trade have underscored Algeria's potential to become a regional hub, particularly through energy cooperation, industrial linkages, and transport connectivity. Nonetheless, these analyses often remain descriptive, lacking a detailed evaluation of Algeria's strategic positioning within the AfCFTA framework. Therefore, this research aims to build upon

and extend these studies by offering a focused examination of Algeria's role, readiness, and prospects within the African Continental Free Trade Area.

Axis 1: Theoretical and Historical Framework of African Economic Integration and the AfCFTA

The process of economic integration in Africa has long been viewed as a vital pathway toward sustainable development, economic diversification, and political stability. Given the continent's historical fragmentation, dependence on external markets, and structural imbalances, regional integration has emerged as a strategic response to overcome the limitations of isolated national economies. It seeks to enhance cooperation among African states, expand intra-African trade, and foster collective self-reliance. Within this context, the African Continental Free Trade Area (AfCFTA) represents the culmination of decades of regional efforts aimed at building a unified economic space. Understanding its theoretical foundations and historical evolution is therefore essential for assessing its potential to reshape Africa's economic landscape and promote deeper integration for member states such as Algeria.

1. Concept of Regional Economic Integration and Its Importance for African Development

Regional economic integration refers to the process by which neighboring countries form agreements to enhance economic cooperation and reduce barriers to the movement of goods, services, capital, and labor. The primary goal of such integration is to achieve higher levels of economic growth and development through collective action and market expansion (Balassa, 1961, p. 2). In the African context, regional economic integration has been viewed as a strategic necessity rather than a mere policy choice. Given the continent's historical challenges—such as the small size of national markets, limited industrial bases, and overreliance on primary commodities—cooperation among African states is essential to create economies of scale and increase competitiveness in the global economy (UNECA, 2018, p. 15).

The theoretical foundations of regional integration can be traced to the classical models proposed by Balassa and Viner, which highlight the benefits of trade liberalization and market unification. For developing regions like Africa, integration also carries developmental and political dimensions—it promotes collective self-reliance, regional stability, and stronger bargaining power in international trade negotiations (Matthews, 2019, p. 42). Furthermore, regional economic integration is aligned with the objectives of the African Union's Agenda 2063, which envisions a prosperous, interconnected, and industrialized continent. The African Continental Free Trade Area (AfCFTA), as the latest and most comprehensive initiative, seeks to operationalize these aspirations by creating a single continental market encompassing 55 countries, representing over 1.3 billion people and a combined GDP exceeding $3 trillion (World Bank, 2020, p. 7).

Regional integration, therefore, is not only an economic mechanism but also a development strategy for Africa. It enables the diversification of production, facilitates technology transfer, and enhances regional value chains. By promoting intra-African trade and industrial cooperation, integration initiatives contribute to structural transformation and sustainable growth across the continent (UNECA, 2021, p. 27).

2. Historical Evolution of African Economic Integration: From the Organization of African Unity to the African Union

The idea of African economic integration dates back to the early post-independence period, when newly sovereign states recognized that political independence would be incomplete without economic cooperation. The **Organization of African Unity (OAU)**, established in 1963, provided the first institutional platform for promoting solidarity and coordination among African nations. While the OAU's primary focus was political liberation and anti-colonial struggle, it also laid the groundwork for economic collaboration by encouraging the creation of regional economic communities (RECs) (Adedeji, 2002, p. 91).

The shift from the OAU to the **African Union (AU)** in 2001 marked a significant transformation in the vision and scope of African integration. The new organization aimed to move beyond political unity toward economic and developmental cooperation. This evolution was guided by earlier milestones, including the **Lagos Plan of Action (1980)** and the **Abuja Treaty (1991)**, which set forth a phased roadmap toward the establishment of an African Economic Community (AEC) by progressively integrating regional blocs such as ECOWAS, SADC, COMESA, and UMA (African Union, 2013, p. 33).

