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The impact of export trend on economic performance in Algeria: An empirical analysis of key economic indicators

Dr. Sci. (Econ). Prof Zahaf Youcef
University Centre of Maghnia, Algeria, Institute of Economics, LEPPESE Laboratory
Email: youcefmaster2014@gmail.com

Dr. Sci. (Econ). Prof Hocine Youcef
University of Tlemcen, Algeria, Institute of Economics, MIFMA Laboratory
Email: etudiant.yh@gmail.com

Kadem Djawad
Faculty of Economics, Trad and Management Science,
Laboratory Development of the Agricultural Sector, University of Ain Temouchent, Algeria
Email: djawad.kadem@univ-temouchent.edu.dz

Bnemassaoud Nassreddine
Faculty of Economics, Trad and Management Science, Laboratory Development of the Agricultural Sector, University of Ain Temouchent, Algeria
Email: Nassreddinbenmassaoud@univ-temouchent.edu.dz

Saim Mostefa
University of Abou Bekr Belkaid – Tlemcen
Email: mostefa.saim@univ-tlemcen.dz

Sadiki Ismail
Faculty of Economics, Trad and Management Science, ALGER 3 University, Algeria.
Faculty of Economics, Trad and Management Science, Laboratory Development of the Agricultural Sector, University of Ain Temouchent, Algeria
Email: sevrdpo@gmail.com

Houria Messaoudi
Faculty of Economics, Trad and Management Science,
Laboratory Development of the Agricultural Sector, University of Ain Temouchent, Algeria
Email: houria.messaoudi@univ-temouchent.edu.dz

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***Abstract*---**Our research paper set out to examine a number of studies that addressed export development and promotion strategies as one of the instruments for economic advancement, particularly since they demonstrate the capacity to enhance state revenues and boost the economy's competitiveness internationally. By examining the regression of three variables that stand for macroeconomic indicators (GDP, per capita production, and balance of payments) for the period of 1990–2023, with exports from Algeria served as the independent variable. The findings demonstrated a robust relationship and interpretation between the independent and dependent variables, underscoring the necessity of increasing and diversifying exports in order to support the economy.

***Keywords*---**Export promotion, strategies, economic performance, Algeria.
JEL: A10, B17, B22, F02.

Introduction

It has long been understood that exports are a vital component of economic expansion and progress. Since the traditional models put out by David Ricardo and Adam Smith, the relationship between economic success and export performance has been a major focus of economic theory. The basis for comprehending how countries could profit by specializing in the manufacture of commodities where they hold a relative efficiency and trading these goods in international marketplaces was laid by their theories on absolute and comparative advantage. The majority of nations in the globe have long utilized export-marketing strategies. Trade increased dramatically in the 1980s and 1990s as a result of broad trade liberalization. Even so, there is disagreement over the relationship between trade and economic development, with empirical research providing varying degrees of support for the idea that trade policies affect economic growth (Subasat, 2002, p. 333).

Historically, nations that have adopted export-led growth policies have seen dramatic shifts in their economies. For instance, their emphasis on growing exports is frequently cited as the reason behind the post-war economic miracle in Japan and the quick industrialization of the "Asian Tigers"—South Korea, Taiwan, Singapore, and Hong Kong. By utilizing their export industries, these countries achieved outstanding economic growth, raising income levels, producing jobs, and building up foreign exchange reserves, all of which made it possible for them to make additional investments in infrastructure and human resources. Nonetheless, the export plan must consider a longer-term environment. A few trends from the past several decades are altering how we perceive and define the "traditional" international trade and economic interactions.

With an emphasis on the Algerian economy, this study examines the dynamics of export improvement and how it affects economic performance. Through an analysis of economic theories, actual data, and historical patterns, the study seeks to offer a thorough grasp of how increasing export capability might result in long-term economic growth. The sections that follow examine the theoretical foundations of export-led growth, evaluate important case studies, and identify the precise mechanisms by which exports affect economic performance.

Literature review:

When discussing emerging nations, special emphasis is placed on how enhanced export performance can trigger structural change, shifting economies from low-productivity industries to more dynamic, high-productivity sectors. The literature also discusses the difficulties faced by economies that rely heavily on natural resources, like Algeria, where export diversification initiatives are essential to establishing long-term economic stability and minimizing reliance on erratic commodities like oil.

