

ASSESSMENT OF ALGERIAN TRADE EXCHANGES IN THE ARAB FREE TRADE AREA

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ABSTRACT

This research paper aims to analyze and evaluate Algerian trade exchanges with various geographical regions, with a focus on bilateral trade with Arab countries within the framework of the Greater Arab Free Trade Area. The study concluded several key findings, including a significant geographic concentration of Algerian foreign trade. Just as exports are directed towards a limited number of clients, imports into Algeria similarly come from a limited number of suppliers. Additionally, Algerian-Arab trade within the free trade agreement is extremely limited, with very low values that do not meet expectations.

Keywords: Foreign trade, geographic concentration, Greater Arab Free Trade Area.

1- INTRODUCTION:

Economic blocs are not a recent phenomenon; rather, they trace back at least to the beginning of the twentieth century, specifically after the Second World War. However, what is new in the matter is the growth and rapid trend towards establishing these blocs or joining them, especially by advanced countries. It can be said that the proliferation of this phenomenon in the last decade of the twentieth century made it a fundamental characteristic of the new global economic system. After the economic challenge replaced the security challenge, the recent years of the 1980s and the early years of the 1990s witnessed a clear trend towards further economic bloc formation among groups of advanced countries. The European Common Market countries reached the Maastricht Treaty in 1991, which transformed the market into the European Union. Shortly after, the United States announced in 1992 the establishment of the North American Free Trade Organization (NAFTA). In the same direction, giant blocs emerged such as the Asia-Pacific Economic Cooperation (APEC), which included most countries in Asia and the Pacific.

Amidst these trends, Arab countries have realized the necessity of establishing a unified Arab economic bloc, aimed at enhancing opportunities for economic and trade cooperation, reviving prospects for developmental integration, alongside social, cultural, and other forms of cooperation. Additionally, this aims at reinforcing security and stability in the region. Supporting this direction is the availability of all the components of economic integration in the Arab world. Consequently, the Greater Arab Free Trade Area was established as a first step towards the creation of a customs union.

In line with the trade liberalization policy adopted by Algeria starting from the year 2000, and in recognition of the importance of Arab economic integration, Algeria officially joined the Greater Arab Free Trade Area at the beginning of 2009. This move aimed to increase trade

exchange rates with Arab countries, especially considering the convergence and compatibility of Arab markets' requirements with Algerian products. Consequently, this step sought to diversify trade exchange areas and reduce the geographic concentration to mitigate risks in case importing or supplying countries face any disruptions or crises.

Given the foregoing, the following question arises:

To what extent did Algeria's accession to the Greater Arab Free Trade Area contribute to enhancing trade exchanges with regional countries and reducing geographic concentration?

To answer this question, the research has been divided into three main axes:

1. Concept of Free Trade Area.
2. Nature of the Greater Arab Free Trade Area.
3. Evaluation of Algeria's Trade Exchanges within the Greater Arab Free Trade Area.
4. Challenges Facing the Greater Arab Free Trade Area.

1- Concept of Free Trade Area:

Before delving into the concept of a free trade area, it is essential to note that it represents a stage within the process of economic integration between two or more countries. Consequently, there is a need to explain and clarify the other stages that precede or follow the free trade agreement. This will be succinctly addressed in the following discussion¹.

- Customs Preferential Area:

This formulates the initial stage in the ladder of economic integration, where a group of countries agrees among themselves to adopt a preferential treatment approach in their intratrade. This entails implementing a set of measures and procedures aimed at alleviating customs and non-customs barriers imposed on imports between them. Consequently, each country within the integrated group grants customs advantages to the other member states, either in the form of tariff reductions or easing other trade restrictions.

- Free Trade Area:

A free trade area represents the second stage in the ladder of economic integration. *In this phase, each member state commits to eliminating all restrictions on imports from other parties to the agreement. As a result, the exports of each country benefit from complete customs exemption within the member countries. Additionally, each country reserves the right to impose customs duties on imports from non-member countries without being obligated, at this stage of integration, to adhere to a unified tariff towards the external world.*

- Customs Union:

At this stage, in addition to the elimination of customs duties and other restrictions on the movement of goods and services by member states, these countries also apply a common customs tariff against the rest of the world.

- Common Market:

In this form of economic integration, in addition to abolishing customs and administrative duties and barriers as in a free trade area, and unifying customs duties towards the external world as in a customs union, restrictions on the movement of people and capital between member countries are also eliminated. In other words, within the common market, not only are markets for goods and services integrated, but markets for factors of production are also integrated.