The Abuja Treaty, in particular, emphasized the gradual elimination of trade barriers, harmonization of economic policies, and the eventual creation of a continental common market. However, implementation faced numerous obstacles, including political instability, lack of infrastructure, and overlapping membership in regional organizations (UNECA, 2019, p. 44). Despite these challenges, the commitment to integration persisted, culminating in the signing of the **African Continental Free Trade Area (AfCFTA)** agreement in 2018. This agreement symbolizes the consolidation of decades of regional efforts under a single, comprehensive framework aimed at deepening continental integration (World Bank, 2020, p. 9).

Thus, the evolution from the OAU to the AU and finally to the AfCFTA reflects a progressive institutional and ideological shift—from political solidarity to economic pragmatism—anchored in the belief that Africa's collective prosperity depends on unity, cooperation, and shared development goals (Matthews, 2019, p. 53).

3. Establishment of the African Continental Free Trade Area (AfCFTA): Background, Principles, and Main Pillars

The African Continental Free Trade Area (AfCFTA) was established under the Agreement Establishing the African Continental Free Trade Area, adopted on 21 March 2018. The agreement formally came into force in May 2019, after a sufficient number of Member States ratified the legal instruments. It aims to bring together 55 African Union (AU) member states into a single market for goods and services, facilitated by movement of persons and investments. (Agreement Establishing the AfCFTA, 2018, Art. 2)

Principally, the AfCFTA is based on key principles such as **tariff liberalization**, **elimination or reduction of non-tariff barriers**, **progressive liberalization of trade in services**, **harmonization of trade regulations**, **fair competition**, **protection of intellectual property**

rights, and **sustainable development**. These principles are anchored in the goal of deepening economic integration across the continent. Article 3 of the AfCFTA Agreement specifies that the area is to be established in accordance with the Pan-African vision of "an integrated, prosperous and peaceful Africa" as enshrined in Agenda 2063. (Agreement Establishing the AfCFTA, 2018, Art. 3)

The main pillars (or components) of the AfCFTA include:

- **Trade in Goods**: Progressive elimination of tariffs on at least 90% of tariff lines among member states, over a period of 5-10 years (with variations for least developed countries and for "sensitive" products and "excluded" lines). (ITUC-Africa, 2021, p. 12; AfCFTA Agreement, 2018, Art. 3)
- **Trade in Services**: Liberalization of services sectors in scheduled rounds of negotiation, allowing for freer cross-border provision of services, movement of capital and natural persons. (AfCFTA Agreement, 2018)
- **Rules of Origin**: Clear and enforceable rules to ensure that goods traded enjoy preferential treatment only if sufficiently "produced" within Africa, to avoid trade deflection. (AfCFTA Agreement, 2018)
- **Trade Facilitation**: Measures to reduce documentation, customs delays, border inefficiencies, and non-tariff barriers, as well as harmonizing standards, streamlining procedures, and improving logistics. (United Nations Economic Commission for Africa, 2018, p. 35; ITUC-Africa, 2021, p. 12)
- **Dispute Settlement**: Institutional mechanisms for resolving trade disputes among member states, to ensure predictable enforcement of the agreement. (AfCFTA Agreement, 2018)
- **Institutional Frameworks**: Including the AfCFTA Secretariat, coordination with existing Regional Economic Communities (RECs), and supporting instruments such as the Pan-African Payment and Settlement System, e-Tariff Book, and databases for non-tariff barrier reporting. (ITUC-Africa, 2021, p. 15; AfCFTA Agreement, 2018)

4. Core Economic and Political Objectives of the AfCFTA and Its Potential Impact on Intra-African Trade

The economic and political objectives of the AfCFTA are multifaceted. Economically, the AfCFTA intends to create a **single liberalised market** for goods and services across Africa; promote industrialization, diversification and regional value chain development; enhance competitiveness; and increase investments and productivity. Politically, the objectives include fostering continental cooperation, deepening economic integration, harmonizing trade and regulatory policies, reducing dependency on foreign markets, promoting peace and stability under shared prosperity, and achieving the aspirations of Agenda 2063. (AfCFTA Agreement, 2018, Art. 3; UN ECA, 2018, p. 15)

