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Securing and promoting non-oil exports in Algeria in the light of the global health crisis COVID-19

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Abstract---The Algerian state, in its search for a solution to the problem of economic development and the achievement of sustainable development goals, has sought to promote nonhydrocarbon exports and reduce dependence on oil revenues, while at the same time minimising dependence on nonhydrocarbon resources in the design of its economic policies. For this reason, it has adopted reforms as part of its strategic plan, moving towards the principles of a market economy after the liberalisation of foreign trade in 1991, often linked to periods following crises affecting oil prices, especially in foreign trade, through a strategy of economic openness. In the face of the COVID-19 global health crisis, the current government has initiated measures to revitalise and renew the economy through a trade policy aimed at promoting nonhydrocarbon exports and increasing their contribution to public revenue. Therefore, this study aims to analyse and evaluate the effectiveness of the state's strategy to promote nonhydrocarbon exports, especially during and after the COVID-19 period.

Keywords---Export promotion, state strategy, economic openness, trade policy.

Introduction

From independence to the present day, Algeria has undergone successive economic struggles aimed at combating economic dependence and moving towards sustainable economic development. After independence, it initially adopted an administrative planning policy under a socialist system. However, this policy quickly showed its negative effects and highlighted the fragility of the national economy after the oil crisis of 1986, when prices fell. As a result, Algeria embarked on a series of self-directed economic reforms, revising the legal and regulatory framework of its economic policy and expressing its desire to move gradually from a planned economy to a market economy. This marked the beginning of the opening up of the national economy to the world economy and led to the adoption of a series of laws to promote and support exports outside the hydrocarbon sector.

Decision-makers in Algeria are keen to think strategically about finding different development alternatives as sources of hard currency to avoid the dilemma of the “Dutch disease” caused by fluctuations in oil prices and the volatility of exchange rates on world markets. This has left the treasury with the problem of paying the difference between the US dollar and the euro, as Algeria exports hydrocarbons invoiced in US dollars while paying for its imports in euros.

In this context, the development of exports outside the hydrocarbon sector is considered a strategic issue, leading to the establishment of essential sources that can be relied upon to systematically meet foreign currency needs, especially since other sources of raw materials do not exhibit stability or continuity. For this reason, the Algerian government intends to focus on a policy that promotes exports as a long-term development process. It recognises that the diversification of the structure of national exports and the elimination of structural imbalances have become a necessity, and is pushing for the gradual replacement of hydrocarbon exports by diversified exports (industrial, agricultural).

The Algerian state has continued its efforts to promote nonhydrocarbon exports, particularly following the marked improvement in oil prices, by opening up to investment and allocating substantial budgets to boost the agricultural and industrial sectors. The aim is to achieve a qualitative leap, albeit small, in the national economy during this period. The problem remains, however, as the Algerian economy and all development plans are still tied to oil prices. After the global health crisis caused by the spread of the COVID-19 virus in early 2020, history repeated itself.

The unprecedented fall in oil prices has once again heralded a terrible economic crisis, more severe than previous ones, in the midst of the current government's determination to build a robust economy. Despite the improvement in non-hydrocarbon exports, it seems that successive governments, despite their efforts and intentions for change, have not yet managed to take decisive and correct steps to achieve non-hydrocarbon exports to protect the national economy from further economic shocks.

Following the abandonment of directed planning and the transition to a market economy, the state has sought to achieve the desired economic development through economic reforms, particularly in foreign trade, by adopting a strategy of economic openness. The current government is taking steps to stimulate and renew the economy through a trade policy that favours non-hydrocarbon exports. Through our research, we aim to analyse and evaluate Algeria's strategy to encourage and promote non-hydrocarbon exports. Algeria has spared no effort in establishing a comprehensive legal framework and creating institutions, bodies and committees to support exports beyond oil and its derivatives, especially during the period marked by the global pandemic, which awakened all state efforts to build a new economy based on more solid foundations beyond oil. This has led to the launch of various development projects in agriculture, industry, infrastructure and extraction. From the above, the problem of the study is clear, framed by the following question:

What is the effectiveness of the state strategy for the promotion of exports outside the hydrocarbon sector after the shift to a trade policy favouring exports during and after the COVID-19 period?

In order to study the state strategy for diversification and promotion of exports outside the hydrocarbon sector and to evaluate its effectiveness, we need an analytical study of the various reforms that have taken place in the legal and regulatory framework related to foreign trade following the change in the state's economic policy and the abandonment of directed administrative management.

We also need to review the current government's strategic plan for revitalising exports outside the hydrocarbon sector. Therefore, we have decided to divide the topic as follows:

1. First axis: the trade policy applied during the period of control and monopoly of foreign trade.
2. Second axis: the institutional framework for the promotion and support of non-oil exports.
3. Third axis: the changes imposed on Algeria's foreign trade policy by the current world situation.
4. Fourth axis: evaluation of the State's strategic plan for the promotion of non-oil exports.

2. Literature review

Study (Toutati, 2023): This study aimed to analyse, describe and highlight the role of Algerian trade policy in confronting the COVID-19 pandemic. The study concluded that trade policy mechanisms played an important role among the various precautionary measures taken to cope with the impact of the pandemic. It recommended the continuation of trade reforms with a focus on developing and diversifying exports beyond the hydrocarbon sector.

Study (Touati, 2022): This study aimed to describe and analyse the evolution of foreign trade and trade policy in Algeria. It concluded that COVID-19 had a negative impact on most foreign trade indicators in Algeria, leading the government to impose restrictions on exports, particularly of essential goods and medical products, while liberalising imports of the same goods to combat the pandemic and reassess trade agreements with a shift towards the African market.

