



The Reality of Economic Diversification and Its Role in Promoting Algerian Foreign Trade During the Period 2010-2016

Moulefera Fatima Zahra¹, Farsi Fatna²

¹ Southwest Economic Studies and Local Development Laboratory-University Of Tahri Mohammed –Bechar- (Algeria), Moulefera.fatimazohra@univ_bechar.dz

²University Of Tahri Mohammed –Bechar- (Algeria), farsifatna18@gmail.com

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Abstract:

The study aimed to analyze and highlight the impact of economic diversification on foreign trade at the theoretical level and then attempt to apply this to the reality of economic diversification in Algeria during the period (2010-2016).

Given that Algeria's economy is heavily reliant on oil wealth, which is considered a finite resource threatened by depletion, the Algerian government deemed it necessary to transition from a rentier economy to a diversified one. This transition was achieved through a series of measures that aimed to bolster various economic sectors and encourage their penetration of international markets. The primary goal was to promote and diversify non-oil exports and eliminate export dependency on oil.

However, it was concluded that economic diversification did not bring any significant value or change to Algerian foreign trade due to the continued reliance on oil exports by the government.

Key words: economic diversification; foreign trade; rentier economy; economic sectors; trade promotion.

JEL Classification Codes: F4, R11.

1-Introduction:

Economic diversification is regarded as one of the most critical economic topics that drive development and aim to fortify economies, providing them with resilience to adapt to changing economic circumstances. This is especially relevant for oil-exporting countries, whose economies are susceptible to severe shocks due to their heavy reliance on a specific sector, particularly oil. Given that oil is a finite and diminishing resource, countries with mono-economic structures, or those suffering from oil dependence, are compelled to make substantial and fundamental changes to their economic structures. This necessitates the adoption of economic diversification policies, which ensure the enhancement, diversification, and balance of their economies, as well as guarantee their sustainability. Additionally, foreign trade policies play a significant role in diversifying exports. Algeria, as an oil-exporting nation, has begun to prioritize economic diversification and foreign trade to mitigate the fluctuations in oil prices that can impact its investments and developmental plans, especially over the past decade.

Research Problem:

Based on the preceding information, the following research problem can be formulated:

To what extent did economic diversification contribute to Algerian foreign trade during the period spanning from 2010 to 2016?

From the above problem, the following sub-questions can be derived:

- What economic sectors have an impact on Algeria's Gross Domestic Product (GDP)?
- Is it possible to replace the hydrocarbon sector with the agriculture and tourism sectors?

Research Hypotheses:

In order to address the research problem and the sub-questions, the following hypotheses are postulated:

- ✓ Algeria's emphasis on the agriculture sector, as a pivotal contributor beyond hydrocarbons, holds the potential for a substantial enhancement of its Gross Domestic Product (GDP).
- ✓ Despite the adoption of various developmental plans and initiatives aimed at economic diversification, Algeria remains ensnared within the overarching influence of the hydrocarbon sector.
- ✓ The tourism sector has the capacity to act as a diversification source, leading to a notable increase in value addition to the national economy.

The Importance of the Study:

The significance of this research is underscored by the importance of the subject matter. Economic diversification has captured the attention of researchers across various fields, particularly in developing countries with rentier economies. Algeria, in particular, has focused on enhancing its non-hydrocarbon exports as a means of breaking free from oil dependence, overcoming economic stagnation, and fostering development.

Study Objectives:

This study aims to:

- Clarify the relationship between economic diversification and foreign trade.
- Highlight the potential of economic sectors in activating and revitalizing the Algerian economy while freeing it from oil dependence.
- Assess Algeria's readiness for diversifying its exports.

Research Methodology:

The study employs a descriptive methodology in the theoretical aspect, while the analytical approach is used in the empirical section to examine the development of non-oil sectors.

Study Structure:

The study is structured around two main axes. The first axis is theoretical, focusing on the study of economic diversification and foreign trade. The second axis comprises a quantitative study of the actual economic diversification in Algeria, specifically during the period 2010-2016.

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study of the actual state of economic diversification in promoting Algerian foreign trade during the period spanning from 2010 to 2016.

2- Economic Diversification and Foreign Trade:

Economic diversification holds significant importance, especially for oil-exporting countries, as it represents one of the fundamental issues concerning the future of development. It plays a pivotal role in economic growth by contributing to increased productivity and bolstering investment, particularly in resource-rich countries that still heavily rely on a single source of revenue. In light of this, most countries, especially those with rentier economies, have been working on diversifying their economies, with a particular emphasis on private sector involvement to achieve development. This, in turn, has a positive impact on foreign trade and reflects the strength rather than the weakness of the economy.