Quantifiable impacts expected include:

- An increase in intra-African trade value estimated between **US$50 billion and US$70 billion by 2040**, driven by the elimination of 90% of tariffs on goods and reduction of trade costs. (UN OSAA, 2021, pp. 1-2)
- A boost in Africa's income by approximately **US$450 billion by 2035**, if trade barriers are reduced, and with significant gains accruing from trade facilitation and non-tariff barrier removal. (UN ECA, 2023, p. 2; AU, 2023)
- An anticipated rise in exports: intra-continental exports could increase by over **80-100%** compared to "business-as-usual" if implementation is thorough. (Brookings, 2022; UN ECA, 2021)
- Foreign Direct Investment (FDI) is projected to increase by between **111% and 159%** under full implementation of AfCFTA, facilitating job creation and technology transfer. (World Bank, 2022; Brookings, 2022)

These objectives and projected impacts suggest that the AfCFTA has the potential to substantially transform Africa's trade landscape, increasing the volume and value of intra-African trade, reducing poverty, promoting economic diversification, and strengthening regional economic resilience.

Axis 2 — Algeria's Position within the African Continental Free Trade Area (AfCFTA)

1. Overview of Algeria's economic and trade profile (main export / import sectors)

Algeria is a middle-income country whose economy remains highly dependent on hydrocarbons. Recent World Bank reporting shows that hydrocarbons have dominated Algeria's external account and public finances: the oil and natural-gas sector accounted for about **18% of GDP**, **around 93% of product exports**, and roughly **41% of budget revenues** in the period 2016–2022 (World Bank, 2024, p.1). World Bank estimates for the 2019–2023 window also underline strong hydrocarbon dependence (hydrocarbons **83%** of exports in 2019–2023), reflecting some year-to-year variation but a persistent structural concentration (World Bank, 2024, p.1).

This export concentration has two implications for Algeria's AfCFTA engagement. First, the composition of exports constrains Algeria's ability to use tariff liberalization alone to expand manufactured exports into African markets. Second, the hydrocarbon sector yields foreign currency that can finance investments in diversification if policy and institutional reforms channel revenues into productive non-hydrocarbon sectors (World Bank, 2024, pp.1–2).

Table 1 : Key macro and trade indicators

Indicator	Value (latest reported)
Population	45.6 million (2023)
GDP (current US$)	US$ 252.3 billion (2023)
Hydrocarbon share of product exports	93% (2016–2022); 83% (2019–2023)
Trade surplus (2023, % of GDP)	5% (end-Nov 2023)
Official reserves (end-Nov 2023)	US$ 69.7 billion (16.8 months of imports)

(Values and page references are from World Bank country reporting and national statistics cited therein.) (World Bank, 2024, pp.0–2).

2. Level of Algeria's engagement with the AfCFTA: accession, ratification and implementation

Algeria signed and later ratified the AfCFTA agreement. The presidential decree ratifying the AfCFTA was published in the Official Gazette in 2021 (Presidential Decree No. 21-133), formalizing Algeria's accession to the Agreement Establishing the AfCFTA (Diacron, 2021). Since the AfCFTA's operational launch in January 2021, political momentum has been strong across the continent: most AU members have signed and many have ratified the Agreement; the secretariat and supporting instruments (Guided Trade Initiative, trade-facilitation programs) have been progressively implemented (Mene, 2025, para.182).