Study (Misrawi, 2017): This study aimed to analyse the extent of the dependence of the public treasury on the import of raw materials and production inputs, in addition to the dependence on oil as an export tool. The study concluded that Algeria, in the face of this situation, abandoned its monopoly on foreign trade by adopting laws and economic reforms to transform its trade exchange into a new dimension with a new direction.

Our current study differs from previous studies in that it analytically and descriptively examines the transformation of Algeria's trade perspective following the global COVID-19 crisis. This is achieved through the enactment and activation of laws and legislative and institutional reforms aimed at diversifying and promoting exports beyond the hydrocarbon sector by launching significant strategic investments in the industrial, infrastructure and agricultural sectors.

3. Research methodology

In order to study the topic, we have chosen a descriptive and historical approach, combined with analysis, in order to describe the subject and provide the appropriate historical context for the phenomenon. This analysis is based on previous studies that have approached the subject from different angles, as well as on publications by the Bank of Algeria from 2000 to 2023 and other references and official institutional websites.

First axis: trade policy during the period of foreign trade control and monopoly

Algeria's trade policy under the planned economy went through two phases. The first phase was characterised by a focus on foreign trade control, while the second phase evolved into a monopoly approach. In both phases, protective trade policy instruments were used.

First: Trade policy during the period of foreign trade control (1963 to 1970)

During the period of foreign trade control from 1963 to 1970, Algeria's trade policy relied on a number of protective instruments, including:

In 1963, the first decree was issued on the establishment of the first customs tariff, which was differentiated according to the classification of the products. A 10% tariff was set for equipment and raw materials, while tariffs ranged from 5% to 20% for semi-finished products and from 5% to 20% for finished products. In addition, tariffs were set according to geographical origin, with a lower tariff specifically for France to take advantage of the French loan granted at the time. A common customs tariff was established for countries with which Algeria had trade agreements, while a standard tariff was applied to other countries (Fella, 2012, p. 487).

The 1968 tariff included a preferential tariff based on geographical regions for products originating in European countries, including France. It also included a tariff based on the nature of the imported goods, with almost complete exemptions for equipment and raw materials. Low rates were applied to essential raw materials, while higher rates were applied to materials that could be sourced by national companies. A low rate was applied to essential and second-degree essential goods, while luxury goods were subject to prohibitive rates ranging from 100% to 150% (Official Gazette, 1963).

Total quotas were set for each group of goods to be imported from each group of countries enjoying preferential trade relations with Algeria. The objectives of foreign trade control were as follows

- To redirect imports.
- To curb luxury imports and preserve hard currency.
- To protect national production and improve the balance of trade in the face of low foreign exchange reserves.

Second: Trade policy during the period of foreign trade monopoly (1970-1989)

During this period, the state resorted to foreign trade with the aim of controlling trade flows and integrating them into a framework of central planning, as outlined in the first four-year plan (1971-1973). Starting in 1971, a series of trade policies were enacted that gave public enterprises a monopoly on foreign trade, each according to the product in which it specialised, with public enterprises accounting for 80% of imports.

At the beginning of 1978, all private companies were excluded from the export sector and private imports were prohibited under any circumstances. All private import and export companies were dissolved by law, and intermediation in foreign trade was prohibited. Customs tariffs were revised twice: once in 1973 and again in 1986 (Lakhdar Medani, 2005-2006).

1973 Customs Tariff Amendments

- The classification of goods by geographical region was abolished and the 1973 tariff was defined by a general tariff applicable to products from countries that granted Algeria MFN status and a special tariff applicable to countries with which Algeria had reciprocal trade preferences, particularly in the Maghreb.
- Tariff rates were also changed, with high rates ranging from 40% to 100% for luxury goods, and lower rates of 10%, a standard rate of 25% and a high rate of 40% for intermediate goods. Some equipment and pharmaceutical products were exempted or subject to a very low tariff of 3% (Algerian Finance Law, 1973).

In 1975, in order to cover the shortage of raw materials in the local market, these materials were exempted from the total single production tax applicable at the time of importation.

Customs Tariff Amendments of 1986

- The customs tariff of 1986 contained the largest number of rates, 19 in total, with the highest import rates reaching 100% and 120%, a significant increase since the establishment of the first customs tariff in 1963. Algeria's tariff rates have evolved progressively.
- The aim of the 1986 tariff was to generate non-oil financial resources to cover budget deficits following a significant decline in oil tax revenues. In 1986, 28% of total imports were exempt from customs duties, 31% were subject to a 3% rate and 40% were subject to rates ranging from 5% to 45% (Report of the General Directorate of Customs, Algeria, 1986).

The period of state control and monopoly of foreign trade from 1962 to 1989, and the nationalisation of foreign trade from 1978, was characterised by the Algerian government imposing a quota system and setting up dominant purchasing groups (GPA).

Trade policy applied during the gradual and complete liberalisation of foreign trade

Following the oil shock of 1986 and the growing burden of external debt, Algeria undertook reforms in the foreign trade sector, under pressure from international organisations. It is worth noting that this reform was carried out in stages, with the first stage being gradual liberalisation and the second being full liberalisation, which coincided with the signing of a structural adjustment programme.

Trade policy during the gradual liberalisation of foreign trade

The period of gradual liberalisation lasted from 1990 to 1994. In 1990, the general foreign trade programme and official hard currency budget quotas were replaced by a system of external financing under the supervision of banks, which dealt with exporters and importers from both the public and private sectors according to market rules. This allowed private entities to import without a monopoly visa, leading to the abolition of the state monopoly on foreign trade in 1991. The 1990 Supplementary Finance Law was the real nucleus of this change, with Articles 40 and 41 indicating a partial liberalisation of foreign trade operations. Algeria also gradually adjusted its trade policy instruments as follows:

- Tariff rates were modified, as required by the Stabilisation Agreement. The 1992 finance law introduced a substantial reduction in customs duties, which had reached 120% in the 1986 law, leading to customs evasion and the withdrawal of certain foreign trade activities; these rates were reduced to 60% (Bouzidi Mohamed, 1998).
- Low rates of between 0% and 7% were applied to imports of raw materials, intermediate rates of between 15% and 25% were applied to semi-finished products, and rates of between 40% and 60% were applied to finished products. During this period, the focus was on changing the customs policy in line with the policy of liberalisation that began in 1992.
- Adjustments were also made to the exchange rate system, with a significant devaluation of the national currency against the US dollar of 22% in 1991, followed by 14.40% in 1994. The exchange rate of the US dollar fell from 963.4 to 776.17 Algerian dinars. The main objective of the dinar devaluation was to restore the external balance and make the national economy more competitive.