2-1- Economic Diversification:

Economic diversification in oil-exporting countries primarily aims to broaden the production base to ensure the stability of state revenues and to avoid shocks and crises resulting from dependence on a single resource, (oil).

2-1-1- The Concept of Economic Diversification:

The term "economic diversification" is broad and encompasses several concepts, some of which are summarized as follows:

- First Definition: Diversification, in a general sense, refers to reducing reliance on a single resource and transitioning towards strengthening the industrial and agricultural base, creating a productive foundation. This means building a national economy that tends towards self-sufficiency in multiple sectors (Haymour, page 39).
- Second Definition: Economic diversification is defined as the process of expanding the scope of economic activities in both the production and distribution of goods and services. It aims to create opportunities for various economic activities on a wide scale, providing employment opportunities and economic stability.
- Third Definition: Economic diversification is a development policy aimed at reducing economic risks, increasing added value, and improving income levels. This is achieved by directing the economy towards diverse or new sectors or markets, rather than relying on a single market, sector, or product (Al-Saeed, December 2017, page 228).
- Fourth Definition: It refers to the reliance on a growing range of categories that contribute to forming output (outputs). It can also be translated into diversifying export markets, diversifying sources of income away from local economic activities (i.e., income from foreign investment), or diversifying sources of public revenue (Bahi, December 2016, page 135).

2-1-2- Motivations for the Shift Toward Economic Diversification:

Various motivations prompt a country to consider the necessity of diversifying its economy, including the following:

- The continuous fluctuations in commodity prices, which form the backbone of economies with mono-economic structures.
- The volatility of income in such countries and its impact on their public spending.

- The variation in the pattern and pace of horizontal and vertical development.
- The pervasive nature of these primary resources.
- The ongoing and growing reliance on imports of production and consumer goods from abroad.

3.1.2. Types of Economic Diversification:

Three main types of economic diversification can be distinguished:

- **Horizontal Diversification:** This type relies on creating a new productive sector that operates independently to generate wealth. It is one of the most challenging strategies because it requires the introduction of new economic activities. Horizontal diversification also involves allocating investments to tools within the same category, such as the petroleum sector.
- **Vertical Diversification:** This approach depends on expanding the range of manufactured products within the same sector with the aim of creating an integrated sector. It involves allocating investments to diverse sectors, such as agriculture, industry, and services, or to different categories of investment tools, such as stocks and bonds.
- **Cumulative Diversification:** This strategy focuses on developing independent and diverse sectors. The goal is to minimize risks in case one of the sectors encounters difficulties (Hamidatou, 2019, page 144).

4.1.2. The Importance of Economic Diversification:

Economic diversification carries significant importance in the development and protection of the national economy from economic shocks and crises. The importance of economic diversification lies in the following:

- **Shielding the Economy from External Shocks:** Economic diversification reduces the risks that the economy can face in general. It lessens reliance on economic activities subject to periodic fluctuations and external shocks. By increasing the contribution of other sectors, which have a significant size and possess forward and backward linkages with industrial sectors, to the Gross Domestic Product (GDP), economic diversification enhances both domestic and foreign trade. This helps in breaking free from commodity concentration and dependence on a narrow range of exports and a single source of income.
- **Achieving Economic Stability and Enhancing Growth:** A diversified economy fosters stability and growth by leveraging comparative advantages and natural resources. The goal is to increase output through structural diversification, which, in turn, creates more employment opportunities and boosts economic growth. Additionally, it improves the trade balance and increases financial revenues, ultimately enhancing the purchasing power of the local currency and reducing price fluctuations.
- **Creating Jobs and Reducing Unemployment:** A diversified economy generates various job opportunities since it involves numerous industries contributing to a diverse labor market. This leads to reduced unemployment and increased local value addition by establishing new projects, developing existing ones, and involving more national labor in the production of goods and services.

5.1.2. Objectives of Economic Diversification:

Economic diversification aims to achieve a range of objectives, including:

- Achieving economic growth and sustainable development that enhances living standards, generates wealth, job opportunities, and encourages the development of new knowledge and technology.
- Creating a stable economic environment that promotes both foreign and domestic investment and fosters a conducive business environment.
- Restructuring the national economy to make it more diversified and productive, reducing its vulnerability to dependence on a single source or limited sources.
- Achieving diversity in national income sources and relying on multiple sources to reduce dependence on revenues from mono-economic sectors.
- Increasing the contribution of various economic sectors to national income and improving the efficiency, effectiveness, and interconnectivity of these sectors, especially the manufacturing sector.
- Reducing the risks of fluctuations in export commodity prices and increasing the trade balance by diversifying exports.
- Creating jobs in the private sector for citizens by developing various economic sectors.
- Raising labor and human capital productivity, and consequently, economic growth rates.