Domestically, Algeria has taken preparatory steps (institutional coordination, technical collaboration with UNECA and the AfCFTA Secretariat) while pursuing parallel national reforms (investment law updates, infrastructure projects) intended to raise readiness for expanded regional trade. However, ratification does not automatically mean full implementation at the operational level (tariff schedules, rules of origin, e-commerce and services commitments require additional domestic legislation and administrative adjustments). Multilateral trackers report that while the AfCFTA is in force, the degree of "domestication" (national laws, customs procedures, tariff schedules) varies across members and remains a core implementation priority (Tralac, 2024; Mene, 2025).

Key points: Algeria: ratified by presidential decree April–May 2021 (Diacron, 2021); ongoing domestic implementation and coordination with continental programs; operational AfCFTA trading pilots and the Guided Trade Initiative have expanded progressively since 2022 (Mene, 2025, para.182).

3. Analysis of Algeria's current trade relations with African countries: volumes, composition and partners

3.1 Volume and share of intra-African trade

Intra-African trade has been growing continent-wide: Afreximbank and UN data show intra-African trade rising in absolute terms (e.g., Afreximbank reported intra-African trade of about **US$192.2 billion in 2023**, up from earlier years), increasing the share of formal intra-African trade from roughly **13.6% in 2022 to 14.9% in 2023** (Mene, 2025, para.186). Algeria's share of that intra-African trade remains modest. Recent regional reporting places Algeria's contribution to total intra-African trade at around **2.0–2.2%** in the early-to-mid 2020s (African Trade Report summaries cited in regional press and trade reviews) — an improving but still limited share relative to Algeria's size and potential (Afreximbank cited in regional reporting; Reuters, 2024; regional trade reviews, 2024–2025).

3.2 Product composition with African partners

Algeria's exports to African partners remain heavily skewed toward mineral fuels and oils (hydrocarbons), whereas imports from African partners include manufactured goods, foodstuffs, machinery and intermediate inputs. Official statistics and national reporting underline a recent policy push to increase non-hydrocarbon exports: Algeria reported record non-hydrocarbon exports of **~US$7 billion in 2022** and **~US$5.3 billion in the first eleven months of 2023**—steps in a diversification effort (Reuters, 2024). Despite these advances, mineral fuels still account for the vast majority of export value to external and intra-African partners (World Bank, 2024; Reuters, 2024).

3.3 Principal African partners and recent bilateral initiatives

While trade partner rankings vary by data source and year, Algeria has been intensifying relations with Maghreb and Sahel neighbours and broader African partners. Recent government and media reports highlight new trade infrastructure and cooperation projects with Mauritania, Mali, Niger and Libya, including the opening of a border gate with Mauritania (February 2024), agreements on free-trade zones and transport corridors, and plans for multiple free-trade zones and energy investments in neighbouring Sahel states (Reuters, 2024). These targeted initiatives aim to deepen regional connectivity and facilitate cross-border commerce under AfCFTA-compatible frameworks.

Table 2 : Selected trade facts and trends (Algeria & Africa)

Indicator / Trend	Value / observation
Intra-African trade (continent)	US$192.2 billion (2023); intra-African share of formal trade 14.9% (2023)
Algeria's share of intra-African trade	2.0–2.2% (early 2020s)
Non-hydrocarbon exports (Algeria)	US$7.0 billion (2022); US$ 5.3 billion (first 11 months 2023)
Dominant export product	Mineral fuels and oils (majority of export value)

(Notes: regional trade shares and Afreximbank totals are taken from Afreximbank reporting as summarized in the AfCFTA Secretariat and Brookings commentary; Algeria-specific export figures are national figures reported to media and multilateral sources.) (Mene, 2025; Reuters, 2024; World Bank, 2024, p.1).

4. Opportunities for Algeria under the AfCFTA framework

The AfCFTA creates multiple, mutually reinforcing opportunities for Algeria. These opportunities are summarized below with supporting evidence.