Using historical trade data, (Bhagwati, 1986) investigates current issues over the implementation of an export promotion (EP) plan. It makes a distinction between the new export pessimism, which is motivated by protectionism, and the old export pessimism, which is based on false assumptions about market forces. The study makes the case that, in spite of these obstacles, an EP strategy is still the best course of action if developing countries collaborate with developed ones to oppose protectionism and uphold free trade. (LIANG, 1992) Broke down trade strategies into five categories and looks at each one's sectoral and market orientations. It evaluates the trade policies of six developing nations empirically. The results show that, in contrast to the commonly accepted comparative advantage-based "export promotion" strategy, some prosperous East Asian countries adopted a "protected export promotion" strategy, concentrating on emerging industries. These protectionist measures were essential to their export-focused strategy, not an anomaly. In order to distinguish the effects of policy, the research paper by (Subasat, 2002) examines the relationship between exports and economic growth. The results cast doubt on the theory of export-led growth, demonstrating that an export-oriented economy grows faster in middle-class nations than in low- or high-income nations.

(Cagé & Rouzet, November 29, 2014) Investigate how exports are impacted by a company's and a nation's reputation when purchasers cannot inspect quality in advance. It demonstrates how asymmetric information can produce high quality (HQE) and low-quality (LQE) equilibria. Only the lowest-quality and highest-quality enterprises survive in a LQE; firms of intermediate quality are eliminated. Reputation-problematic nations may find themselves forced to export inferior products. The study indicates that export subsidies may help move an economy from a low-quality economy (LQE) to a high-quality economy (HQE) by raising quality in a LQE but lowering it in an HQE. (Lall, 1997) examined of export promotion strategies in the Asian Tiger nations—South Korea, Taiwan, Singapore, and Hong Kong—highlights the calculated measures taken by these states to use exports as a catalyst for economic expansion. These countries implemented a variety of strategies, such as export-oriented industry subsidies, government-led industrialization, infrastructure and education investments, and the creation of export processing zones (EPZs). A paper by (Leonidou, Katsikeas, Palihawadana, & Spyropoulou, 2007) reviewed 32 studies (1974-2005) and identifies key motivations for smaller manufacturers to export, including increased sales, profits, growth, better use of idle capacity, exploiting unique products, and avoiding saturated domestic markets. These factors can lead to either opportunistic or deliberate export strategies, with other less impactful factors potentially becoming significant in certain contexts.

(Etro, October 2006) study provides insights into the best export-promoting strategies for internationally competitive markets. It contends that export subsidies are always the best course of action when market entrance is unrestricted, independent of the nature of competition, in contrast to the unclear results of strategic trade policies with entry barriers. The study demonstrates that competitive devaluations are advantageous from a strategic standpoint when there are no barriers to entry into overseas markets. Understanding the strategic motivations underlying exchange rate policies and export promotion is aided by this work.

To investigate how returns on export promotion differ between countries, (Olarreaga, Sperlich, & Trachsel, February, 2017) used a semi-parametric variable coefficient model. It discovers that returns on GDP per capita range from 0.05% to 0.07%, and that a 1% increase in export promotion spending results in a 0.03% to 0.08% boost in export growth. The paper notes that variables driving GDP per capita development may not always improve export growth, and that the variations in returns are related to the different features of export promotion organizations. (Wang, Chen, Wang, & Li, 2017) aim to investigate how export performance in Chinese manufacturing SMEs is improved by government export promotion programs (EPPs). It concludes that whereas financial aid-related EPPs attenuate this effect, marketing capabilities mediate the influence of information-related EPPs. The report emphasizes the various functions of various EPPs and recommends that policymakers create focused initiatives to enhance export results.

Another work by (Lahtinen & Rannikko, 2018) highlighted the project of the European Economic and Social Committee (EESC) commissioned applied by **Ramboll**, with the aim of conducting a study on best practices in export promotion among EU member states, with a particular emphasis on Denmark, Germany, and Spain. Denmark is unique in that all export promotion initiatives are consolidated under the Ministry of Foreign Affairs, resulting in a highly coordinated approach. Although they do not coordinate to the same extent, Germany and Spain have likewise unified their efforts to promote investments and exports. The study emphasizes how useful different tools are in each of the three countries, especially when it comes to using paid consulting services. Table 01 provides an overview of the several export promotion tactics:

Table 01: export promotion tactics

Categories	Strategies	Description	Objectives
Government-Led Strategies	**Export Promotion Agencies (EPAs)**	Market research, trade fairs, export training	Facilitate market access, enhance export performance
	Trade Agreements & Diplomatic Support	Bilateral/multilateral agreements, trade missions,	Strengthen trade relations, reduce trade barriers

Categories	Strategies	Description	Objectives
		diplomatic advocacy	
	Financial Incentives	Export subsidies, tax exemptions, low-interest loans	Reduce costs, enhance competitiveness
	Export Infrastructure Development	Ports, logistics, communication infrastructure improvements	Improve efficiency, reduce export barriers
Firm-Level Strategies	**Market Research & Intelligence**	Identifying target markets, understanding consumer preferences	Tailor products/services to international demand
	Product Adaptation & Innovation	Modifying products to meet foreign standards or preferences	Increase competitiveness in foreign markets
	Branding & Marketing	International branding, digital marketing strategies	Enhance brand visibility, attract foreign customers
	Partnerships & Alliances	Forming joint ventures, strategic alliances with foreign firms	Share risks, leverage local expertise
Industry-Specific Strategies	**Sector-Focused Initiatives**	Specialized support for key industries (e.g., technology, agriculture)	Strengthen sectors with high export potential
	Sustainability and Certification Programs	Promoting eco-friendly practices, obtaining certifications (e.g., Fair Trade, Organic)	Access niche markets, meet international standards
Capacity Building & Training	**Export Training Programs**	Workshops, seminars on export procedures, international regulations	Build expertise within firms
	Skill Development	Training in international business practices, language skills	Equip workforce to handle global trade complexities
Digital Export Promotion	**E-commerce Platforms**	Utilizing online marketplaces for global reach	Access international consumers directly
	Digital Marketing Strategies	Social media, search engine optimization (SEO) for international markets	Enhance online presence, drive cross-border sales
Monitoring & Evaluation	**Performance Metrics**	Tracking export growth, market penetration rates	Assess effectiveness of export promotion strategies
	Feedback Mechanisms	Collecting data from firms, adjusting strategies based on outcomes	Continuous improvement of export promotion efforts

Source: Made by authors depending on (Lederman, Olarreaga , & Payton, March 2010); (Keesing & Singer, 1990); (Wilkinson & Brouthers, 2006); (Shaoming & Simona, 1998); (Martincus & Carballo, August 2010).

This table organizes the export promotion strategies into categories, providing a concise overview of each strategy's purpose and how it contributes to enhance growth and economic performance.

Algerian economic background:

The evolution of several macroeconomic indicators in Algeria is depicted in Figure 01; these indicators are impacted by the direction of exports and their evolution over time, with a gradual development noted between 1990 and 2000. This phase signaled the start of reforms, particularly the banking and monetary sector reform (monetary and loan law 90-10), which, as it develops, may provide Algeria's export management system more flexibility. Several agreements with foreign institutions, such as the World Bank and the foreign Monetary Fund, were also made during this time with the goal of assisting Algeria's economy in reaching the stage of economic take-off following the adoption of the free market system.