3. International Trade:

Various economic sectors contribute to meeting the needs of different economies, and international trade is considered one of the most vital sectors in any economy due to its significant role in developing and enhancing international economic relationships.

3.1. Concept of International Trade:

The concept of international trade can be defined in various ways depending on the purpose of the study. Some of the most important definitions include:

- A general concept of international trade is that international economic transactions, whether in the form of the transfer of goods, individuals, or capital, occur between individuals living in different political units or between governments or economic organizations residing in different political units. (Jouidan, 2011, Page 11)
- It is also defined as the most important form of economic relationships that involve the exchange of goods and services in the form of exports and imports. (Aabi, 2019, Page 3)
- It is defined as the set of legal rules that regulate business activities, based on the mutual financial, material, and service flows between countries. Exports represent the productive capacity of an economy, which can be transferred to other countries, while imports represent the deficit in covering a part of the total demand at the national economic level. (Zirmi, 2011, Page 4)

In summary, international trade can be defined as the process of commercial exchange (of goods and services) between a country and the outside world.

2.3. Foreign Trade Policies:

In this section, we will discuss the concept of foreign trade policy and its types.

2.3.1. Concept of Foreign Trade Policy:

Foreign trade policy can be defined as one of the branches of general economic policy responsible for regulating foreign trade affairs through specific tools to achieve defined objectives. (Metwally, 2010, page 69)

2.3.2. Types of Foreign Trade Policy:

There are two main types of foreign trade policy:

- **Protectionist Trade Policy:** Protectionist trade policy involves a state's adoption of a set of laws, regulations, and implementing measures to protect its domestic goods or domestic market against foreign competition.
- **Free Trade Policy:** Free trade policy emerged and expanded with the ideas of classical economics in the field of foreign trade. It advocates the rights and freedom of individuals and institutions to engage in economic activity and exchange as they wish without government intervention. In this formulation, free trade policy can be defined as a set of rules, procedures, and measures aimed at removing or reducing direct or indirect, quantitative, or non-quantitative restrictions, whether definitional or non-definitional, to promote international trade across national borders to achieve specific economic objectives.

The Relationship between Economic Diversification and Foreign Trade. The relationship between foreign trade and the economy is a close and interdependent one. Given that foreign trade is one of the most vital sectors in the economy, it has a significant impact and is influenced in return. This is evident through the following:

1.4. The Relationship between Trade Liberalization Policies and Export Diversification:

Despite the existing contrast in the contributions of various types of foreign trade to economic export diversification, there is a theoretical and empirical consensus regarding the role of trade liberalization policies in promoting export diversification. Many recent studies have demonstrated that the level of customs tariffs directly affects a country's export capabilities, drawing from the model developed by Dr. Ricardo, who believed that reducing customs barriers necessarily leads to the expansion of the variety of exported goods. (Christian, 2010, p. 24)

A study conducted by Melitz in 2003 showed that foreign trade can enhance export diversification by increasing the number of sectors benefiting from export opportunities. The source of these effects lies in the monopolistic competition model, where each firm can produce a diverse range of exportable goods. Conversely, in countries where exports are concentrated around primary commodities, traditional explanations such as the Heckscher-Ohlin model are more relevant for explaining the latent impact of foreign trade liberalization on export diversification. In these countries, due to high revenues from traditional sectors, trade reforms can negatively affect export diversification.

In an experimental study conducted by Ruhl and Kehoe, the trade policies of six countries were analyzed, including Spain, Greece, Portugal, the United States, Canada, and Mexico, during critical stages of foreign trade liberalization (joining the European Economic Community, the Canada-US Free Trade Agreement, and the North American Free Trade Agreement). It became evident that reducing customs tariffs resulted in significant export

growth for these countries, especially for less-traded goods before trade liberalization. These newly traded goods eventually represented a significant share of their total exports.

Moreover, Kee and Feenstra analyzed the industrial export diversification of Mexico and China between 1990 and 2001. They found that trade liberalization played a pivotal role in expanding the variety of exports in these countries.