4.1 Export diversification and value-added development

- Tariff liberalization and enlarged market access across Africa reduce trade-cost barriers and make scale-oriented manufacturing more viable. For Algeria, this creates demand prospects for processed goods (refined petrochemical products, fertilizers, cement, ceramics, food processing) where Algeria already has production capabilities or comparative advantages (World Bank, 2024; UNECA, 2023).
- Recent Algerian data show rising non-hydrocarbon exports (US$7.0 billion in 2022), suggesting that policy measures and trade facilitation efforts can translate into measurable diversification gains if sustained (Reuters, 2024).

4.2 Access to new markets and regional value chains

- The AfCFTA's single continental market (55 AU members) opens possibilities for Algerian firms to integrate into pan-African value chains in energy (gas pipelines, electricity trade), agro-processing, construction materials and transport equipment—sectors linked to Algeria's industrial capacities and regional investments (World Bank, 2024; Mene, 2025).
- Algeria's geographical position (Maghreb gateway) and recent bilateral initiatives (border gate with Mauritania, transport corridor projects, planned free-trade zones with neighbouring states) can be leveraged to act as a regional distribution hub for North-West African trade under AfCFTA rules (Reuters, 2024).

4.3 Attraction of investment and industrial cooperation

- The AfCFTA improves the attractiveness of investment by expanding market size and reducing trade policy fragmentation; FDI and intra-African investment flows are already concentrated in a handful of countries, but the Agreement's implementation (trade facilitation, rules of origin) is projected to increase FDI flows into manufacturing and infrastructure—areas where Algeria aims to attract partners (UNECA, 2023; Mene, 2025).
- Algeria's recent infrastructure, free-zone initiatives and regional energy investments (announced energy projects in Mali, Niger, Libya) have the potential to crowd in both foreign and intra-African private investment if accompanied by regulatory clarity and supportive incentives (Reuters, 2024; World Bank, 2024).
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4.4 Trade facilitation, logistics and service opportunities

- AfCFTA provisions on trade-facilitation, digital trade and services liberalization offer Algeria avenues to modernize customs, e-transactions and logistics services—areas that can reduce non-tariff barriers and transaction costs for Algerian exporters and importers (UNECA, 2018; AfCFTA Agreement, 2018).
- Strengthened services trade (transport, ICT, professional services) would support the development of regional manufacturing by lowering the cost of inputs and improving time-to-market for Algerian firms.

5. Synthesis: strengths, constraints and required enablers

Strengths: Algeria's macro resources (hydrocarbon revenues and reserves), its geographic position bridging North Africa and the Sahel, and emerging non-hydrocarbon export lines provide a platform to engage the AfCFTA strategically (World Bank, 2024).

Constraints: Heavy export concentration in hydrocarbons, logistics bottlenecks, regulatory and administrative barriers, and the need for further domestic reforms limit immediate gains from AfCFTA liberalization. Full benefits require tariff schedule negotiations, clear rules of origin, improvements in customs efficiency and private-sector competitiveness (World Bank, 2024; UNECA, 2018).

Required enablers: (a) implementation of domestic reforms to support private investment and export competitiveness; (b) investment in hard infrastructure (roads, logistics hubs, ports) and soft infrastructure (digital customs, standards); (c) targeted industrial policy to scale firms that can supply regional value chains; (d) active participation in AfCFTA working groups to secure favorable rules of origin and transitional arrangements for sensitive sectors.

Axis 3 — Challenges and Future Prospects of Algeria's Economic Integration in Africa

1. Economic and Structural Challenges

1.1 Dependence on hydrocarbons

Algeria's economic and fiscal structure remains heavily dependent on hydrocarbons, which represent approximately **93% of product exports** and **41% of state revenues** (World Bank, 2024, p.1). The hydrocarbon sector accounts for roughly **18% of GDP**, leaving limited contribution from manufacturing and services (World Bank, 2024, p.1). This extreme dependency creates vulnerability to oil price fluctuations and limits Algeria's competitiveness in non-oil sectors, constraining its ability to fully exploit the benefits of the AfCFTA.