- Economic Union:

Economic union represents the highest level of economic integration. It resembles the common market in terms of abolishing restrictions on the exchange of goods, services, and the movement of factors of production within the integrated area. However, it differs from the common market in that it involves achieving coordination and harmonization between the policies pursued by the member states. This coordination includes tax, fiscal, and monetary policies specific to the member countries.

It is evident from the above that free trade areas are established through agreements between a group of countries that wish to remove customs tariffs and non-tariff barriers among themselves, without reaching a unified trade policy towards non-member countries. Examples of free trade areas include the North American Free Trade Agreement (NAFTA), the European Free Trade Association (EFTA), and the Greater Arab Free Trade Area (GAFTA)².

2- Greater Arab Free Trade Area (GAFTA):

Amidst the growing global trend towards establishing economic blocs, Arab countries recognized the necessity of embodying an Arab economic bloc to ensure the development of trade exchange among Arab countries and safeguard their interests against international economic blocs. Consequently, this led to the establishment of what is now known as the Greater Arab Free Trade Area (GAFTA).

3.1. Concept and Establishment of the Greater Arab Free Trade Area (GAFTA): The Greater Arab Free Trade Area (GAFTA) is an Arab economic trade alliance that came into effect at the beginning of 2005. Under GAFTA, all mutually exchanged goods of Arab origin among member countries are exempted from all customs duties, fees, and taxes of similar effect imposed upon importation.

The establishment of the Greater Arab Free Trade Area was endorsed during the Arab Summit Conference held in Cairo in June 1996. During this conference, a decision was issued tasking the Economic and Social Council of the Arab League with expediting the establishment of a free trade area among Arab countries, in accordance with an agreed-upon action plan and timetable.

Based on the foregoing, in February 1997, the Economic and Social Council adopted the executive program laying the foundation for the Greater Arab Free Trade Area project in accordance with the provisions of the "Agreement on Facilitation and Development of Trade Exchange among Arab Countries" of 1981. This program was also aligned with the provisions of the agreements of the World Trade Organization and its general rules regulating international trade established in 1994.

The implementation of the Greater Arab Free Trade Area program commenced at the beginning of 1998. It aimed at establishing free trade among Arab countries gradually, leading to complete

exemption from tariffs by the end of the period initially set at ten years, later reduced to seven years³

The executive program of the Greater Arab Free Trade Area encompassed the principles, rules, executive mechanisms, and the timetable for reducing customs duties and taxes of similar effect imposed on all mutually exchanged goods of national origin among the member Arab countries within the Greater Arab Free Trade Area, ultimately leading to their complete elimination.

The executive program of the Greater Arab Free Trade Area considers the following aspects⁴.

- This area should be in line with the situations and needs of various Arab countries and with the provisions of the World Trade Organization, especially since several Arab countries are either members of this organization or in the process of joining it.
- The executive program should include a specific action plan and timetable for establishing the area. The main elements of the executive program are based on the Agreement on Facilitation and Development of Trade Exchange among Arab Countries, as follows:
 - Goods that qualify under the rules of origin of the Arab origin are treated as domestic goods.
 - All mutually exchanged goods between the participating countries are exempted from customs duties according to the principle of gradual liberalization. This is applied with equal annual rates over ten years, starting from January 1, 1998, and ending on December 31, 2007. During the implementation, the participating countries may agree to place any goods under immediate liberalization. It is also permissible for any two contracting parties in the executive program to exchange exemptions preceding the timetable. It is worth noting in this regard that the time frame for completing the area was adjusted based on directives from the Arab Summit in Amman in 2000, to be completed by early 2005. The percentage of gradual reduction of customs duties was increased at the beginning of 2004 and early 2005 to 20 percent each.
 - Goods exchanged under the executive program are not subject to any non-tariff restrictions under any denomination.
 - Adherence to international provisions and rules regarding precautionary measures, support, dumping, and trade imbalance resulting from the program's implementation.
 - Granting preferential treatment to the least developed Arab countries. Concerned countries determine the nature and duration of the required treatment, subjecting it to approval by the Economic and Social Council. In this context, the least developed Arab countries wishing to join the area were granted a grace period for the gradual reduction of customs duties until early 2005. During this period, they enjoyed the same gradual reduction of customs duties as in other member countries. They were to commence applying the gradual reduction by early 2005, leading to complete elimination of customs duties by 2010. Both Sudan and Yemen benefited from this preferential treatment and joined the area.
 - Determining the method of implementation monitoring and resolving any disputes arising from implementation through specialized committees.