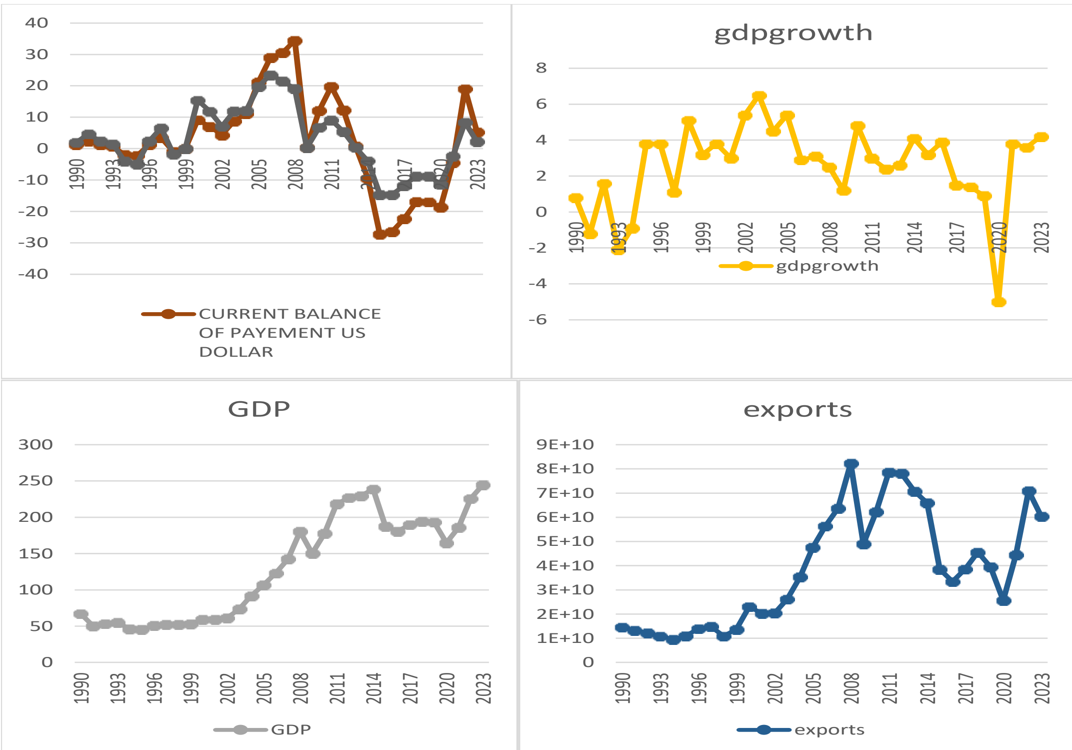

Figure 01: Algeria’s macroeconomic indices trend
Source: Made by authors depending on IMF and WB data

Algeria launched a new strategic phase in 2000 with the goal of accomplishing economic take-off. This phase was characterized by a number of economic strategies intended to diversify export sources and, as a result, increase overall economic income. Algeria's GDP and exports increased gradually between 2000 and 2008, mostly due to rising gas and oil prices. Algeria's GDP increased over this time, from around $54 billion in 2000 to about $171 billion in 2008. The country's exports peaked in 2008 at about $78 billion, mostly because of the burgeoning oil and gas industry, which accounted for more than 95% of all exports. Nonetheless, the 2008 global financial crisis and the ensuing recession caused the value of exports to gradually decrease. Export earnings declined as a result of the decline in the world market for gas and oil, and the economy needed a large financial boost to stay afloat. In response, the government launched massive public spending initiatives and made significant investments in social and infrastructural projects to boost economic growth.

Following 2014, Algeria had a dramatic decline in oil prices worldwide, posing a serious economic threat. By early 2016, the price of a barrel of Brent crude had dropped from above $100 in mid-2014 to less than $30. The dramatic drop in oil prices in 2016 significantly decreased export earnings, which fell to about $34 billion. The economic conditions were made worse by the COVID-19 epidemic, which put additional strain on Algeria's economy. Algeria implemented unconventional monetary policies (law 17-10) in order to stabilize the economy and preserve continuity in ongoing economic initiatives. These included enacting fiscal policies meant to increase local production and lessen dependency on oil exports, as well as expanding the money supply through direct funding by the Central Bank. The difficulties in diversifying the economy persist in spite of these attempts, since a substantial number of exports and government income still come from the oil and gas industry.

Algeria's balance of payments experienced severe deficits between 2014 and 2020, beginning with a -9% deficit in 2014 because of falling oil prices. In 2015 and 2016, the situation got worse, with the deficit peaking at -27% and -26%, respectively. The rapid decline in oil export earnings, which made up the majority of Algeria's foreign earnings, along with high import levels were the primary causes of these huge deficits. As Algeria started enacting economic reforms and oil prices somewhat recovered by 2021, the deficit shrank to -4.51%, suggesting some progress and paving the way for a more balanced economic outlook.

Model description:

1. Identify Key Variables

1.1. Dependent Variable (Economic Performance)

- **GDP Growth Rate:** A common indicator of economic performance, capturing overall economic activity.
- **Per Capita Income:** Reflects changes in the average income of a country's residents, adjusting for population growth.
- **Balance of Payments:** To see the direct effect on the country's external economic health.

1.2. Independent Variable (Exports)

- **Export Volume (Total Exports):** The total value of goods and services exported. inflation.

2. Data Collection and Sources

- **Time Series Data:** Collect annual data over 1990-2024 to capture long-term trends.