For example, between 2014 and 2020, the fall in global oil prices led to an **average fiscal deficit of 8% of GDP**, illustrating the macroeconomic fragility caused by over-reliance on hydrocarbons (World Bank, 2024, p.2). In contrast, diversified African economies such as South Africa, Egypt,

and Kenya exhibit higher non-resource exports, making them better positioned to benefit from intra-African trade liberalization (UNECA, 2023, p.18).

1.2 Limited industrial diversification

Industrial diversification in Algeria remains constrained by **structural rigidities**, **limited private-sector competitiveness**, and **administrative barriers**. The World Bank (2024) notes that the manufacturing sector contributes **less than 6% of GDP**, indicating weak productive capacity in non-hydrocarbon industries. This narrow base limits Algeria's ability to produce value-added goods for regional markets.

Efforts have been made to stimulate industrial output through **import substitution policies**, **industrial zones**, and **state-led diversification strategies**, yet these policies have often suffered from inconsistent implementation, bureaucratic delays, and limited SME participation (OECD, 2021, p.7). As a result, Algeria's **non-hydrocarbon exports reached about US$7 billion in 2022**, but this represents less than **10% of total exports**—a modest achievement relative to the country's potential (Reuters, 2024).

Table 3 : Structural Composition of Algeria's Economy (2023)

Sector	Share of GDP (%)	Share of Exports (%)
Hydrocarbons (oil & gas)	18%	93%
Manufacturing	6%	4%
Agriculture	13%	2%
Services	51%	1%

(Source: World Bank, 2024, pp.1–2)

The lack of diversification hampers Algeria's competitiveness in industrial goods that dominate intra-African trade (machinery, textiles, processed foods). Without a stronger industrial base, Algeria risks remaining a **raw-material exporter** rather than a participant in **regional value chains** under the AfCFTA framework (UNECA, 2023, p.22).

1.3 Weak logistics and trade facilitation infrastructure

Algeria faces significant constraints in logistics performance and cross-border connectivity. According to the World Bank's Logistics Performance Index (LPI, 2023), Algeria ranks **7th in Africa and 88th globally**, scoring **2.6/5**, behind Morocco (3.2) and Egypt (3.3) (World Bank, 2023). Inefficient customs clearance, limited multimodal connectivity, and weak regional infrastructure networks increase trade costs and transit times.

Despite having a well-developed port system along the Mediterranean coast, Algeria's **inland transport corridors** to Sub-Saharan Africa remain underdeveloped. Trade with neighboring Sahel states (Mali, Niger, Mauritania) is limited by poor road infrastructure and administrative barriers (Reuters, 2024). To fully benefit from AfCFTA liberalization, Algeria needs to invest in

logistics corridors, **border modernization**, and **digital trade facilitation systems** (UNECA, 2023, p.28).

Table 4 : Selected Logistics Indicators (2023)

Indicator	Algeria	Morocco	Egypt	Tunisia
LPI Score (1–5)	2.6	3.2	3.3	2.8
Customs efficiency	2.5	3.3	3.2	2.7
Infrastructure quality	2.7	3.4	3.5	2.8
International shipments	2.6	3.1	3.2	2.9

(Source: World Bank, 2023)

2. Institutional and Political Challenges

2.1 Coordination with regional frameworks

Algeria's participation in African regional integration mechanisms has historically been cautious and fragmented. While it is a member of the **African Union (AU)** and **AfCFTA**, it is not fully integrated into any of the eight **Regional Economic Communities (RECs)** recognized by the AU (UNECA, 2018, p.15). The **Arab Maghreb Union (AMU)**—of which Algeria is a founding member—has been largely inactive due to political tensions between member states. This lack of effective regional coordination weakens Algeria's position in continental trade negotiations and limits the harmonization of trade policies.

Enhanced coordination with regional frameworks such as the **Community of Sahel-Saharan States (CEN-SAD)** and **COMESA** could help Algeria align its trade regulations, promote infrastructure corridors, and strengthen cooperation with Sub-Saharan partners (UNECA, 2023, p.33).