The objectives of these adjustments during this phase included:

- Restoring the status of private companies.
- Strengthening trade relations with the Maghreb countries.
- Encouraging foreign investment.
- Reducing state intervention in economic activities and allowing public and private enterprises to promote economic growth, in particular by focusing on diversifying exports beyond the hydrocarbon sector.
- Continue the liberalisation of foreign trade while working towards the convertibility of the dinar (Finance Law, 2001).

Trade policy applied during the full liberalisation of foreign trade

During the profound economic reforms from 1994 to 1998, and within the framework of trade openness and regional integration, a complete liberalisation of foreign trade took place, based on the following trade policies:

The customs system was adjusted by relaxing the protective customs measures from 1994 to 2006 and operating in accordance with international customs standards, as outlined in the following financial laws:

- The maximum tariff rate was reduced from 60% to 50% in 1996 and further reduced to 45% on 1 January 1997. The list of prohibited import materials was reduced to three items, which were eliminated by mid-1995. The 1996 Finance Act replaced customs duties with lower rates than in 1995, and the 1997 Finance Act established six rates.
- For customs duties in 1999, the Finance Act of 1998 abolished the 3% rate. The 2000 Finance Act used the same rates as in 1997, with a 15% duty on imports of industrial equipment for assembly in the country and 5% on unfinished industrial goods. The supplementary 2001 Finance Law reduced the tariff from 45% to 40% and provided for the application of protection to a group of products, with rates being gradually reduced to 12% by 2006.

In addition, the 1996 Finance Act established an Export Support Fund, which provides financial assistance to exporters for the promotion and marketing of their products in foreign markets.

In the context of the implementation of the structural adjustment programme, the exchange rate of the dinar changed from 3.23 dinars to the dollar in 1993 to 60 dinars to the dollar in 1998. The dinar was devalued by 50.6% in 1994, 36% in 1995, 15% in 1996 and 5.4% in 1997. In April 1994, all import restrictions were gradually lifted, including those on the financing of imported consumer goods in hard currency and on the import of industrial equipment. In addition, restrictions on the repayment terms of importers' loans were lifted, allowing the import of all goods except prohibited items. Since the beginning of the economic reform programme in Algeria, the licensing and prohibition system has been abolished, with the gradual elimination of prohibited import goods.

On the export side, the list of prohibited export items, which contained 20 items, was abolished. By June 1996, Algeria's foreign trade system was free of quantitative restrictions (Nchachib Karim, 1998).

Second Axis: The Institutional Framework for the Promotion and Support of Non-Hydrocarbon Exports

In order to develop and promote exports, foreign trade was structured within an institutional framework designed to insure exports against commercial and non-commercial risks and to promote nonhydrocarbon exports through the financing of export investment projects. This led to the creation of:

1. The Algerian Export Guarantee Company (CAGEX)

The failure of the Algerian Insurance and Reinsurance Company (CCAR) to fulfil its mission of guaranteeing export credits led the State to intervene and set up a new system under Decree No. 69-235 of 2 July 1996, which defines the conditions and procedures for managing risks covered by export credit insurance,

in accordance with Article 4 of Decree No. 96-06 of 10 January 1996 on export credit insurance.

This system, set up at the beginning of 1996 to guarantee exports, is managed by the Algerian Export Guarantee Company (CAGEX), a joint stock company whose members include banking institutions and insurance companies. Under this system, exporting companies are insured against commercial, non-commercial and natural disaster risks. The company also participates in international exhibitions and explores new markets, encouraging exporting companies to enter foreign markets.

On the financial side, CAGEX provides loans to companies wishing to export, either for the import of raw materials used in export products, during the export process, or through the establishment of a one-stop shop at banks to facilitate financial operations for exporters, similar to regional financing programmes (Arab intra-trade financing programmes, export financing programmes between member states of the Organisation of Islamic Cooperation) (Saidi and Wasaf, 2020).

The Fund also helps to link Algerian exporters with foreign partners and regularly provides them with information on customers and international markets in order to avoid losses and to support and accompany Algerian exporters.

Special Export Promotion Fund (FSPE)

The Special Fund for Export Promotion (FSPE) was established by the 1996 Finance Act to provide financial assistance to exporters for the promotion and marketing of their products in foreign markets. The State, through the FSPE, grants subsidies to any resident company producing goods or providing services, as well as to any trader duly registered in the Commercial Register and engaged in export activities.

The amount of state aid available is determined under the supervision of the Ministry of Commerce and according to pre-determined rates based on available resources. There are five designated areas of support:

1. Costs related to market research for foreign markets.
2. Part of the costs of participation in international exhibitions.
3. Part of the costs of studying foreign markets.
4. International transport costs for loading and shipping goods from Algerian ports for export.
5. Financing costs related to the adaptation of materials to the requirements of foreign markets.

In addition to these financial and insurance institutions, the government has continued to organise its institutional and regulatory framework for foreign trade by establishing other supporting structures, including the Algerian Chamber of Commerce and Industry (CACI), the Algerian Company for Markets and Exhibitions (SAFEX), the National Centre for Quality Control and Packaging (CACQE), the National Centre for Commercial Registration (CNRC) and the National Association of Algerian Exporters. In 1997, the Ministry of Trade set up a permanent multisectoral committee to draw up an annual official programme for Algeria's participation in international economic events and to ensure its implementation.

