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Analyzing the development of foreign trade and its impact on economic growth in Algeria during 2000-2020

Terfa Ahmed

PhD student, Digital Economy Laboratory, Djilali Bounaama University (Algeria).
Email: a.terfa@univ-dbkm.dz

Bekkouche Karima

Professor, Laboratory of Industry, Organizational Development, and Creativity, Djilali Bounaama University (Algeria).
Email: k.bekkouche@univ-dbkm.dz

Abstract--This study aims to analyze the impact of foreign trade on economic growth in Algeria during the twenty years of 2000-2020, foreign trade is considered as one of the most important areas of interaction between the local and global economics, since it contributes to the gross domestic product on one hand and meets the economic requirements on the other hand. However, the foreign trade sector is facing many challenges starting from its dependence on the fuel sector; The trade balance is directly impacted by the evolution of fuel prices on one hand and the effectiveness of development procedures that seek to reduce imports and increase exports on the other hand. In order to get rid of this dependence, Algeria may resort to implementing a set of programs and reforms that are based on promoting exports first and foremost and then looking for ways to be integrated into the international market through its efforts to join the World Trade Organization, as well as the partnership agreement with the European Union.

Keywords--Foreign trade, exports' promotion, imports' reduction, balance of trade.

JEL Classification Codes: F1, F31, G1.

1- Introduction

The foreign trade sector plays a key developmental role in the Algerian economy. This sector witnessed a significant evolution from the planning phase to the market economy phase that was characterized by Algeria's engagement in negotiations for World Trade Organization membership and the signing of a partnership agreement with the EU, in the aim of free foreign trade.

What characterizes the foreign trade policy of Algeria is its substantial dependence on the fuel sector, as a matter of fact, the balance of trade is greatly impacted by the evolution of fuel prices on one hand and the effectiveness of development procedures that seek to reduce imports and increase exports on the other hand.

Through this study, we will try to analyze the impact of trade on the economic growth by assessing foreign trade within 2000-2020, in terms of trade balance, goods distribution, and geographical distribution for both exports and imports, targeting to find out what impact the above mentioned factors have on economic growth in Algeria.

1.1 Research Problem Statement:

Like any other country, Algeria is looking to increase its growth rate. Therefore, it is tirelessly working towards improving and diversifying its exports while reducing its imports, in order to elevate its economy to the highest levels. Based on this, the following problem statement can be posed:

What role does foreign trade play in promoting economic growth in Algeria?

From the main question stem the following sub-questions:

- Is foreign trade considered a peremptory necessity?
- To what degree do non-fuel exports contribute to economic growth?

1.2 Research Hypotheses:

We formulated the following hypotheses to initially answer the previous questions:

- Foreign trade is a peremptory necessity for every country.
- Exports greatly contribute in economic growth.
- There is an integrated relationship between foreign trade and economic growth.

1.3 Research Significance:

The research holds great importance, as it studies the significant challenges of achieving economic growth outside of the fuel sector. Additionally, it clarifies the positive impact of diversifying and increasing exports on the Algerian economy.

1.4 Aims from this Research:

We can list below objectives:

- To set and Highlight the impact and relationship between exports and imports on economic growth in Algeria.
- Shedding light on the most important channels for diversification in exports field.
- A study through presentation and analysis of exports and imports evolution in Algeria during 2000 to 2020.

1.5 Research Methodology:

In order to answer the previous questions, we adopted the descriptive-analytical approach, along a measurement study to assess the impact of exports and imports on economic growth.

2. Some Foreign Trade Basics:

Commercial exchanges between countries are considered a reality that the world cannot do without. In fact, no country can be economically isolated from the rest of the world, whether a developed or a developing country. This is due to the variety of needs that individuals have, as well as the diversity in the exchange of materials and extractive industrial products between countries. This leads to the establishment of foreign trade, reformulating the geographical patterns of transportation, production, consumption, and economic relationships. Historically, trade was based on goods exchange through bartering and the freedom of importing and exporting goods and services. (Mahmoud, 1986, p. 08) Foreign trade stands as a key variable among other important variables driving economic growth, a fundamental goal that all countries seek to achieve.

2.1 The Essence of Foreign Trade:

The study of international economic relationships started to occupy a prominent and important position in economic literature since the beginning of the seventeenth century. Writers showed great interest in the foreign trade of states and its policies, paving the way for the traditional economists in the late eighteenth century, such as Adam Smith, David Ricardo, and John Stuart Mill, who dedicated specific chapters in their works to address foreign trade. In modern times, entire works are being dedicated to address the topic of international economics or international economic relations. (Moussa and others, 2001, p. 13)

2.2 Foreign Trade Concept:

Foreign trade refers to the process of commercial exchange of goods, services, and other production means between several countries, aiming to achieve win-win objective for the parties involved in the exchange. (Hamdi, 2000, p. 13) We can say that foreign trade includes two fundamental processes: importing and exporting. Exporting is the transfer of local goods and services for sale abroad, while importing means purchasing goods and services from foreign markets.

2.3 The Significance of Foreign Trade:

The significance of foreign trade is based on the fact that it is a direct mechanism to strengthen international relations through establishing new markets in several places. As a matter of fact, foreign trade opened up new horizons for products, rather than solely selling them within the producing country. Additionally, it connected countries together and brought about cultural and civilizational exchange.

Moreover, it contributed to providing several services and goods under specialization. It provides products at the lowest prices and supports the state's marketing capability, increasing the opportunities of establishing new markets in more countries. As a result, the welfare of societies has increased. Through foreign trade, new products have been introduced to countries where they were

previously unavailable, satisfying consumer demands with a broad array of product choices.

Additionally, its importance lies in utilizing resources and harnessing them into products and goods that get exported to countries that need them. Furthermore, it supports the economic development of the country through increasing the gross national income, which helps in improving the personal income of individuals and the country overall development.

Foreign trade also contributes to foreign currency incomes and thus, affecting the trade balance.

2.4 Trade Balance Concept:

Commercial transactions are a type of current transactions and one of the elements of the balance of payments, which is a register that includes the yearly value of exports and imports of a specific country. This is called visible exports and imports. (Farhan Al Machhadani and Abdullah Al Abidi, 2013, p. 160) If the exports value exceeds the import's value, this means a trade surplus, and if it is the opposite, this means a trade deficit.