2.2 Trade policy alignment and regulatory reforms

While Algeria ratified the AfCFTA in 2021 (Diacron, 2021), implementing its provisions requires **substantial domestic reforms**, particularly in customs administration, tariff simplification, and competition law. Algeria's trade regime remains relatively **protectionist**, with average applied tariffs of **around 18%**, among the highest in Africa (World Bank, 2024, p.3).

In addition, overlapping regulations, complex import procedures, and limited transparency create administrative burdens for exporters and investors. The **2022 Investment Law** and **2023 Customs Code reform** were steps toward modernization, but full alignment with AfCFTA obligations—especially in digital trade, intellectual property, and dispute settlement—remains incomplete (World Bank, 2024, p.4).

Institutional coordination among ministries (Commerce, Industry, Foreign Affairs, Finance) also needs improvement to ensure coherent implementation of trade-related commitments under the AfCFTA (Tralac, 2024).

3. Future Perspectives

3.1 Potential pathways for deeper Algerian participation in the AfCFTA

Algeria can strengthen its integration into African markets through:

- **Trade facilitation**: modernizing customs and implementing single-window systems.
- **Infrastructure investment**: expanding logistics corridors toward the Sahel (e.g., Tindouf–Nouakchott route).
- **Export promotion**: supporting SMEs to access new African markets via export financing and trade fairs.
- **Digitalization**: adopting e-certificates of origin and e-payments systems compatible with the **Pan-African Payment and Settlement System (PAPSS)** (Mene, 2025, para.189).

Modeling by the World Bank (2022) suggests that full AfCFTA implementation could increase Algeria's **exports by 10–15%** and **real income by up to 2.5% by 2035**, provided trade facilitation measures are fully implemented.

3.2 Role of economic reforms and strategic public policies

Structural transformation is essential for Algeria's sustained integration into African value chains. Key reform priorities include:

- **Diversifying exports** by supporting agro-industries, petrochemicals, and light manufacturing.
- **Improving the business climate**, reducing bureaucracy, and strengthening contract enforcement.
- **Encouraging public–private partnerships (PPPs)** in infrastructure and logistics development.
- **Expanding vocational training** and innovation programs to enhance labor productivity and competitiveness (OECD, 2021, p.8).

By aligning national reforms with AfCFTA strategies, Algeria can become a regional industrial and trade hub connecting North and Sub-Saharan Africa.

3.3 Integration with subregional initiatives (North African bloc and Arab Maghreb Union)

Revitalizing subregional cooperation is a cornerstone of Algeria's long-term integration strategy. The **Arab Maghreb Union (AMU)**, despite political challenges, remains a critical framework for building a **North African economic bloc** that could serve as a collective interface with the AfCFTA (UNECA, 2023, p.31). Enhanced economic coordination with **Morocco, Tunisia,**

Libya, and Mauritania could reduce intra-Maghreb trade barriers and create a larger regional market.

Moreover, Algeria's engagement in **Sahelian trade corridors** and **continental infrastructure projects** (such as the Trans-Saharan Highway) can position it as a logistical bridge between North Africa and West Africa. According to UNECA (2023, p.34), such connectivity could increase Algeria's intra-African trade share from **2% to nearly 5%** by 2030 if supported by infrastructure investment and trade facilitation measures.

Conclusion

In conclusion, this study highlights that the African Continental Free Trade Area (AfCFTA) provides a transformative opportunity for Algeria to strengthen its economic integration within the African continent. While Algeria's economy remains largely dependent on hydrocarbons, the AfCFTA offers a pathway toward export diversification, industrial development, and regional cooperation. By leveraging its strategic location, emerging infrastructure projects, and political commitment, Algeria can position itself as a vital bridge between North and Sub-Saharan Africa.