With regard to the promotion of exports outside the hydrocarbon sector, Decree No. 03-04 of 17/07/2003 created a National Agency for the Promotion of Foreign Trade (ALGEX). This body is empowered to set up liaison offices and commercial expansion representations abroad in order to support the entry of national companies into foreign markets. A “House of the Exporter” has recently been established to address the concerns of exporters and provide them with facilities.

It can be said that, on the basis of the presented state strategy for the promotion of exports at this stage, despite the efforts made, the export rate of 3% is considered to be one of the lowest in the world. All the measures and steps taken by the state have failed due to their complexity and slowness. The goal was to reach \$3 billion, but the lack of a clear, integrated and coherent strategy to promote non-hydrocarbon exports as a development factor is a significant obstacle to the national economy’s ability to provide exportable products. In addition, critical organisational and structural problems have contributed to the decline in export performance, posing a serious threat to the core of the export process in Algeria (Official website of the Ministry of Trade and Export Promotion, 2024).

Third axis: changes in Algeria’s foreign trade policy due to current global conditions

In the face of geopolitical and economic changes and the impact of the COVID-19 global health crisis, Algeria has sought to build a more objective economic model, adapted to the requirements of structural reform in the current context. The government has outlined the characteristics of this economic system in its action plan drawn up in mid-February 2020, and has defined practical lines of action through measures that have come into force during this period, as well as regular legal and legislative amendments aimed at providing a solid legal basis for the implementation of this economic model.

The main pillars of this model are financial reform and economic renewal. The mechanism for financial reform under this model focuses on revising the tax system and adopting new rules for budget management, modernising the banking and financial system, and improving statistical tools and forecasting functions. Meanwhile, the mechanism for economic renewal focuses on strengthening the framework for business development by encouraging innovation and entrepreneurship and creating financial mechanisms and institutions to finance the new concept that Algeria is betting on under the name of “startups”, which serves as a cornerstone for joining the BRICS group for economic and political objectives that are reflected at the social level.

This model aims to significantly improve the investment climate, rationalise the regional transition to industrial development and effectively use industrial land. It also includes the strategic development of the industrial and mining sectors, the strengthening of institutional capacity in industrial and mining development, the modernisation of trade and the development of agriculture and fisheries to achieve food security. In addition, this model focuses on enhancing national production, rationalising imports and promoting exports.

In addition, this new model supports the energy transition, the knowledge-based economy and the digital transformation. The Algerian economy remains caught between immediate responses and longer-term adjustments in the face of the global repercussions of the COVID-19 pandemic, the Russian-Ukrainian war and global geopolitical changes.

Against this backdrop, the measures taken by the Algerian government in the context of these conditions, which continue to influence international relations at various levels, particularly in the field of global foreign trade, will be presented:

First: The bank localisation process

The bank localisation process can be classified as an administrative arrangement under the umbrella of trade policy. Technically, the localisation process allows banks to monitor foreign exchange with the help of customs authorities, as permitted by law. However, localisation can become an obstacle to free trade, especially when it is preceded by an electronic localisation process, as was the case in 2016. As a result, the Bank of Algeria issued a directive requiring importers to deposit with banks at least 120% of the value of imported goods. This process must be completed at least 30 days prior to the shipment of the goods (Directive No. 05-2017, dated 22 October 2017, specifying the conditions for the localisation of import operations for goods intended for resale as is).

The aim of this measure is to restrict and curb imports and exclude a number of importers by freezing significant amounts of capital for importers, at least 120% of the transaction value, for a period of more than one month, in addition to the time for transport and customs clearance at the ports (at least one week). This procedure thus becomes a constraint on import operations, effectively excluding a significant number of small importers from the import circuit. It also reduces the number of import transactions because it ties up importers' capital in banks, resulting in fewer and smaller import transactions and a reduced amount of hard currency going abroad (Miftah Hakim, 2021, p. 234). The government has established a set of documents required for the bank localisation process for imports, including:

1. Phytosanitary and veterinary certificates: These are issued by the qualified services of the Ministry of Agriculture, Rural Development and Fisheries and are required for the import of bananas, wheat, beef, fish (except sardines), barley and garlic.
2. Preliminary Technical Clearance: Issued by the Ministry of Commerce, this document covers the import of cosmetics, personal hygiene products and hazardous materials. Importers and producers of the aforementioned materials, who have a prior authorisation, must contact the relevant Regional Trade Directorates in order to comply with the new procedure for submitting the appropriate prior authorisation.
3. Official document from a competent authority in the country of origin or export: This document certifies that the imported goods (except those mentioned in points 1 and 2) are freely marketed in their territory, in accordance with Article 12 of Decree No. 12-203 of 6 May 2012 on the rules applicable in the field of product safety.

Economic operators will be informed of any relevant information or clarification concerning the mechanisms governing import operations through the press and the official website of the Ministry of Commerce: www.commerce.gov.dz, where the model of the certificate of free circulation can be downloaded (Ministry of Commerce and Export Promotion, 2018).

Second: Quantitative restrictions (quotas and import licences)

The import licensing system began on 1 January 2016, in implementation of Executive Decree No. 15-306 of 16 December 2015. Import licences are used to manage exemptions related to freedom of trade. In addition, Algeria introduced a quota system for car imports, which sets a quantity limit for mobile vehicles, excluding the CKD/SKD group intended for assembly plants.