2.1. Data Sources:

- **World Bank (World Development Indicators):** export data

❖ **IMF (INTERNATIONAL MONETARY FUND):** For GDP,

3. Empirical Methodology:

In our research project investigating how exports are linked to economic factors in Algeria's economy growth process we used a range of regression analyses to examine the correlation between each dependent variable and export. The independent variable. Our aim was to gauge the extent of influence exports have on economic aspects by employing varied regression techniques for each dependent factor. This approach allows us to grasp better the impact of export promotion, on advancing Algeria's economy. This approach simplifies the analysis of how changes in export operations impact facets of the economy and offers a clear insight into the significance of export promotion strategies in fostering economic prosperity and stability in Algeria. Understanding the role of exports as a catalyst for economic progress is essential, for interpreting the results of these regression studies.

Table 01: regression results of $gdp = f(export)$

Source	SS	df	MS			
				Number of obs	=	33
				F(3, 29)	=	29.60
Model	.414363036	3	.138121012	Prob > F	=	0.0000
Residual	.135321223	29	.004666249	R-squared	=	0.7538
				Adj R-squared	=	0.7284
Total	.549684259	32	.017177633	Root MSE	=	.06831

D.ln_gdp	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
ln_gdp						
L1.	-.1548474	.0474654	-3.26	0.003	-.251925	-.0577698
ln_export						
D1.	.3920073	.0453722	8.64	0.000	.2992106	.484804
L1.	.1752551	.0413596	4.24	0.000	.0906653	.2598449
_cons	-3.482849	.8026093	-4.34	0.000	-5.12437	-1.841329

Source: Stata 17 outputs

Table 02: regression results of $gdppercapita = f(export)$

Source	SS	df	MS			
Model	.444485112	3	.148161704	Number of obs	=	33
Residual	.113710435	29	.003921049	F(3, 29)	=	37.79
				Prob > F	=	0.0000
Total	.558195547	32	.017443611	R-squared	=	0.7963
				Adj R-squared	=	0.7752
				Root MSE	=	.06262

D. ln_gdppercapita	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
ln_gdppercapita						
L1.	-.2785803	.0632741	-4.40	0.000	-.4079905	-.1491702
ln_export						
D1.	.3656677	.0422416	8.66	0.000	.2792739	.4520615
L1.	.2197468	.0410821	5.35	0.000	.1357244	.3037692
_cons	-3.052107	.5582671	-5.47	0.000	-4.193891	-1.910322

Source: Stata 17 outputs

Table 03: Regression results of $currentbp = f(export)$

Source	SS	df	MS			
Model	74.3557142	3	24.7852381	Number of obs	=	19
Residual	6.46718907	15	.431145938	F(3, 15)	=	57.49
				Prob > F	=	0.0000
Total	80.8229033	18	4.49016129	R-squared	=	0.9200
				Adj R-squared	=	0.9040
				Root MSE	=	.65662

D. ln_currentbp	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
ln_currentbp						
L1.	-.6781945	.1221667	-5.55	0.000	-.9385868	-.4178023
ln_export						
D1.	5.310413	.7225821	7.35	0.000	3.770266	6.85056
L1.	.2044789	.2974724	0.69	0.502	-.4295685	.8385263
_cons	-4.027604	7.06849	-0.57	0.577	-19.09373	11.03853

Source: Stata 17 outputs

The three models' empirical findings show a relationship between the independent variable (exports) and the dependent variables, with a high degree of explanatory power indicated by the R squared values of 92·00% for the current balance of payments (current bp), 75·38% for GDP, and 79·63% for GDP per capita. Tables

01, 02, and 03 show these values, which show how exports affect the dependent variables.

Conclusion

Results demonstrate how crucial it is for Algeria to have strong export promotion laws. Algeria may achieve more sustainable economic growth, diversify its sources of income, and lessen its susceptibility to outside shocks like changes in the price of oil globally by increasing its export potential. According to the data, strategic export promotion helps long-term economic stability and development in addition to short-term economic goals. Policymakers must keep improving and growing export promotion strategies in spite of these findings. Priorities should continue to include developing a more diverse export base, enhancing competitiveness in global markets, and lowering reliance on hydrocarbon exports. In addition to improving Algeria's economic performance, these initiatives will strengthen Algeria's standing as a resilient and active participant in the international economy.

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