However, the realization of these opportunities depends on Algeria's ability to implement comprehensive structural and institutional reforms, enhance trade facilitation, and align national policies with continental frameworks. Stronger engagement with African partners, modernization of logistics networks, and empowerment of the private sector are essential to maximize AfCFTA benefits. Ultimately, Algeria's success in this endeavor will not only contribute to its own sustainable growth but also to the broader objective of building a unified and prosperous African economic space.

2. Main Research Findings

1. **Persistent economic dependence on hydrocarbons** remains the central structural barrier to Algeria's regional integration. The hydrocarbon sector continues to dominate exports (over **90%** of total exports), exposing the economy to commodity price volatility and limiting diversification.
2. **Industrial diversification and competitiveness** are still limited. Manufacturing contributes less than **6% of GDP**, restricting Algeria's capacity to participate in regional value chains or export value-added goods under the AfCFTA.
3. **Logistics and trade infrastructure weaknesses**—including inefficient customs, poor land connectivity to Sub-Saharan Africa, and low logistics performance (LPI score **2.6/5**)—undermine Algeria's ability to capitalize on market access opportunities.
4. **Institutional and political fragmentation** reduces Algeria's effectiveness within continental frameworks. The inactivity of the **Arab Maghreb Union (AMU)** and limited coordination with other **Regional Economic Communities (RECs)** have slowed the harmonization of trade policies.
5. **Policy and regulatory reforms** are underway, including a new investment law and customs modernization, but implementation remains partial. A coherent inter-ministerial strategy for AfCFTA execution is essential.

6. **Opportunities under the AfCFTA** include access to a continental market of **1.4 billion consumers**, potential income gains of up to **2.5% by 2035**, and non-hydrocarbon export growth projected between **10–15%** with full liberalization and trade facilitation.
7. **Geostrategic position**: Algeria's location between the Mediterranean and the Sahel provides a unique advantage to serve as a logistical and industrial hub connecting North and Sub-Saharan Africa—if supported by infrastructure and regulatory improvements.

These findings underline that Algeria's integration into African markets is not merely an economic challenge but a **strategic national imperative** for sustainable development and geopolitical influence.

3. Policy Recommendations

To strengthen Algeria's economic integration and optimize the benefits of the AfCFTA, the following recommendations are proposed:

a. Economic and Structural Reforms

- **Diversify the export base** by promoting sectors such as petrochemicals, agri-business, fertilizers, construction materials, and light manufacturing.
- **Enhance SME competitiveness** through access to finance, export guarantees, and innovation incentives.
- **Invest in logistics and trade infrastructure**, particularly in southern transport corridors (Tindouf–Nouakchott, Tamanrasset–Agadez–Niamey) and modern border posts with Sahelian countries.

b. Institutional and Policy Coordination

- **Establish a national AfCFTA implementation committee** to ensure inter-ministerial coordination and alignment with continental commitments.
- **Simplify customs procedures** through digitalization, e-certificates of origin, and integration with the **Pan-African Payment and Settlement System (PAPSS)**.
- **Harmonize trade regulations** with AU and regional standards, emphasizing competition policy, intellectual property protection, and investment facilitation.

c. Regional and Subregional Engagement

- **Revitalize the Arab Maghreb Union (AMU)** as a North African bloc within the AfCFTA, focusing on common infrastructure and energy cooperation.
- **Strengthen partnerships with Sahel and West African countries** via joint ventures, industrial cooperation, and shared logistics platforms.
- **Promote South–South cooperation** and encourage Algerian enterprises to expand into African markets through public–private partnerships and targeted export missions.

d. Human Capital and Innovation Policies

- Develop **vocational and technical training programs** aligned with emerging regional industries.
- Invest in **digital transformation** to support e-commerce, fintech, and logistics technologies facilitating intra-African trade.
- Encourage **research and policy think tanks** to monitor AfCFTA implementation and propose evidence-based reforms.

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