2.5 The Significance of Trade Balance:

Trade balance transactions are considered independent transactions, making its balance a crucial figure in economics for foreign trade. This importance stems from the fact that a country with a trade surplus exports more than it imports, indicating a high level of production. (Djidel and Derdouri, 2012, p. 78)

3. Basics about Economic Growth:

Economic growth is considered an important goal that all countries strive to achieve, as it is an indicator of societal welfare and prosperity.

3.1 The Definition of Economic Growth:

There are several definitions of economic growth. We will mention the most common and widely used ones:

- Economic growth is as a constant increase in the gross domestic product or the gross national income, achieving an increase in the average per capita share of the real national income. (Ajmia and others, 2007, p. 73)
- Economic growth is defined as the rate of production increase or the real income in a country over a specific period of time. (Arikat Harbi, 2006, p. 268)
- Economic growth is defined based on real output expansion or the expansion of the individual's share of real national product, thus alleviating the burden of resource scarcity. (Khalifa, 2001, p. 09)
- Economic growth implies the automatic change in the national economy and its indicators, which results in an increase in the national income and its per capita share, such as income, domestic and foreign trade, etc., without any intended changes in the social and cultural construction, i.e., the construction of values, customs, and traditions, as well as the condition of health and education systems. (Badra, 2014, p. 20)

It can be said that economic growth refers to the process through which a continuous increase is achieved in the individual's share of the production of

goods and services, and the individual's share of the real gross national income or average personal income over a long period of time.

3.2 The Characteristics of Economic Growth:

The characteristics of economic growth are as follows: (Bouzidi, 12/14/2006)

- **Expansion:** This refers to growth stemming from substantial investments in new public infrastructure, typically with similar equipment and productivity. This growth is not the outcome of productive projects for labor and capital.
- **Cost:** Because it requires significant amounts to gain one point in the growth of the gross domestic product, this growth is consequence of a considerable increase in public expenditures funded by state revenues from fuel.
- **Transient Growth:** Because it is linked to the conditions of global oil markets, whenever oil prices rise, the state becomes capable of financing this growth, and vice versa.

3.3 The Factors Impacting Economic Growth:

Economic growth is impacted by several economic and social factors: (Khalifa M, 2013, Pages: 04-05)

- The lack of development and absence of infrastructure hinder the process of achieving economic growth. Infrastructure facilitate the movement of production factors and goods from production areas to consumption and export areas, utilizing land and rail transport, and providing accompanying services such as refrigerated transport, packaging, and mobilization.
- The lack of social and political stability and the emergence of conflicts lead to a decrease in production for local consumption and export purposes, thereby weakening the possibility of achieving economic growth.
- Climate change and the lack of a suitable environment for investment
- Relying on a limited number of export goods and exporting raw materials without adding value leads to a decrease in the export revenues when there is a global demand decrease, which negatively impacts the country's control and ability to import strategic goods.

3.4 The Relationship between Economic Growth and Exports:

Relationship between exports and economic growth can be summed up in that exports greatly contribute to growth or the gross national income. As a matter of fact, promoting exports and frequently being a part in international markets, also the degree of goods flexibility and the increase in their supply contribute to the export sector growth shift. In fact, the increase of exports increases foreign currency income of Nation, which positively reflects on individuals' welfare and enhances the state's strong position in its ability to meet external demand.

For a better understanding, we studied and analyzed exports and imports evolution and their impact on economic growth in Algeria during the within 2000-2020 period in the practical aspect of our study.

Firstly: Assessing Foreign Trade over the Period 2000-2020:

Table (01): Evolution of Algerian Trade Balance over the period 2000-2020 (Unit: Million US Dollars)

| Coverage Ratio % | Trade balance | Imports | Exports | Year |
|------------------|---------------|---------|---------|------|
| 240 | 12 858 | 9 173 | 22 031 | 2000 |
| 192 | 9 192 | 9 940 | 19 132 | 2001 |
| 157 | 6 816 | 12 009 | 18 825 | 2002 |
| 182 | 11 078 | 13 534 | 24 612 | 2003 |
| 175 | 13 775 | 18 308 | 32 083 | 2004 |
| 226 | 25 644 | 20 357 | 46 001 | 2005 |
| 255 | 33 157 | 21 456 | 54 613 | 2006 |
| 218 | 32 532 | 27 631 | 60 163 | 2007 |
| 201 | 39 819 | 39 479 | 79 298 | 2008 |
| 115 | 5 900 | 39 294 | 45 194 | 2009 |
| 141 | 16 580 | 40 473 | 57 053 | 2010 |
| 156 | 26 242 | 47 247 | 73 489 | 2011 |
| 143 | 21 490 | 50 376 | 71 866 | 2012 |
| 118 | 9 946 | 55 028 | 64 974 | 2013 |
| 103 | 1 481 | 58 580 | 60 061 | 2014 |
| 67 | -17 034 | 51 702 | 34 668 | 2015 |
| 64 | -17 063 | 47 089 | 30 026 | 2016 |
| 76 | -10 868 | 46 059 | 35 191 | 2017 |
| 90 | -4 533 | 46 330 | 41 797 | 2018 |
| 86 | -5 956 | 42 032 | 36 076 | 2019 |
| 70 | -10 164 | 34 167 | 24 003 | 2020 |

Source: National Office of Statistics - Foreign Trade Statistics for the Period 2000-2020

To facilitate understanding the previous table, we will analyze its numbers by formulating the following figure:

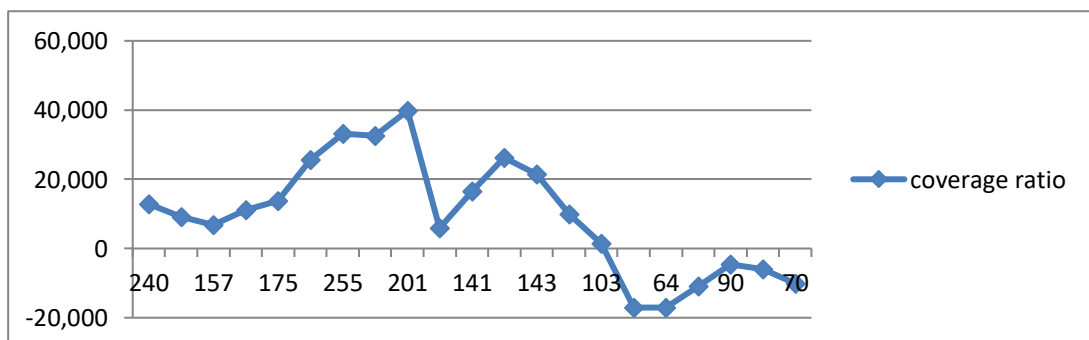


Figure (01): The Evolution of Coverage Ratio over the Period 2000-2020:
Source: Prepared by the researcher based on the data of table (01)

Through Table 01 and Figure 01, it becomes apparent that the trade balance achieved a surplus during 15 years of the study time but it was irregular. In the

first year of the study, which is in 2000, the trade balance was \$12 858 million. However, it decreased by \$9 192 million in 2001 and by \$6 816 million in 2002. The reason for this is related to the decrease in the value of exports due to oil prices decline. Oil prices quickly rose again in 2003, leading to an increase in the exports value, causing the trade balance to rise to \$11 078 million.

The trade balance continued to increase during the subsequent years, reaching its highest level in 2008 at \$39 819 million. This is explained by the export-to-import coverage ratio between 2003 and 2008, where the coverage ratio reached 182%, 175%, 226%, 255%, 218%, and 201% respectively.

In 2009, the coverage level experienced a low rate of 115% because of the severe decrease in the exports value resulting from the global economic depression following the global financial crisis. The trade balance declined by \$5 900 million. During the period 2010-2014, the world witnessed continuous improvement in the global economy after the global crisis, and oil prices rose, leading to an increase in the exports value during this spot of time, which resulted in an improvement in the trade balance.

The trade balance recorded consecutive deficits during the period within 2015-2019, reaching its highest value in 2016 at -\$17063 million, resulting from the decline in exports value due to the decrease in oil prices, where the price reached \$45 per barrel. However, we can notice a recovery in exports value starting from 2017 due to the relative increase in oil prices. The deficits recorded during this period were covered by hard currency reserves, which depleted a significant portion of them.

At the beginning of 2020, the deficit in trade balance increased by -\$10 164 million due to the significant decline in Algerian exports caused by the decrease in oil prices in global markets, due to the shrinkage in demand resulted by the restrictions imposed to combat the COVID-19 pandemic.

Secondly: The Structural and Geographic Distribution of Algerian Foreign Trade Table over the Period 2020-2000

In order to obtain a precise analysis of the trade balance, we will attempt to analyze its geographic and structural distribution.

1. Structural Distribution of Algerian Foreign Trade over the Period 2020-2000:

1.1 Commodity Distribution of Exports:

The overall outcome of Algerian exports includes, in addition to fuels, many commodities such as foodstuffs, consumer goods, and industrial and agricultural equipment, as illustrated in the table below:

Table 02: Commodity Distribution of Algerian Exports over the Period 2000-2020
(Million US Dollars)

| Non-food consumer goods | Industrial equipment goods | Agricultural equipment goods | Semi-manufactured materials | Raw materials | Energy | Foodstuffs | Years |
|-------------------------|----------------------------|------------------------------|-----------------------------|---------------|--------|------------|-------|
| 13 | 47 | 11 | 465 | 44 | 21 419 | 32 | 2000 |
| 12 | 45 | 22 | 504 | 37 | 18 484 | 28 | 2001 |
| 27 | 50 | 20 | 551 | 51 | 18 091 | 35 | 2002 |
| 35 | 30 | 1 | 509 | 50 | 23 939 | 48 | 2003 |
| 14 | 47 | 0 | 571 | 90 | 31 302 | 59 | 2004 |
| 19 | 36 | 0 | 651 | 134 | 45 094 | 67 | 2005 |
| 43 | 44 | 1 | 828 | 195 | 53 429 | 73 | 2006 |
| 35 | 46 | 1 | 993 | 169 | 58 831 | 88 | 2007 |
| 32 | 67 | 1 | 1 384 | 334 | 77 361 | 119 | 2008 |
| 49 | 42 | 0 | 692 | 170 | 44 128 | 113 | 2009 |
| 30 | 30 | 1 | 1 056 | 94 | 55 527 | 315 | 2010 |
| 15 | 35 | 0 | 1 496 | 161 | 71 427 | 355 | 2011 |
| 16 | 30 | 0 | 1 527 | 168 | 69 804 | 315 | 2012 |
| 17 | 28 | - | 1 458 | 109 | 62 960 | 402 | 2013 |
| 11 | 16 | 2 | 2 087 | 110 | 57 513 | 323 | 2014 |
| 11 | 19 | 1 | 1 597 | 106 | 32 699 | 235 | 2015 |
| 19 | 54 | - | 1 321 | 84 | 28 221 | 327 | 2016 |
| 20 | 78 | 0 | 1 410 | 73 | 33 261 | 349 | 2017 |
| 33 | 90 | 0 | 2 336 | 92 | 38 872 | 374 | 2018 |
| 37 | 87 | 1 | 1 974 | 96 | 33 473 | 408 | 2019 |
| 37 | 77 | 0 | 1 638 | 71 | 21 742 | 438 | 2020 |

Source: National Office of Statistics - Foreign Trade Statistics for the Period 2000-2020

We previously discussed the Algerian economy's dependence on fuel exports, and we will now attempt to study the commodity distribution of exports, focusing on exports outside of fuels.