Furthermore, Algeria temporarily banned the import of 651 products from January 2018 in order to restore balance of payments equilibrium. Although this ban is temporary, it represents a retreat from the principle of total and clear trade liberalisation and consolidates a protectionist policy approach following the depletion of foreign currency reserves and the crisis of falling oil prices. This temporary suspension of imports covers 45 categories of finished products, such as:

- Finished cheese, yoghurt and milk products
- Dried and fresh fruit (except bananas)
- Fresh vegetables (except garlic)
- Meat (with some exceptions)
- Maize derivatives, meat preparations, fish preparations
- Glucose syrup, chewing gum, chocolate, bakery products, food pastes
- Cereal derivatives, canned vegetables, prepared or canned tomatoes
- Jams and other fruit preserves and preparations
- Juices, food equipment, soup and broth equipment
- Mineral water, dyes, perfumes, cleaning paper
- Dextrin and other starchy materials
- Finished and semi-finished plastic products, sacks and small wooden bags
- Toilet paper, carpets, finished marble and granite, finished ceramics
- Glass and crystal, harvesting machinery, sanitary fittings
- Wires and cables, agricultural tractors, chairs and furniture
- Chandeliers, cleaning materials, cement, electrical appliances and mobile phones.

The temporary suspension of imports of the above-mentioned products will be progressively reviewed, without prejudice to other taxes and charges applicable to the importation or marketing of these products, with a view to maintaining or increasing their rates.

Third: Customs Tariff Procedures Established in the 2018 Finance Law

The list of goods subject to internal consumption tax (TIC) has been expanded by 30% to include 10 categories of final products. These include:

- Salmon
- Dried fruit without peel and other dried fruit

- Spices
- Sugars
- Confectionery products
- Products prepared on the basis of extracts and petrol (liquid and other)
- Modems and digital decoders
- Fire alarms
- Electrical alarm devices
- Small calculating machines

(The names of the products and their customs codes are specified in Article 32 of the Finance Law of 2018) (Ministry of Commerce and Export Promotion, 2018).

Fourth, the tariffs on 32 categories of final products will be increased

These include:

- Sunflower seeds
- Plastic equipment
- Cooking ovens
- Water purification equipment
- Beverage purification equipment
- Mineral oil purification equipment
- Air filter parts
- Lifting equipment
- Movable bridges
- Bridges with movable piers
- Computer equipment
- Portable computers and tablets
- Central processing units and computer servers
- Memory units
- Memory card readers
- Tubing materials
- Parts of modems and mobile phones, etc.
- Decoding cards
- Connector cards
- Electrical cables
- Waste containers
- Tractor and truck bodies
- Refrigerated vehicles
- Peanut products
- Jam
- Tap materials
- Electrical transformers
- Food supplements
- Soda and mineral water
- Rechargeable batteries
- Mobile phones and beverages.

(The names of the products and their customs codes are specified in Article 115 of the 2018 Finance Act).

At the beginning of 2019, the temporary import ban was lifted and replaced by a temporary safeguard duty (DAPSS), which initially affected 1,095 products with rates ranging from 30% to 120% (Decision of 26 January 2019 specifying the list

of goods subject to the temporary safeguard duty and the corresponding rates, Official Gazette No. 06 of 27 January 2019). Just three months later, in April 2019, the list was reviewed and some goods were exempted, reducing the number of goods subject to the duty to 982 (Ministerial Decision dated 8 April 2019, amending and supplementing the Decision dated 26 January 2019, Official Journal No. 26 dated 21 April 2019) (Ministry of Commerce and Export Promotion, 2018).

Fourth: Review of the Partnership Agreement with the European Union

After 15 years of implementation between the two parties and in the face of persistent and increasing deficits with this economic partner, Algeria, under the pressure of the crisis and falling oil prices, requested in August 2020 an evaluation of multilateral trade agreements, in particular the Partnership Agreement with the EU, which should receive special attention in order to promote Algeria's interests for balanced relations. As a result, in December 2020, the Algerian foreign minister called for a re-evaluation of the trade agreement with the European Union.

Previously, the member states of the European Union had expressed great concern about the measures taken by Algeria to curb imports, as some goods were subject to quotas and import licences in 2018, which had a negative impact on several European countries, especially France, Italy and Spain (Miftah Hakim, 2021, p. 245).

Fourth axis: Evaluation and analysis of Algeria's foreign trade policies in the context of the triple crisis of COVID-19, the global food crisis and the climate crisis

The COVID-19 pandemic had a significant negative impact on the economies of many countries, manifested in declining global growth rates and rising unemployment. This situation prompted governments, including that of Algeria, to take measures to mitigate these adverse effects. In the light of these circumstances, and during the preparation of the Supplementary Finance Law for 2020, the government implemented several fiscal measures, which can be summarised as follows (Omar, 2022, p. 433):

- Extending tax and customs declarations: The deadlines for tax and customs declarations and the payment of related taxes and duties were extended without the application of late payment penalties, as stipulated in Article 35 of the aforementioned law, and this was done exceptionally for 2020.
- Temporary exemption from VAT and customs duties: Article 36 of the Supplementary Finance Law for 2020 provided for temporary exemptions from VAT and customs duties on the import of pharmaceuticals, medical supplies and detection equipment, as well as spare parts for such equipment. This measure was aimed at facilitating the supply of medical equipment for the detection of COVID-19 infections, and was effective from 21 March 2020 until the official announcement of the end of the pandemic.
- Encouraging solidarity initiatives: In order to encourage solidarity initiatives by economic operators in response to the health crisis, Article 11 of the Supplementary Finance Law for 2020 increased the annual deductible amount from DZD 1,000,000 to DZD 2,000,000 for the calculation of the taxable net

profit subject to corporate income tax or general income tax, in respect of donations and contributions in cash or in kind made to humanitarian institutions and associations.

- Foreign transfers considered as imports: Article 52 of the Supplementary Finance Law for 2020 stipulates that any concession granted by a foreign non-resident in favour of a resident party shall be considered an import of goods or services, subject to the exchange control regulations regarding the transfer of the proceeds of such concessions.