3.2. Objectives of the GAFTA:

The objectives of the Greater Arab Free Trade Area (GAFTA) program can be summarized as follows⁵:

- a. Liberalizing trade among member Arab countries, with a focus on specifying the goods included in trade.
- b. Coordinating trade systems, legislation, and policies, establishing a unified information network, and outlining broad lines for relationships.
- c. Standardizing specifications and measures for traded goods and products.
- d. Coordinating Arab banks to develop and enhance their services and cooperation.
- e. Deepening and developing trade and economic relations among Arab countries to achieve economic integration.
- f. Capitalizing on changes in the global trade system.
- g. Preserving the economic interests of Arab countries in the face of global economic blocs.

3.3. The Privileges within the GAFTA Framework:

The privileges granted within the framework of the Greater Arab Free Trade Area (GAFTA) can be divided as follows⁶:

-Full exemption from customs duties by 100%: Arab goods exchanged within the area enjoy full exemption from customs duties and taxes with equivalent effects starting from 2005.

-**Abolition of equivalent effect taxes:** Imported Arab goods are not subject to any supplementary taxes without specific and direct services.

-**Abolition of non-tariff restrictions:** These restrictions were immediately removed starting from the beginning of 1996, including barriers, obstacles, and the following constraints:

-**Technical restrictions:** Such as excessive restrictions on specifications, weight, conformity certificates, and technical inspection and testing complexities.

-**Administrative restrictions:** Such as prohibiting the entry of Arab goods and complexities related to certificates of origin, exaggeration of customs re-evaluation, length of transit, duration of sampling and inspection procedures, and the multiplicity of administrative authorities issuing import licenses.

-**Financial restrictions:** Such as exceeding transport fees by the agreed-upon 4% rate in the Agreement on Transit Transport among Arab States, and accompanying complexities in opening bank credits.

-**Treatment of least developed countries:** Includes both Sudan and Yemen, whereby their exports to Arab member countries within the region enjoy full exemption, while their imports from Arab countries benefit from a partial reduction of 20% for Sudan and 16% for Yemen.

-**Special treatment for the State of Palestine:** The exemption does not apply to the import of Arab goods, and its exported goods enjoy full exemption.

3.4. The current status of the Greater Arab Free Trade Area⁷:

The Greater Arab Free Trade Area completed its twenty-fifth year by the end of 2023. The number of countries that ratified the Agreement Facilitating Trade Exchange among Arab Countries reached 19, including Algeria, Jordan, Syria, the United Arab Emirates, Bahrain, Tunisia, Saudi Arabia, Iraq, Oman, Qatar, Kuwait, Lebanon, Egypt, Morocco, Yemen, Mauritania, Palestine, and Sudan. The countries that have not yet ratified the agreement are

Comoros, Djibouti, and Somalia.

The executive program of the Greater Arab Free Trade Area is being implemented in 18 countries, namely Algeria, Jordan, Syria, the United Arab Emirates, Bahrain, Tunisia, Saudi Arabia, Iraq, Oman, Qatar, Kuwait, Lebanon, Egypt, Morocco, Yemen, Palestine, Sudan, while Mauritania is yet to implement the executive program as of today.

4- Evaluation of Algerian Trade within the Greater Arab Free Trade Area:

In the framework of developing and supporting economic and trade exchanges with Arab countries, and recognizing the importance of economic blocs, especially regional ones, Algeria has decided to join the Greater Arab Free Trade Area. Consequently, Algeria aims to have a strong presence in Arab markets and benefit from the advantages that may arise from this decision.

4.1. Joining the Greater Arab Free Trade Area:

Algeria maintains significant trade relations with many countries, and studying Algerian trade relations with different regions of the world is of great importance. This helps clarify the geographical focus of exchanges, allowing for the identification of new opportunities that could open up other avenues for trade, thereby supporting national economic development.

In the context of developing and supporting economic exchanges with Arab countries, and in line with the trade openness policy adopted by Algeria starting from the year 2000, the Free Trade Agreement with Arab countries was approved on August 4, 2004. The application for accession to this treaty was submitted on December 31, 2008. Algeria officially joined the same agreement on January 1, 2009.

4.2. Evaluating Algerian Trade under the Free Trade Agreement with Arab Countries:

Providing a comprehensive overview of Algeria's trade within the Greater Arab Free Trade Area necessitates studying all trade directions with various regions and economic blocs. This approach enables a more comprehensive, clear, and objective assessment.