To clarify the relative contribution of non-fuel exports, we rely on the figure below:

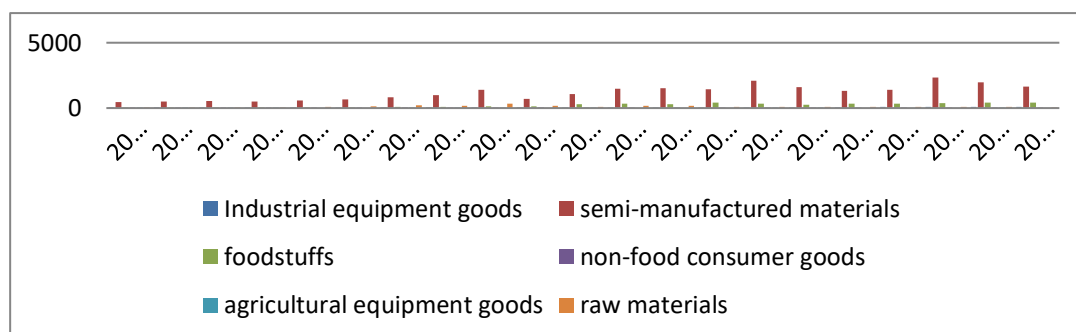


Figure 02: Commodity Distribution of Non-Fuel Exports over the Period 2000-2020

Source: Prepared by the researcher relying on the data of table (02)

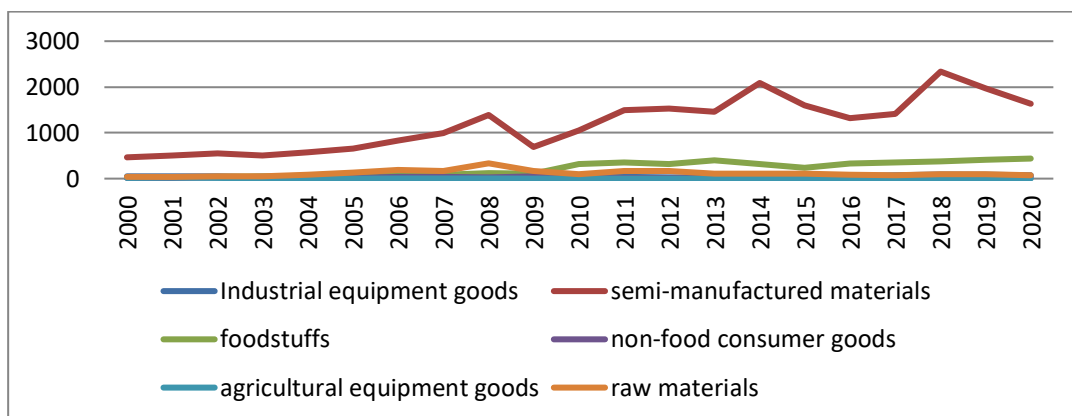


Figure 03: Commodity Distribution of Non-Fuel Exports over the Period 2000-2020

Source: Prepared by the researcher relying on the data of the table

As mentioned on the previous table, the value of Algerian exports remains closely linked to fuel exports. With the decrease in oil prices in 2001, the value of exports declined, reaching a low level of \$825 18 million in 2002. In 2003, oil prices rose due to the Iraq war, leading to an increase in export value to \$612 24 million, which continued to rise in the years 2004, 2005, 2006, 2007, and 2008, reaching \$79 298 million in the latter. However, due to the global crisis, oil prices dropped again, negatively impacting the value of Algerian exports, which amounted to \$45 194 million in 2009.

After increase in oil prices, the value of exports rose during the years 2010, 2011, and 2012, reaching \$57 053 million, \$489 73 million, and \$980 73 million respectively. With the deterioration of oil prices starting from 2013, the value of Algerian exports decreased significantly, affecting the trade balance during that period. The decline continued until 2016, but the value of exports quickly rose in 2017 to \$35 191 million and in 2018 to \$41 797 million, thanks to the gradual improvement in oil prices.

After the fuel sector, the sector of semi-finished products comes next in terms of export value, reaching approximately \$2 336 million in 2018. Following that, in third place, we find foodstuffs at around \$374 million. What is evident is the weakness of exports outside the fuel sector, which can be attributed to the weak economic structure and the lack of a clear strategy to promote other sectors, in addition to the deterioration of domestic and foreign investment in the agricultural and industrial sectors. However, there has been a gradual improvement in exports outside the fuel sector in 2018. While representing about 5.48% in 2007, the percentage increased to about 6.87% in 2017 and 6.88% in 2018.

The years 2019 and 2020 were marked by a global event represented by the COVID-19 pandemic, which resulted in negative impacts causing the halt and decline of most economic activities worldwide in general, and in Algeria specifically. The energy sector, being Algeria's primary source of revenue, experienced a 50% reduction in its income, resulting in a decline in GDP growth.

Consequently, the value of exports decreased in the mentioned years to \$33 473 million and \$21 742 million respectively due to the contraction in demand resulting from the restrictions imposed to combat the COVID-19 pandemic.

The pandemic has also led to an increase in the unemployment rate and the budget deficit, along with a number of effects that impacted all society branches, particularly the vulnerable class. Despite the fact that most of the repercussions of COVID-19 have been negative for the Algerian economy, combating the virus, containing it, and preventing its spread is much more important than the potential economic consequences, as human life is the cornerstone of social capital. The following figure illustrates the position of fuel exports compared to other exports during the year 2020:

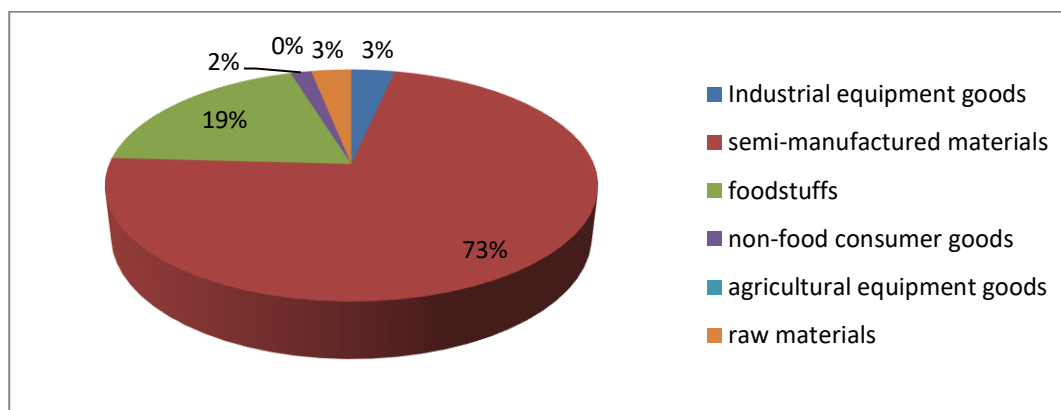


Figure 04: Commodity Distribution of Algerian Exports during the Year 2020 (Percentages).