In summary, trade liberalization policies play a significant role in promoting export diversification, leading to a broader range of products and services that countries can export to the global market. This can be particularly advantageous for countries seeking to diversify their export base and reduce their dependence on a limited set of products. (Zawi, June 2017)

2.4. The Relationship between Export Diversification and the Balance of Payments:

In economies heavily reliant on the export of a single product, such as oil, particularly in oil-producing Arab countries like Algeria, the revenues generated, whether in the general treasury or the balance of payments, are closely intertwined with the oil sector. Both general treasury revenues and the balance of payments are characterized by their instability and dependency on oil. They increase when oil prices rise in the global markets and decrease when oil prices fall in the global market. This situation poses a significant risk to the national economy due to its dependence on a single resource. It underscores the necessity of shifting towards economic diversification.

3. The Reality of Economic Diversification in Promoting Algerian Foreign Trade during the Period 2010-2016:

1.3. Contribution of Economic Sectors to Gross Domestic Product (GDP) Formation:

The Algerian economy is one of the most concentrated and least diversified compared to other countries and neighboring nations like Tunisia and Morocco, which have a more diversified economy and export a greater variety of products. Table 1 illustrates the contribution of economic sectors to the formation of the Gross Domestic Product.

From Table 1, it becomes evident that the hydrocarbon sector dominates the Algerian economy, with its contribution reaching 38.3% in 2011, the highest among all other sectors. As for the agricultural sector, despite Algeria's potential for its development, its contribution did not exceed 12% of the GDP. The industrial sector has experienced fluctuations in its contribution to GDP in recent years, with the highest percentage recorded at 6.7% in 2013. The services sector, on the other hand, has had a positive contribution to the Gross Domestic Product, showing significant growth in recent years compared to the hydrocarbon sector, which has declined due to the effects of the oil crisis.

The contribution of the tourism sector to Algeria's GDP is very weak, remaining at only 4% during the study years, which is significantly lower than the contribution of the industrial sector. This weakness in the tourism sector can be attributed to the substantial contribution of the hydrocarbon sector to the GDP due to high oil prices, which has led to the neglect of other economic sectors, including the tourism sector.

2.3. Agriculture as a Strategic Option for Diversifying the Algerian Economy:

The agricultural sector is one of the most important sectors that the state emphasizes, following the hydrocarbon sector, due to the financial returns it generates for the state budget.

The significant importance of this sector in the national economy is evident through its contribution to achieving food security and providing employment opportunities.

1.2.5. Contribution of the Agricultural Sector to Achieving Food Security and Self-Sufficiency:

Food security is defined as the ability to provide food for the citizens at prices that are proportional to their incomes. Self-sufficiency, on the other hand, is about fulfilling food needs through local production. Table 2 illustrates the self-sufficiency percentage for cereal crops during the period 2009-2011.

Despite the cereal production achieved in 2009, the self-sufficiency rate for cereal crops did not exceed 39.88%. This rate is weak and does not reflect food security for this crop. It is far from the desired percentage that the Ministry has aimed for through reforms and policies since 2000. It also indicates that more than 60% of our cereal needs depend on imports, which burdens the balance of payments and makes us vulnerable to the negative effects of price fluctuations and economic crises (Mezzouz & Groumi, 2014, p. 59).

2.2.5. Contribution of the Agricultural Sector to Employment Policies in Algeria:

Around 917,000 workers are employed in the agricultural sector, accounting for approximately 8% of the total workforce, according to statistics from September 2015. Figure 1 illustrates the evolution of the number of workers in the agricultural sector during the period from 2010 to 2016.

Figure 1 shows that the number of workers in the agricultural sector varied during the study period from 2010 to 2016, ranging between 865,000 workers and 1,141,000 workers. The years 2010, 2011, and 2013 were among the best years for employment, with over 1,000 workers. In contrast, the most recent years saw lower employment levels with fewer than 1,000 workers.

It is important to note that the agricultural sector is closely linked to climatic conditions. High rainfall levels, for instance, lead to increased production and, consequently, higher seasonal employment rates in the sector. Conversely, a lack of rainfall has the opposite effect.

3.2.5. Contribution of the Agricultural Sector to Promoting Foreign Trade:

The contribution of the agricultural sector to the promotion of exports and imports is one of the most significant indicators of the sector's importance in the development of the national economy, as demonstrated by Table 3.

From Table 3, it is evident that agricultural exports exhibited significant fluctuations from one year to another during the study period. Notably, there were substantial declines in the value of exports, with the highest value achieved in 2012 at 9.79%. This decline can be attributed to the lack of effectiveness in the structure of Algerian exports.