Global prices of staple foods rose by 23% in 2021. The Food and Agriculture Organization's (FAO) Food Price Index averaged 143.7 points in 2022, an increase of 18 points or 14.3% compared to 2021. Reasons for this increase include weather events that damaged crops and rising energy costs.

This was followed by the Russian-Ukrainian crisis at the end of February 2022, which led to prices reaching their highest levels ever due to disruptions in the flow of commodities from two of the world's largest wheat exporting countries. The invasion led to the closure of Ukrainian ports on the Black Sea, which had previously been bustling with global trade, while Russia's ability to export was hampered. These two countries account for a quarter of the world's wheat exports, a fifth of its barley and maize exports and more than half of its sunflower seed oil exports, providing about an eighth of the world's calories.

Most importantly, global food prices continue to rise, among other significant global economic challenges. Inflation is rising and precautionary measures to limit the spread of COVID-19 are disrupting global supply chains. In addition, climate change is threatening production in many agricultural areas around the world, leading to increased droughts, floods, heat waves and wildfires.

Food production and shipments, particularly from Ukraine, are also being disrupted, and the war is affecting global food production through its impact on fertiliser, which has already seen costs rise due to rising energy prices. Russia and Ukraine produce large quantities of potassium-based crop nutrients and the war has sharply increased their cost. The price of natural gas, a key component in fertiliser production, has also risen sharply.

The combination of these factors means that food prices will continue to rise until 2022, as the use of less fertiliser leads to lower crop yields and higher agricultural costs. Protectionist policies are another major concern, as many countries have stopped shipments of grains and edible oils, possibly fearing social unrest. Many countries have adopted protectionist measures (Food and Agriculture Organization of the United Nations, 2023).

First: Results of the foreign trade policy in the context of the health crisis and the global food crisis on the Algerian economy

Economic growth outside the hydrocarbon sector recovered in the first quarter of 2020, with the gross domestic product (GDP) outside the hydrocarbon sector growing by 1.4% in 2020 compared to a decline of 1.2% in 2021. This growth is reflected in the industry, construction, public works and irrigation (including oil

public works) and non-commercial services sectors, which recorded growth rates of 3.3%, 4% and 2.5% respectively.

In the first quarter of 2021, GDP showed a growth in current value of 8.6%, compared to a decline of 5% in the same period in 2020, after an increase in the growth rate of 6.2%, accompanied by a positive volume growth of 2.3%. As a result, the general price level rose by 6.2% in the first quarter of 2021, compared with a fall of 1.4% in the same period of 2020.

Investment grew by 3.3% and, according to sectoral reports, the National Statistics Office indicated that the first quarter of 2021 was marked by a moderate increase in agricultural activity of 0.6%, compared with growth of 2% in the same period in 2020. This sector faces “harsh climatic conditions” and “significant water scarcity”, which will affect its performance.

In the industrial sector, the value added recorded in the first quarter of 2021 resulted in a growth of 3.3%, compared to a decline of 0.2% in the same period last year. This growth was mainly due to value added in the food industry, iron and steel, mechanical engineering and electricity, as well as in construction materials.

As for the construction, public works and irrigation sector (including oil public works), it recorded a growth of 3.9% in the first quarter of 2021, compared to 1.8% in the same period last year. While the public works and petroleum services sub-sector recorded a significant increase of 10.1%, it had previously recorded a significant decline of 8%. Commercial services recorded a slight increase of 0.3%, compared with a fall of 2.7% in the previous year.

The transport and communications sub-sector and hotels and restaurants recorded decreases of 1.5% (compared to -4.8% in the first quarter of 2020) and 7% (compared to -3.5%), respectively. Meanwhile, the trade subsector grew by 2.8% (compared to -1.5%), services to enterprises by 2.1% (compared to 1.2%) and services to households by 1.2% (compared to -0.9%).

In the non-business services branch, value added rose by 2.5% in the first quarter of 2021, compared with a fall of 0.5% a year before. This growth was due to increases in the value added of public administration (2.5% compared to -0.7%), financial services (1.9% compared to 2.4%) and real estate (3.0% compared to 2.3%).

The volume of household consumption increased by 1.8%, and the National Statistics Office reported an increase in total final demand (+1.2%) due to an 11.2% increase in the volume of exports of goods and services. In the first quarter of 2021, the volume of final consumption of households recorded an increase of 1.8%, compared to a decrease of 0.7% in the same period of the previous year.

In contrast, the volume of domestic demand (GDP + imports of goods and services - exports of goods and services) decreased at a rate of -0.5% compared to the first quarter of 2020. This slight decline in domestic expenditure is due to a fall in accumulation, although the volume of investment grew by 3.3% in the first

quarter of 2021, compared with a fall of 4.5% in the same period of the previous year. This is due to a 3% decline in the volume of imports of goods and services after a 16.6% decline in the same quarter of 2020 (Rachou Abdelkader, 2021, pp. 163-169).