Source: Prepared by the researcher relying on the data of the table

From Figure 05, we observe that the percentage of fuel exports dominates the total export contribution to the GDP. This is evident from the weak contribution of non-oil exports to the GDP, which does not exceed 9%. Therefore, it can be said that the GDP, which represents economic growth, does not reflect the true state of the national economy, which is still struggling with many issues. Among these is that all the income from foreign trade is always driven by increasing fuel exports, which are primarily linked to oil prices. In other words, a significant portion of the GDP comes from foreign spending on local goods and services. Consequently, fluctuations in foreign demand for local products directly impact the level of national economic activity, leading to economic growth with an increase and contraction with a decrease in foreign demand.

1.2 Commodity Distribution of Imports:

Table 3 below illustrates the commodity distribution of Algerian imports during the period 2000-2020

| Non-food consumer goods | Industrial equipment goods | Agricultural equipment Goods | Semi-manufactured materials | Raw materials | Energy | Foodstuffs | Years |
|-------------------------|----------------------------|------------------------------|-----------------------------|---------------|--------|------------|-------|
| 1 393 | 3 068 | 85 | 1 655 | 428 | 129 | 2 415 | 2000 |
| 1 466 | 3 435 | 155 | 1 872 | 478 | 139 | 2 395 | 2001 |
| 1 655 | 4 423 | 148 | 2 336 | 562 | 145 | 2 740 | 2002 |
| 2 112 | 4 955 | 129 | 2 857 | 689 | 114 | 2 678 | 2003 |
| 2 797 | 7 139 | 173 | 3 645 | 784 | 173 | 3 597 | 2004 |
| 3 107 | 8 452 | 160 | 4 088 | 751 | 212 | 3 587 | 2005 |
| 3 011 | 8 528 | 96 | 4 934 | 843 | 244 | 3 800 | 2006 |
| 5 243 | 8 534 | 146 | 7 105 | 1 325 | 324 | 4 954 | 2007 |
| 6 397 | 13 093 | 174 | 10 014 | 1 394 | 594 | 7 813 | 2008 |
| 6 145 | 15 139 | 233 | 10 165 | 1 200 | 549 | 5 863 | 2009 |
| 5 836 | 15 776 | 341 | 10 098 | 1 409 | 955 | 6 058 | 2010 |
| 7 328 | 16 050 | 387 | 10 685 | 1 783 | 1 164 | 9 850 | 2011 |
| 9 997 | 13 604 | 330 | 10 629 | 1 839 | 4 955 | 9 022 | 2012 |
| 11 210 | 16 194 | 508 | 11 310 | 1 841 | 4 385 | 9 580 | 2013 |
| 10 334 | 18 961 | 658 | 12 852 | 1 891 | 2 879 | 11 005 | 2014 |
| 8 676 | 17 076 | 664 | 12 034 | 1 560 | 2 376 | 9 316 | 2015 |
| 8 338 | 15 412 | 503 | 11 437 | 1 563 | 1 613 | 8 223 | 2016 |
| 8 511 | 13 995 | 611 | 10 985 | 1 527 | 1 992 | 8 438 | 2017 |
| 6 762 | 16 486 | 565 | 10 966 | 1 900 | 1 078 | 8 573 | 2018 |
| 6 459 | 13 293 | 458 | 10 300 | 2 014 | 1 436 | 8 072 | 2019 |
| 5 584 | 9 184 | 216 | 7 793 | 2 232 | 1 225 | 7 933 | 2020 |

Source: National Office of Statistics - Foreign Trade Statistics for the Period 2000-2020

For further clarification regarding the evolution of values and the relative weights of the imported items in the table during the mentioned period, we will make table more simple using the following two figures:

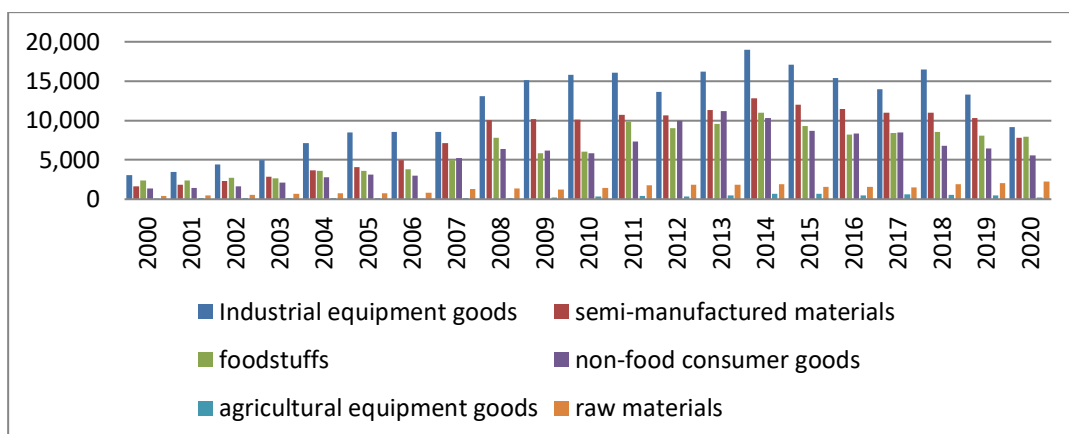


Figure 05: Evolution of Algerian Imports Value during the Period 2000-2020
Source: Prepared by the researcher relying on the data of table 03