Moreover, the value of imports in Algeria experienced a slight decline during the study period. The highest value was recorded in 2010, while the lowest was in 2016. This decrease can be attributed to Algeria's recent achievement of some degree of self-sufficiency in agricultural production. However, this should not be misconstrued as self-sufficiency in cereal crops, as Algeria still remains one of the largest importers of grains, particularly wheat.

3.5. Tourism as a Strategic Option for Diversifying the Algerian Economy:

The Algerian government has expressed its intention to formulate a new tourism development policy, which is evident from the measures put in place to nurture this sector. A long-term sustainable tourism development plan was crafted in August 2001, covering a full decade with its objectives extending to the year 2010. Subsequent revisions transformed it into a new project with goals set up to 2013. This new project aimed to capitalize on Algeria's natural, cultural, religious, and civilizational assets, enhance the quality of tourism services, and revamp the hospitality and tourism establishments to contribute to local development. However, this plan quickly encountered stagnation due to the hesitation of public authorities and the instability of the tourism sector. A comprehensive report on the strategic tourism development plan was issued by the relevant authorities, outlining the national tourism policy until 2025. Nevertheless, the plan for tourism development until 2016 yielded no significant results, underscoring the sector's lack of attention.

1.3.5. Tourism Indicators in Algeria:

Various indicators shed light on the state of tourism in Algeria, depicting its growth and decline. Among these indicators are those presented in Table 4.

From Table 4, it becomes evident that the number of tourists arriving in Algeria from 2010 to 2014 was mostly comprised of Algerian tourists residing abroad. However, their numbers dropped to a record low in 2015, attributed to competitive prices offered by neighboring tourist destinations, particularly Tunisia. There was a slight increase in the number of foreign tourists compared to previous years, signifying that foreigners primarily visit Algeria for recreational and leisure purposes rather than business and official missions, which remain very low.

2.3.5. The Role of the Tourism Sector in Activating Economic Activity in Algeria:

Considering tourism as one of the key sectors with the potential to activate and develop a country's economy, we will explore its economic impacts, including its contribution to the balance of payments and employment.

3.3.5. Contribution of Tourism to Employment:

The tourism sector is among the most significant providers of employment in Algeria, as illustrated in Figure 2, showing the evolution of the number of workers in the tourism sector during the period 2010-2016.

Through the data presented in Figure 2, it becomes apparent that the tourism sector plays a significant role in reducing unemployment in Algeria. This sector has witnessed a clear and consistent growth in the number of workers during the study period from 2010 to 2016. In 2016, the number of workers reached approximately 270,000, compared to 265,000 in 2015.

4.3.5. Contribution of Tourism to the Balance of Payments:

Tourism constitutes a part of the invisible transactions in the balance of payments. Each country aims to achieve a positive balance of payments by exporting tourism-related goods and services, which can boost tourism revenue and, subsequently, stimulate foreign trade. This is depicted in Figure 3.

From the data in Figure 3, it is evident that there are fluctuations in tourism revenue. In 2016, there was a decrease of \$209 million compared to 2015 when the revenue reached \$304 million. These revenues are considered weak, given Algeria's tourism investment potential.

When discussing the competitiveness of the tourism sector in the Arab world, the United Arab Emirates ranked first during the specified period in the table. As for Algeria, it occupied the 13th position in 2009 and 2011 and the 11th position in 2013. These rankings are relatively low compared to neighboring countries such as Tunisia and Morocco.

4.5. Industry as a Strategic Option for Diversifying the Algerian Economy:

The significant decline experienced by the industrial sector in its production structure was due to reform measures and restructuring efforts. During the period from 1989 to 1998, 443 industrial economic establishments were dissolved, and approximately 17.3% of the total industrial sector workforce was laid off. Additionally, the sharp decrease in demand resulted from the erosion of citizens' purchasing power due to price liberalization and the devaluation of the national currency. These factors diminished the opportunities for economic revitalization and achieving the required level of growth (Qitoun, December 2017).

1.4.5. Contribution of the Industrial Sector to Employment:

Figure 4 illustrates that the workforce in the industrial sector witnessed fluctuations during the study period. The number of employees increased in 2013 to reach 1,407 workers, only to decline in 2014 to its lowest level at 1,290 workers. It then increased in 2015 and 2016, with the last year, 2016, recording the highest employment level, reaching 1,465 workers. This is attributed to the economic policies pursued by the state in recent years to achieve a qualitative leap in the industrial sector.