4.2.1. Exports:

Like other developing countries, the majority of Algerian exports are directed towards the markets of advanced industrialized and European countries, specifically. This trend is based on several factors and considerations, which we will try to delve into further through a more in-depth analysis relying on the data provided in the following table:

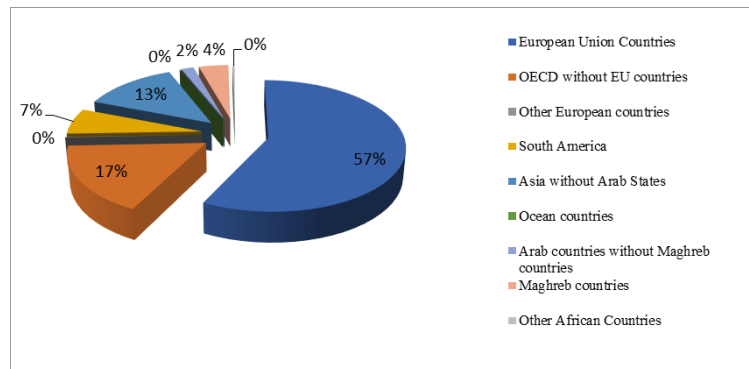
Unit:\$10⁶

Total	Other African Countries	Maghreb countries	Arab countries without Maghreb countries	Ocean countries	Asia without Arab States	South America	Other European countries	Organization for Economic Co-operation and Development without EU countries	European Union Countries	Statement
22031	42	254	55	0	210	1672	181	5825	13792	2000
19132	26	275	315	23	476	1037	87	4549	12344	2001
18825	50	250	248	38	456	951	130	4602	12100	2002
24612	13	260	355	0	507	1220	123	7631	14503	2003
32083	26	407	521	-	686	1902	91	11054	17396	2004
46001	49	418	621	-	1218	3124	15	14963	25593	2005
54613	14	515	591	-	1792	2398	7	20546	28750	2006
60163	42	760	479	55	4004	2596	7	25387	26833	2007
79298	365	1626	797	-	3765	2875	10	28614	41246	2008
45194	93	857	564	-	3320	1841	7	15326	23186	2009
57053	79	1281	694	-	4082	2620	10	20278	28009	2010
73489	146	1586	810	41	5168	4270	102	24059	37307	2011
71866	62	2073	958	-	4683	4228	36	20229	39797	2012
64974	91	2639	797	-	4697	3211	52	12210	41277	2013
62886	110	3065	648	-	5060	3183	98	10344	40378	2014
28860	84	1319	439	60	1733	1131	30	4134	19930	2015
30026	51	1173	416	-	2197	1943	80	6945	17221	2016
35191	103	1273	799	-	3595	2530	40	6465	20386	2017
41168	132	1669	712	-	5351	2660	40	6950	23654	2018

Table 01: Geographical Distribution of Algerian Exports during the Period (2000-2018)

- *MINISTRY OF FINANCE, GENERAL DIRECTORATE OF CUSTOMS, CNIS, The Achievements of Algeria's Foreign Trade, Period: 1963–2010, P16 and P18.*
- *MINISTRY OF FINANCE, GENERAL DIRECTORATE OF CUSTOMS, CNIS, EVOLUTION OF ALGERIA'S FOREIGN TRADE BY USAGE GROUPS 2005-2015.*
- *MINISTRY OF FINANCE, GENERAL DIRECTORATE OF CUSTOMS, CNIS, STATISTICS OF ALGERIA'S FOREIGN TRADE 2017-2018-2019.*

Figure (01): Geographic Distribution of Algerian Exports during the Year 2018



Source: Compiled by the researcher based on the data from Table 01.

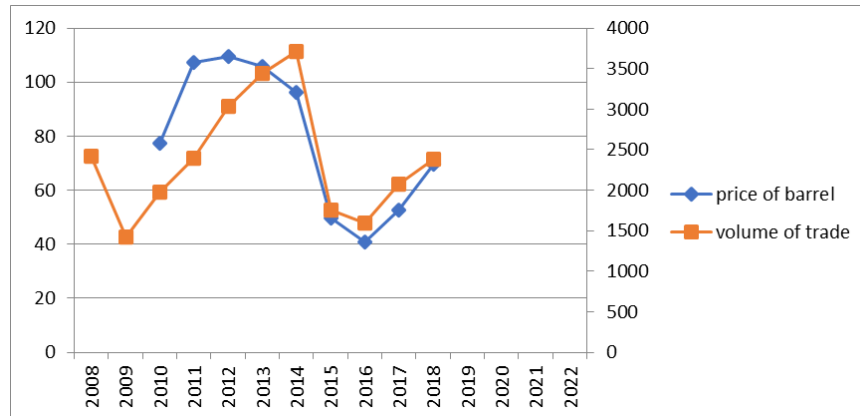
Upon examining the data in the above table, the significant importance and position held by the European Union countries and the Organization for Economic Co-operation and Development (OECD) countries as markets for Algerian products throughout the study period are highlighted. They collectively constituted an average estimated at 90% of total exports. This can be explained by the fact that these regions encompass the largest number of advanced industrialized countries, which are major consumers of raw materials as inputs for their industries, especially fuels, which constitute the largest part of Algerian exports. It is noteworthy that the countries of the European Union have captured the largest share of total Algerian exports, being the most important customer for Algeria. The average proportion of EU exports to total exports was estimated at 58%, fluctuating between highs and lows. In 2009, there was the largest decline during the study period, reaching 43.79% compared to 2008, due to economic recession in importing countries. However, overall, Algeria's exports to the European Union remain the largest for several reasons, including its geographic location relative to these countries, which reduces transportation and insurance costs. Additionally, the historical colonial legacy connecting Algeria with European countries continues to influence trade patterns, as the export and import channels inherited from colonialism persist. Within this group of countries, Italy is considered the primary customer, followed by France and Spain.