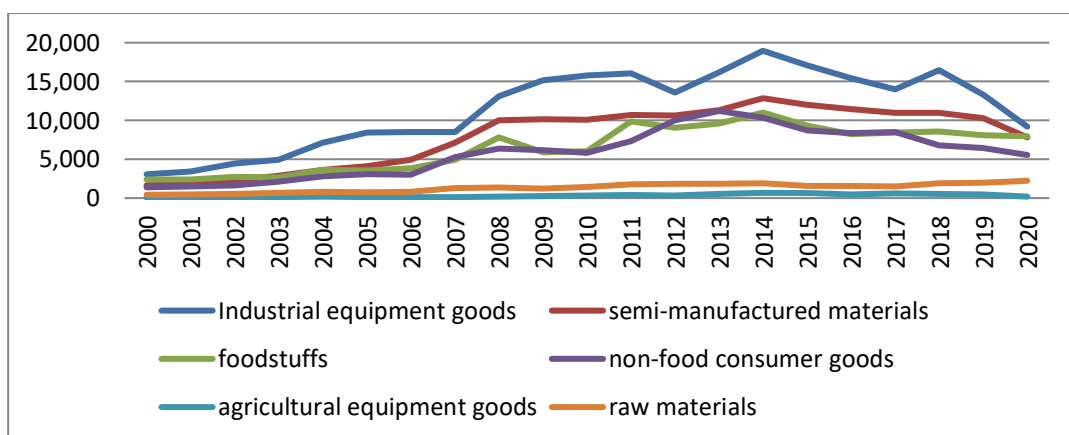


Figure 06: Evolution of Algerian Imports Percentages during the Period 2000-2020

Source: Prepared by the researcher relying on the data of table 03

Through the previous table and figures, a significant increase in imports can be observed during the study period, rising from \$173 9 million to \$940 9 million in 2001, an increase of 8.36%. This upward trend continued with varying rates, reaching 28.78% and then 42.88% in 2007 and 2008, respectively, after Algeria's entry into the Euro-Mediterranean Partnership Agreement came into effect. Algerian imports stabilized in 2009 and 2010, then resumed their ascent in 2011 after the launch of the Quinquennial Development Program, with an increase of 16.74%, reaching a value of \$376 50 million.

We notice that Algerian imports experienced continuous growth from 2000 until 2014, reaching a peak of \$580 58, million. After the country's revenues declined due to the collapse of oil prices in mid-2014, Algeria implemented a series of measures and procedures to streamline public spending and maintain external

balance. Among these measures was reducing the import bill, which began to decline from 2015 onwards. This decline affected all categories except agricultural equipment, which saw a slight increase from \$658 million to \$664 million. In 2016, imports continued to decrease for all categories except raw materials, which experienced a slight increase, reaching \$536.1 million. In 2017, there was fluctuation in imports across various categories, while 2018 witnessed an increase in the volume of imports for some categories compared to the previous year.

It's worth noting that industrial equipment accounts for the largest share of imports, reaching a value of approximately \$486.16 million in 2018, representing 29% of total imports. This is followed by semi-finished products, then non-food consumer goods. Agricultural equipment occupies the lowest position, with a value of approximately \$61.1 million in 2018. In 2019, Algeria's imports amounted to \$32.42 million, indicating a deficit compared to the previous year. Five out of seven product groups included in the import sector declined during 2019 compared to the previous year.

As for industrial equipment, which constituted approximately 31.5% of the import structure for the year 2019, reaching 293.13 million dollars compared to 486.16 million dollars during the same period, it declined by 20 percent. The same pace was observed for imports of semi-manufactured products, which decreased by 6.09%, or 300.10 million dollars compared to 966.10 million dollars.

Imports of foodstuffs were estimated at 072.8 million dollars compared to 573.8 million dollars, recording a decline of -5.85%. Non-food consumer goods, on the other hand, were estimated at 6.459 million dollars compared to 762.6 million dollars (-4.52%). Agricultural equipment, with an import bill of 458 million dollars compared to 565 million dollars, witnessed a decrease of -18.92%.

On the other hand, two categories within the import sector experienced an increase during 2019 compared to 2018. This concerns imports of raw materials, which reached 2.014 million dollars compared to 090.1 million dollars (+5.89%), and the energy and lubricating oils group (fuel) with approximately 1.436 million dollars compared to 070.1 million dollars (+33.22%). The value of Algeria's imports in 2020 recorded a decline of 18%, settling at 400.34 million dollars.

The year 2020 was an exceptional year for imports due to the health crisis declared in the country since March of the same year. This situation forced the government to take several measures to preserve stocks of essential goods. In order to rationalize imports, several measures were taken, including suspending the import of agricultural goods during the harvest season, suspending the import of frozen meat, and working on improving the list of products subject to the additional temporary protective tariffs.

The Ministry of Trade also prepared a draft executive decree specifying the conditions and modalities for conducting activities related to the import of raw materials, products, and goods intended for resale in their original state. The following figure illustrates the distribution of import categories in Algeria during 2020.

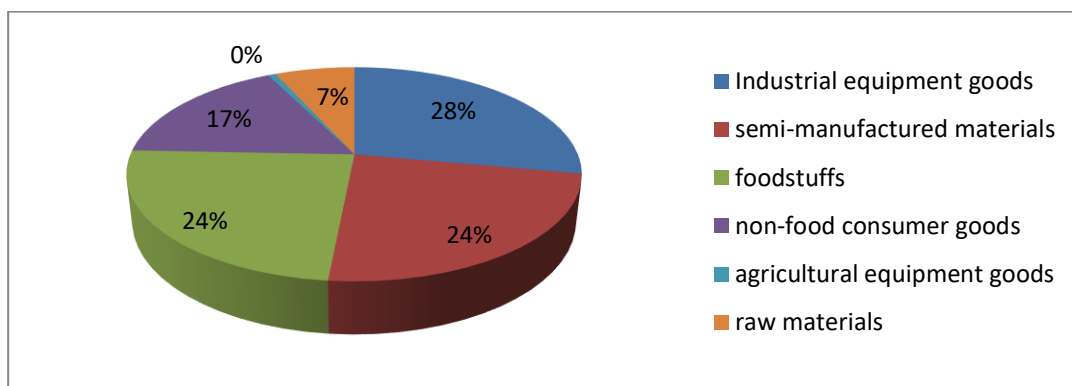


Figure 08: Commodity Distribution of Algerian Imports in 2020 (percentages)

Prepared by the researcher relying on the data of table 03:

2. Geographical Distribution of Algerian Foreign Trade during the Period 2000-2020:

2.1 Geographical Distribution of Algerian Exports during the Period 2000-2020:

The following table illustrates the distribution of Algerian exports according to economic regions considered to be Algeria's most important economic partners:

Table (04): Geographical Distribution of Algerian Exports during the Period 2000-2020: (Unit: Million US Dollars)

| Total | Africa | The Maghreb region | Arab countries outside UAM | Oceania | Asian countries | South American countries | Other European countries | OCDE Countries Outside of the EU | European Union | Years |
|--------|--------|--------------------|----------------------------|---------|-----------------|--------------------------|--------------------------|----------------------------------|----------------|-------|
| 22 031 | 42 | 254 | 55 | 0 | 210 | 1 672 | 181 | 5 825 | 13 792 | 2000 |
| 19 132 | 26 | 275 | 315 | 23 | 476 | 1 037 | 87 | 4 549 | 12 344 | 2001 |
| 18 825 | 50 | 250 | 248 | 38 | 456 | 951 | 130 | 4 602 | 12 100 | 2002 |
| 24 612 | 13 | 260 | 355 | 0 | 507 | 1 220 | 123 | 7 631 | 14 503 | 2003 |
| 32 083 | 26 | 407 | 521 | 0 | 686 | 1 902 | 91 | 11 054 | 17 396 | 2004 |
| 46 001 | 49 | 418 | 621 | 0 | 1 218 | 3 124 | 15 | 14 963 | 25 593 | 2005 |
| 54 613 | 14 | 515 | 591 | 0 | 1 792 | 2 398 | 7 | 20 546 | 28 750 | 2006 |
| 60 163 | 42 | 760 | 479 | 55 | 4 004 | 2 596 | 7 | 25 387 | 26 833 | 2007 |
| 79 298 | 365 | 1 626 | 797 | 0 | 3 765 | 2 875 | 10 | 28 614 | 41 246 | 2008 |
| 45 194 | 93 | 857 | 564 | 0 | 3 320 | 1 841 | 7 | 15 326 | 23 186 | 2009 |
| 57 053 | 79 | 1 281 | 694 | 0 | 4 082 | 2 620 | 10 | 20 278 | 28 009 | 2010 |
| 73 489 | 146 | 1 586 | 810 | 41 | 5 168 | 4 270 | 102 | 24 059 | 37 307 | 2011 |
| 71 866 | 62 | 2 073 | 958 | 0 | 4 683 | 4 228 | 36 | 20 029 | 39 797 | 2012 |

| Total | Africa | The Maghreb region | Arab countries outside UAM | Oceania | Asian countries | South American countries | Other European countries | OCDE Countries Outside of the EU | European Union | Years |
|--------|--------|--------------------|----------------------------|---------|-----------------|--------------------------|--------------------------|----------------------------------|----------------|-------|
| 64 974 | 91 | 2 639 | 797 | 0 | 4 697 | 3 211 | 52 | 12 210 | 41 277 | 2013 |
| 60 061 | 130 | 2 974 | 619 | 0 | 4 754 | 3 078 | 94 | 10 060 | 38 352 | 2014 |
| 34 668 | 82 | 1 550 | 572 | 71 | 2 409 | 1 683 | 37 | 5 288 | 22 976 | 2015 |
| 30 026 | 51 | 1 173 | 416 | 0 | 2 197 | 1 943 | 80 | 6 945 | 17 221 | 2016 |
| 35 191 | 103 | 1 273 | 799 | 0 | 3 595 | 2 530 | 40 | 6 465 | 20 386 | 2017 |
| 41 168 | 132 | 1 669 | 712 | 0 | 5 351 | 2 660 | 40 | 6 950 | 23 654 | 2018 |
| 36 076 | 110 | 1 867 | 821 | 465 | 5 391 | 1 434 | 44 | 5 254 | 20 690 | 2019 |
| 24 003 | 145 | 1 578 | 507 | 142 | 3 561 | 1 243 | 64 | 3 139 | 13 624 | 2020 |

Source: National Office of Statistics - Foreign Trade Statistics for the Period 2000-2020

The table shows that the European Union is one of Algeria's most important customers due to the special relationship between them, which was formalized in the Association Agreement that came into effect in September 2005. Algerian exports to the EU increased gradually from 2002 to 2008 then decreased in 2009 due to the global demand slump caused by the global financial crisis at that time. However, in 2010, exports to the EU rose by 20.8% compared to 2009. The years 2015 and 2016 saw a decline in exports to the EU due to fall of oil prices at the end of 2014, especially since oil exports dominate Algeria's exports to the EU. With the gradual recovery of oil prices in 2018, Algerian exports to the EU increased to \$23 654 million, representing 57.45% of total exports, the highest percentage compared to other economic regions. Asian countries ranked second with \$6 950 million, representing 16.88%, followed by other Asian countries with \$5 351 million, or 13%.

As noted, Algerian exports began to decline in 2019, dropping from \$20 690 million to \$13 624 million towards the European Union. This decrease is attributed to the global event of the COVID-19 pandemic, which resulted in negative impacts that caused most economic activities worldwide to halt and recede.

2.2 Geographical Distribution of Algerian Imports during the Period 2000-2020:

The following table illustrates the distribution of Algerian imports according to economic regions, which are considered the most significant economic partners of Algeria:

Table (05): Geographical Distribution of Algerian Imports during the Period 2000-2020: (Unit: Million US Dollars)

| Total | Africa | The Maghreb region | Arab countries outside UAM | Oceania | Asian countries | South American countries | Other European countries | OCDE Countries Outside of the EU | European Union | Years |
|--------|--------|--------------------|----------------------------|---------|-----------------|--------------------------|--------------------------|----------------------------------|----------------|-------|
| 9 173 | 119 | 52 | 144 | 64 | 599 | 142 | 603 | 2 194 | 5 256 | 2000 |
| 9 940 | 85 | 72 | 179 | 92 | 579 | 269 | 636 | 2 125 | 5 903 | 2001 |
| 12 009 | 87 | 127 | 366 | 127 | 943 | 385 | 757 | 2 485 | 6 732 | 2002 |
| 13 534 | 125 | 120 | 418 | 47 | 1 206 | 567 | 855 | 2 242 | 7 954 | 2003 |
| 18 308 | 175 | 169 | 525 | 56 | 1 952 | 1 166 | 1 097 | 3 071 | 10 097 | 2004 |
| 20 357 | 148 | 217 | 387 | 31 | 2 506 | 1 249 | 1 058 | 3 506 | 11 255 | 2005 |
| 21 456 | 148 | 235 | 493 | 0 | 3 055 | 1 281 | 777 | 3 738 | 11 729 | 2006 |
| 27 631 | 231 | 284 | 621 | 0 | 4 318 | 1 672 | 715 | 5 363 | 14 427 | 2007 |
| 39 479 | 395 | 395 | 705 | 0 | 6 916 | 2 179 | 659 | 7 245 | 20 985 | 2008 |
| 39 294 | 350 | 478 | 1 089 | 2 | 7 574 | 1 866 | 728 | 6 435 | 20 772 | 2009 |
| 40 473 | 396 | 544 | 1 262 | 0 | 8 280 | 2 380 | 388 | 6 519 | 20 704 | 2010 |
| 47 247 | 578 | 691 | 1 760 | 0 | 8 873 | 3 931 | 579 | 6 219 | 24 616 | 2011 |
| 50 376 | 741 | 807 | 1 555 | 0 | 9 538 | 3 590 | 1 652 | 6 160 | 26 333 | 2012 |
| 55 028 | 594 | 1 029 | 2 414 | 0 | 10 623 | 3 466 | 1 213 | 6 965 | 28 724 | 2013 |
| 58 580 | 440 | 738 | 1 962 | 0 | 12 619 | 3 815 | 886 | 8 436 | 29 684 | 2014 |
| 51 702 | 359 | 680 | 1 918 | 0 | 11 850 | 2 822 | 1 225 | 7 363 | 25 485 | 2015 |
| 47 089 | 238 | 701 | 1 927 | 0 | 11 709 | 2 857 | 936 | 6 249 | 22 472 | 2016 |
| 46 059 | 186 | 592 | 1 542 | 0 | 12 369 | 3 209 | 1 910 | 5 953 | 20 298 | 2017 |
| 46 197 | 166 | 546 | 1 904 | 0 | 11 557 | 3 546 | 1 542 | 5 837 | 21 099 | 2018 |
| 42 032 | 174 | 556 | 1 658 | 390 | 11 553 | 3 367 | 1 437 | 4 248 | 18 649 | 2019 |
| 34 167 | 147 | 392 | 1 588 | 330 | 8 798 | 3 256 | 1 398 | 3 649 | 14 609 | 2020 |

Source: National Office of Statistics - Foreign Trade Statistics for the Period 2000-2020

The table shows that the European Union countries have the largest share of Algerian imports over the years, with the highest value of Algerian imports from the European Union reaching \$68 429 million in 2014. This value gradually decreased to \$20 298 million in 2017, representing 44% of Algeria's total imports. Algerian imports from the European Union and other countries significantly decreased in 2019 and 2020, with imports from the European Union reaching \$64 918 million and \$60 914 million, respectively. The reason for this decline was the global health crisis represented by the COVID-19 pandemic, which forced the government to take several measures to preserve essential goods stocks.

Conclusion

Foreign trade holds significant importance for all countries, as it allows them to obtain all necessary goods and services from other nations. A country can either be an exporter or an importer. Consequently, this entails obligations and rights towards other countries, which are reflected in the trade balance. The trade balance is considered as one of the most critical analytical tools a country relies on to understand its economic status. Every country strives to maintain a balanced trade balance, which is considered an indicator of economic strength. Therefore, countries develop and follow strategies to achieve development.

Given that Algeria is among the developing countries, it strives to integrate into the global economy through its efforts to join the World Trade Organization and its partnership agreement with the EU. This is achieved by adopting liberal trade policies to support the volume and direction of its foreign trade.

Deductions:

Due to continuous rise in fuel prices at the beginning of the millennium, oil revenues flourished. This led the state to adopt strategic development plans, especially in the infrastructure sector, as well as to establish various industries and activities. However, with the decline in oil prices around mid-2014, there was a important impact on the trade balance and the national economy as a whole. The following results can be drawn:

- The Algerian foreign trade sector is considered one of the most important economic sectors, based on several indicators, the most significant of which is that Algeria is a petrostate. Therefore, Algerian foreign trade is undergoing a series of structural adjustments and reforms, primarily aimed at promoting exports and seeking ways to integrate into the international market.
- Improving the trade balance does not solely depend on removing customs and non-customs barriers imposed on the exchange of goods. Rather, it hinges on economic diversification, which the Algerian economy relies on, and specialization, which provides the necessary foundation for expanding trade exchanges.
- The structure of Algeria's foreign trade during the period (2000-2020) shows that the volume of trade exchanges is largely concentrated with the EU countries, in addition to CN (CHINA). On the other hand, Arab trade exchanges were very weak, and the fuel sector continued to dominate the biggest share of total exports.
- The fuel sector remains dominant in the composition of exports, while consumer goods, especially food products and semi-finished goods, continue to occupy the top positions in the composition of imports.

Suggestions:

Algeria must focus on developing its local energy sector and making better use of its resources to grow its economy, which relies heavily on fuels as a primary source of income. Additionally, it is crucial to diversify income sources as much as possible and invest the revenues from oil exports wisely. Some recommendations include:

- The geographic factor plays an important role in competing in foreign markets. Therefore, Arab countries should develop policies based on maximizing trade cooperation and work to improve the level of exchange among themselves. This can be achieved by studying foreign markets and getting closer to them to take advantage of the opportunities for free exchange between them.
- Preparing the appropriate frameworks to oversee and monitor the implementation of trade policies in order to provide Algerian products in the required quantity, quality, and standards for foreign markets.
- Working on creating a favorable investment environment and strive to attract foreign investments.
- Giving significant importance to developing infrastructure as it leads to reduced transaction costs.
- Establishing small and medium-sized enterprises, as they help achieve economic development.
- Reconsidering the agricultural sector through rational management of available resources and optimal utilization thereof.

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