2.4.5. Contribution of the Industrial Sector to Promoting Foreign Trade:

As seen in Table 5, the proportion of industrial exports in Algeria is very low compared to major industrial nations. However, it's important to note that Algeria has achieved increasing proportions in industrial exports starting from 2010, with the highest proportion recorded in 2015. This progress can be attributed to the private sector's contribution to diversifying exports.

Given the importance of economic diversification for rentier economies like Algeria, the country needed to restructure its economy by relying on alternative sectors to break free from oil dependency and contribute to revitalizing its foreign trade. One of the alternative sectors was agriculture, which is vital for building any country's economy, including Algeria. Algeria possesses the resources and potential to develop its agricultural sector, especially as it has around 17% of its total land area dedicated to arable land. During the study period from 2010 to 2016, the agricultural sector's contribution did not exceed 12% of the Gross Domestic Product (GDP), despite various development programs implemented by the state.

Agriculture plays a significant role in promoting foreign trade, generating revenue that contributes to boosting the country's financial resources. However, the contribution of the agricultural sector to enhancing exports was weak compared to the oil sector, which remains the linchpin of the national economy. Algeria's foreign trade was heavily reliant on oil exports.

Today, every country aims to develop and enhance its tourism sector, improve its tourism image to align with global trends, and diversify its revenue streams. In Algeria, despite its tourism potential, diversified resources, vast land, and natural attractions that make it a prime tourism destination, the sector only represents about 1.4% of the total GDP. Furthermore, its

tourism revenues are inadequate for stimulating and revitalizing foreign trade. This is reflected in the limited foreign exchange earnings, highlighting the weakness of the tourism sector in Algeria.

Industry is the best guarantee for stable growth, avoiding sudden fluctuations in oil production and prices. Algeria's overreliance on the oil sector made it extremely vulnerable to the oil crisis in 2014, resulting in economic challenges and the need to adopt a new industrial strategy.

However, the policies implemented by the Algerian government have not met the required standards. The contribution of the industrial sector to the Gross Domestic Product (GDP) in recent years has not exceeded 6%, and its role in promoting foreign trade has been undermined due to the weak industrial exports. This underscores the sickness and fragility of the industrial sector.

Despite being aware that the oil sector is a finite resource susceptible to instability, Algeria has not yet diversified from its monopolistic hold on this sector. Any increase in oil prices in global markets can have both positive and negative effects on Algeria's economy, while the nation remains dependent on oil. Despite government programs, policies, and initiatives aimed at developing and diversifying alternative sectors like agriculture, tourism, and industry, these sectors have not been adequately activated.

Algeria needs to work on diversifying and developing its national economy by enhancing competencies and qualifications for the success of its development programs. Economic diversification has a positive impact on the balance of payments, exchange rates, goods, and services

6. Conclusion:

Economic diversification is an essential necessity for resource-rich developing countries to mitigate the risks arising from fluctuations in oil prices. Algeria is one of these countries and is striving to diversify its economy to reduce its dependence on oil revenues and explore avenues to generate non-oil income. This can be achieved through the development of alternative economic sectors.

Diversifying exports is a robust means of revitalizing and promoting foreign trade, which, in turn, enhances the role of the private sector as the primary engine of any economy. This entails attracting both direct and indirect investments, invigorating domestic trade, and fostering the development of national industries that can be directed towards exports.

Achieving economic diversification requires supporting alternative economic sectors and working on their development. These sectors include agriculture, tourism, and industry, all of which have the potential to contribute significantly to the overall Gross Domestic Product (GDP).

Testing the Hypotheses:

- Test of Hypothesis 1: Algeria has made efforts to diversify its economy by relying on various alternative economic sectors, including agriculture, tourism, industry, and services. The services sector, in particular, has shown considerable contribution to the GDP after the hydrocarbons sector, which contradicts the first hypothesis.

- Test of Hypothesis 2: While Algeria has initiated economic restructuring to diversify its exports, it has struggled to significantly reduce the dominance of the hydrocarbons sector in the economy, affirming the second hypothesis.
- Test of Hypothesis 3: The policies implemented by the state to activate the tourism sector have not been able to substantially increase its contribution to the national economy due to weak global demand, t

recommendations

Through theoretical and applied studies, several recommendations can be made to benefit both the Algerian economy and foreign trade. These recommendations include:

1. Building an economy based on diversification in exports across various sectors to reduce dependence on petroleum revenues.
2. Giving special attention to the agricultural sector to increase its activity and contribution to foreign trade.
3. Supporting the services sector.
4. Enhancing the capabilities and qualifications of the entities responsible for promoting non-hydrocarbons exports.
5. Revitalizing the production apparatus and developing strategies to encourage investment and improve the industrial sector.
6. Encouraging investment in the tourism sector.
7. Involving the private sector in achieving economic development.