Table 1: Evolution of non-hydrocarbon exports from 2000 to 2023 (in USD billions)

Years	Hydrocarbon Exports Billion USD)	Hydrocarbon Exports (%)	Non-Hydrocarbon Exports	Non-Hydrocarbon Exports(%)	Total Exports
2000	21.42	97.23	0.61	2.77	22.03
2001	18.48	96.60	0.65	3.40	19.13
2002	18.11	96.74	0.61	3.26	18.72
2003	23.99	98.08	0.47	1.92	24.46
2004	31.55	97.92	0.66	2.05	32.22
2005	45.59	98.40	0.74	1.60	46.33
2006	53.16	97.94	1.13	2.06	54.74
2007	59.61	98.38	0.98	1.62	60.59
2008	77.19	98.22	1.40	1.78	78.59
2009	44.41	98.30	0.77	1.70	45.18
2010	56.06	98.20	0.97	1.70	57.09
2011	70.66	98.31	1.23	1.69	72.89
2012	70.58	98.38	1.15	1.60	71.74
2013	63.33	98.37	1.05	1.63	64.38
2014	58.34	97.17	1.69	2.81	60.04
2015	33.08	95.69	1.48	4.28	34.57
2016	27.92	95.26	1.39	4.74	29.31
2017	33.20	96.04	1.37	3.96	34.57
2018	38.90	94.62	2.22	5.40	41.11
2019	33.24	94.14	2.07	5.86	35.31
2020	20.02	91.29	1.91	8.71	21.93
2021	34.06	88.15	4.58	11.85	38.64
2022	43.44	90.67	3.84	9.33	47.91
2023	37.44	89.32	4.48	10.68	41.92

Source: Prepared by the researchers on the basis of the quarterly publications of the Bank of Algeria.

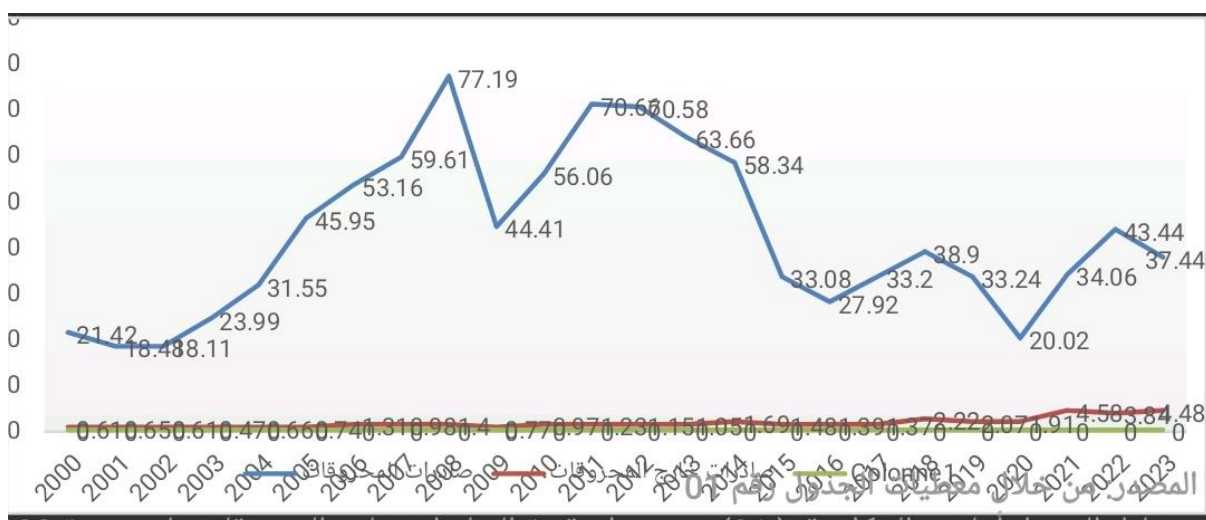


Figure 1: Evolution of non-hydrocarbon exports from 2000 to 2023 (in USD billions)
(in billions of USD)

Source: Based on the data in Table 1.

From the above table and Figure 1, we can conclude that the value of non-hydrocarbon exports between 2000 and 2017 reached its highest value in 2014 at USD 1.69 billion, while the lowest values were recorded in 2000 and 2002 at USD 0.61 billion. During this period, the government implemented several legal and administrative measures aimed at rationalising imports, which had seen a significant increase in expenditure, alongside the randomness of hard currency outflows. There was no intention to diversify or promote exports outside the hydrocarbon sector.

However, the years 2018 to 2023 were marked by important internal events, in particular the popular movement that fundamentally changed the Algerian system. This change led to a shift in the country's economic outlook. Global events included the outbreak of the deadly coronavirus in March 2020, which restructured all economic, social, political and cultural sectors. In 2022, the world faced another major crisis, particularly in Europe, known as the energy crisis and the global food crisis.

These events led successive governments in Algeria during this period to make a serious effort to diversify and increase exports, learning the lessons of the collapse of oil prices in previous periods. In 2018, exports amounted to USD 2.22 billion, which will rise to USD 4.58 billion by 2021, thanks to a legal and legislative framework accompanied by institutional support. A major event in 2019 will be the revision of the Algerian agreement with the European Union.

Second: The contribution of export insurance to the evolution of non-hydrocarbon exports

Table 2 below shows the evolution of the turnover of the company "CAGEX" alongside the evolution of the number of exporters insured, thus reflecting the

increase in the value of non-hydrocarbon exports through a direct relationship, where the value of these exports increases in line with the increase in the number of exporters insured by the company and, consequently, their turnover.

Table 2: Evolution of the value of non-hydrocarbon exports in relation to the increase in the number of exporters insured by CAGEX, 2000-2023

Years	Turnover (Billion Algerian Dinars)	Number of Exporters	Non-Hydrocarbon Exports (Billion USD)
2000	1303.925.860.48 million dinars	-	5.86
2001	1498.765.355.5 million dinars	240	8.71
2002	1779.655.386.4 million dinars	-	11.85
2023	39 billion dinars	-	10.68

Source: Educational paper published by CAGEX. Downloaded from the website www.cagex.dz on 12/08/2024.

From Table 2 above, we can see that CAGEX's turnover will increase continuously from 2000 to 2023. The company recorded a turnover of 1.3 billion Algerian dinars in 2020, which represents a relative increase of 20% compared to 2019. This growth will continue until it reaches 39 billion Algerian dinars in 2023. Non-hydrocarbon exports amounted to \$5.86 billion in 2020, \$8.71 billion in 2021, \$11.85 billion in 2022 and stabilised at \$10.86 billion in 2023. This stability can be attributed to the government's policy of promoting non-hydrocarbon exports following the COVID-19 global health crisis. Furthermore, the number of exporters insured by the company will increase from 224 in 2019 to 240 in 2021.