Table 1: Contribution of Economic Sectors to Gross Domestic Product Formation (2010-2016) Unit: %

Sectors Years	Petroleum	Agriculture	Industry	Services	Tourism
2010	37	9	5.5	23.3	1
2011	38.3	8.6	4.9	21.1	0.9
2012	32.9	8.8	4.5	20.4	0.9
2013	29.9	9.9	4.6	23.1	1
2014	27.1	10.3	4.9	24.3	1.1
2015	18.8	11.6	5.4	27.2	1.3
2016	17.4	12.3	5.6	27.8	1.4

Source: National Office of Statistics.

Table No. (02): Self-sufficiency percentage for grain production during the period 2009-2011
Unit% :

Years	Available for consumption	Available for consumption	Imports	Exports	Production
2009	39.88	13172.31	7925.19	6.03	5253.15
2010	36.48	12496.38	7925.19	6.03	4558.57
2011	31.96	11665.80	7946.15	8.34	3727.99

.Source: Annual Book of Agricultural Statistics, Volume 32, Page 196

Table No. (03): Contribution of the Agricultural Sector to the Promotion of Foreign Trade .2010-2016

Unit% :

The Year	2016	2015	2014	2013	2012	2011	2010
Agricultural Exports	3.51	2.81	1.84	1.21	9.79	2.45	1.58
Agricultural Imports	1.40	1.44	1.56	1.44	1.48	1.52	1.61

Source: World Bank Data.

Table Number (04): Number of Tourists Visiting Algeria in the Period 2011-2015.

Years	2015	2014	2013	2012	2011
Total Tourists	1709994	2301371	2732731	2634056	2394887
Growth Rate	-25,7	-15,78	3,75	9,88	15,66
Foreign Residents	626873	1361248	1768578	1652101	1493286
Growth Rate	53,95	23,03	7,06	10,64	5,49
Foreign Tourists	1088121	940125	964153	981905	901642
Growth Rate	15,21	-2,49	-1,81	8,91	37,66

".The source: "Report on Algerian Tourism by the World Tourism Organization"

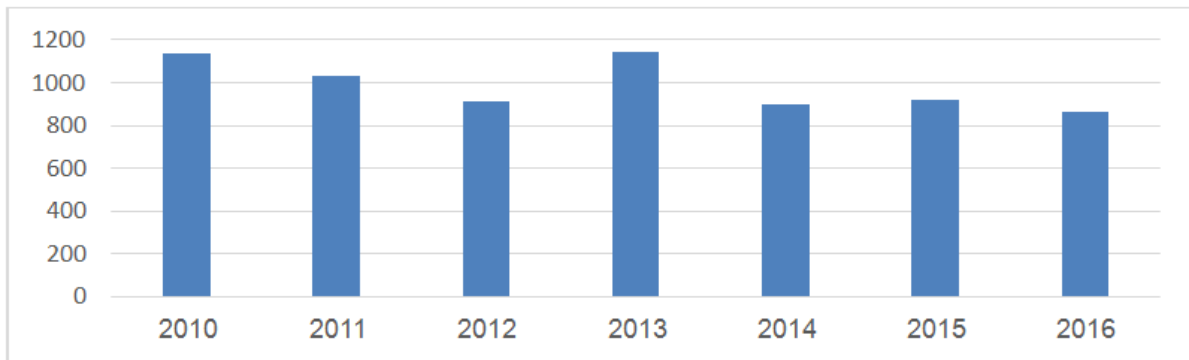
Table number (05): Percentage of industrial exports to total exports during the period 2010-2016.

Unit: %

2016	2015	2014	2013	2012	2011	2010	The years
4.1	4.7	3.5	2.5	2.2	2	1.8	Percentage of industrial exports to total exports

Source: Bank of Algeria, Annual Report 2016 - Economic and Monetary Development in Algeria, September 2017, page 162.

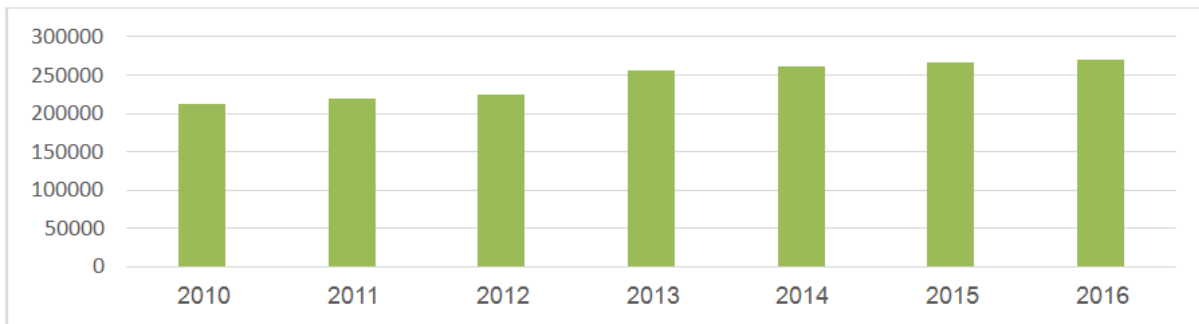
Figure 1: Number of Workers in the Agricultural Sector (Thousand Workers)



Source: Based on data from the Bank of Algeria.

Figure 2: Contribution of Tourism to Employment during the Period 2010-2016

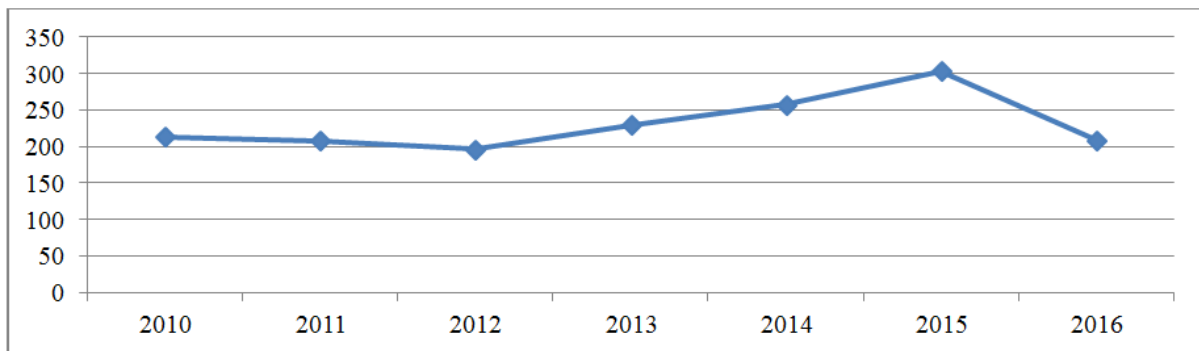
Unit: Thousand Workers.



Source: Based on data from the Ministry of Tourism and Traditional Industry.

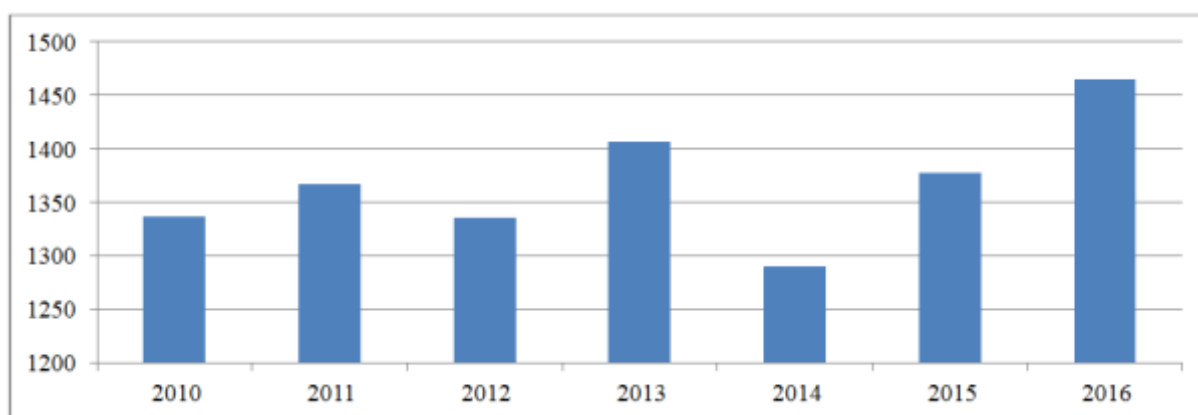
Figure No. (03) Contribution of tourism to the balance of payments during the period 2010-2016

Unit: Million dollars



Source: Based on data from the Ministry of Tourism and Handicrafts.

Figure No. (04) Evolution of the workforce in the industrial sector (in thousands) during the period 2010-2016.



Source: Based on data from the Bank of Algeria.

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