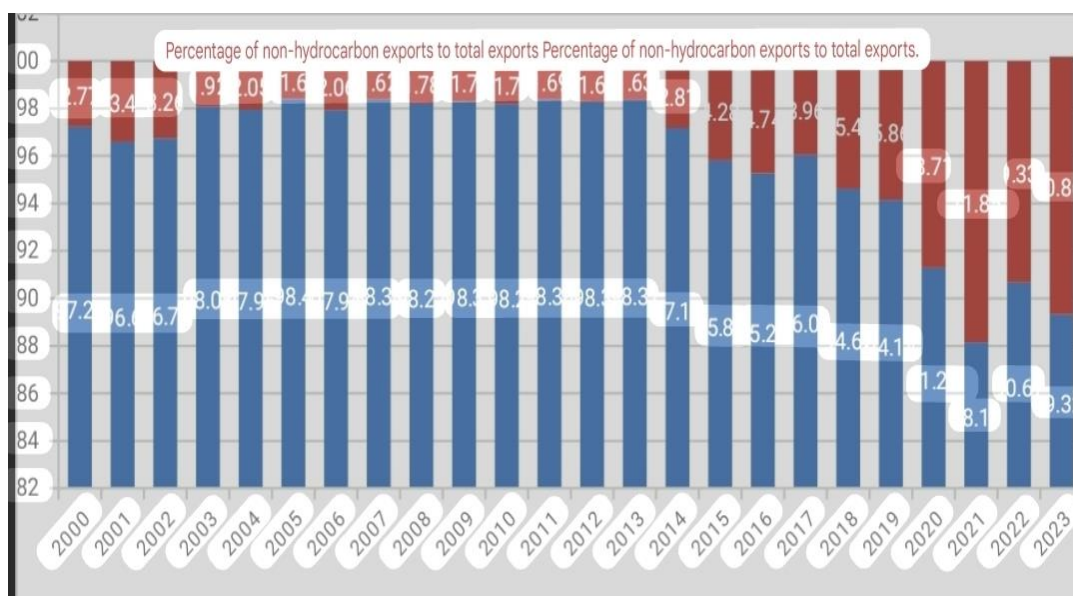


Figure 2: Evolution of the share of non-hydrocarbon exports in total exports from 2000 to 2023.

Source: Prepared by the researchers on the basis of the data in Table 1.

From the data presented in Figure 2, it can be seen that the share of non-hydrocarbon exports has evolved between 2000 and 2023, particularly after the decline in the impact of the COVID-19 global health crisis. This crisis served as a stimulus for the Algerian economy to diversify its sources by adopting a government strategy within a legislative and institutional framework to encourage, secure and promote non-oil exports. Oil prices were significantly affected during the crisis, which had a direct impact on government revenues and local development, given the country's heavy dependence on this resource, which accounts for 97% of total revenues.

Conclusion

Algeria has adopted a national strategy to diversify exports by promoting and encouraging non-hydrocarbon export activities, following the significant shock experienced by global oil prices, which represent the largest resource for the public treasury. An analysis of the results of this strategy from 2000 to 2023 shows a positive transition in the value of non-hydrocarbon exports, particularly during a period marked by the impact of the health crisis on the world economy as a whole and the Algerian economy in particular, mainly through the channel of oil prices.

Findings and recommendations

The results of the study are as follows:

Algeria's foreign trade policy has undergone several changes over the course of history, responding and adapting to international crises that have often affected the country. These crises include economic, health and political challenges that

coincide with the tense financial and health situation in Algeria. Consequently, protective policies and precautionary measures have been consistently implemented to ensure economic and social stability.

All the measures, actions and policies adopted in the light of the circumstances faced by the world economy as a result of the spread of COVID-19, the global food crisis and the geopolitical crises have had a direct impact on the Algerian economy in terms of rising food prices and weakened purchasing power. This underscores Algeria's commitment to a social framework that seeks to mitigate the adverse effects of global market behaviour, particularly in the food markets, by allocating significant financial resources to this end.

The current situation, marked by the health crisis and the global food crisis, has contributed to the development of foreign trade policy through the exceptional and urgent measures required by these global crises. Algeria has focused on diversifying and promoting its exports in order to minimise the impact of oil price fluctuations on world markets. This has involved the establishment of a legal and regulatory framework backed by institutional support, resulting in a post-COVID-19 period that, although modest, shows an improvement compared to the years from 2000 to 2017, amidst a fluctuating trade policy between protectionism and liberalisation.

The results of the trade policy in this context are evident in the qualitative leap and development of non-hydrocarbon exports between 2017 and 2023, achieving results not seen in previous years. The COVID-19 crisis, the Russian-Ukrainian crisis and the resulting oil and food crises have necessitated fundamental reforms, leading Algeria to shift its trade orientation from Mediterranean countries to African countries. This change has transformed Algeria from a market mainly receiving goods and raw materials from Europe to an exporter to African countries, by rethinking agreements with European countries on a win-win basis and by concluding trade agreements with Arab and African countries.

The researchers recommend:

1. Strengthen and activate bilateral agreements: Strengthen and activate Algeria's agreements with neighbouring countries, focusing on non-oil sectors that contribute to economic development.
2. Promoting exports: Promote exports rather than non-tariff barriers to imports by simplifying administrative procedures, digitising processes, supporting innovative export start-ups and strengthening strategic sectors and e-commerce.
3. Focus on innovation: Commit to innovative mechanisms in the field of artificial intelligence to gain a competitive advantage in production processes.
4. Specialise in competitive goods and services: Shift to and specialise in the production of goods and services with competitive advantages based on available national resources.

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