Regarding trade with Arab countries, it has been modest, with Algerian exports to these countries not exceeding \$3,713 million, accounting for 5.9% of total exports. This figure was recorded in 2014. Among these countries, the Maghreb Union countries are considered the primary customers for Algeria, with their share of Algerian exports to the region averaging close to 62% during the study period.

The reality is that Algerian-Arab trade values during the study period did not evolve consistently. After years of continuous increase, the value of Algerian exports to Arab countries decreased in 2009. This decline can be attributed to the fall in global oil prices and the economic slowdown in Arab countries following the global financial and economic crisis, which negatively affected the average value of intra-regional trade. However, exports resumed growth in 2010, with the total exported reaching \$1,975 million, an increase of approximately 40% compared to 2009. This rebound can be explained by the return of oil prices to an upward trajectory, coupled with Algeria's accession to the Greater Arab Free Trade Area. Algerian exports directed towards the Arab Free Trade Area resumed their decline starting from the year 2014 until 2016, before increasing again in the subsequent years. This trend can

be attributed to the improvement in oil prices following their collapse in 2014. Based on the foregoing, we can conclude that the value of Algerian exports to Arab countries is closely linked to fluctuations in oil prices, as illustrated in the following figure.

Figure 02: Evolution of Algerian-Arab Trade Exchanges Parallel to the Evolution of Oil Prices During the Period 2008-2018.



Source: Compiled by the researcher based on:

- Data from Table 01

- Organization of Arab Petroleum Exporting Countries (OAPEC), Annual Statistical Report: 2013, 2018, 2022.

Finally, it is worth noting that the economic regions (Asia, Arab countries, countries of the Arab Maghreb, African countries, countries bordering the Mediterranean, and other European countries) collectively represent only 9% on average of Algeria's total exports during the study period. This highlights the significant geographical concentration of Algerian exports and thus the high dependency on markets in a limited number of countries, especially those in the European Union. This concentration can have negative effects on the national economy, as Algeria's exports are linked to the economic situation of these countries. Additionally, there may be political and social repercussions imposed by the importing countries on decisionmaking centers due to this dependency. Furthermore, there is a risk of missing out on opportunities that could arise from expanding trade with other regions.

4.2.2. Imports:

In reality, the geographical distribution of Algerian imports does not differ significantly from the geographical distribution of exports, as evidenced by the data in the following table:

Table 02: Geographical Distribution of Algerian Imports during the Period (2000-2018)

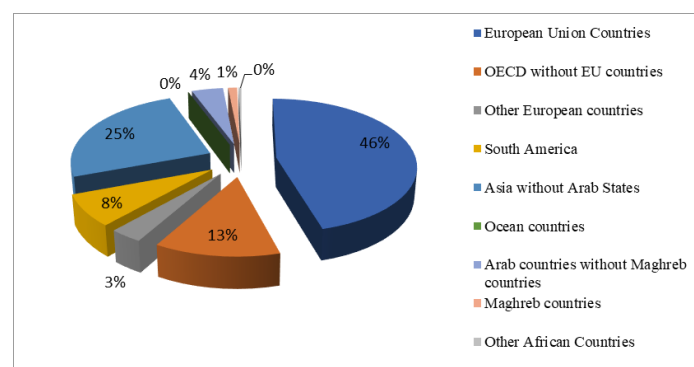
Unit:\$10⁶

Total	Other African Countries	Maghreb countries	Arab countries without Maghreb countries	Ocean countries	Asia without Arab States	South America	Other European countries	Organization for Economic Co-operation and Development without EU countries	European Union Countries	Statement
9173	119	52	144	64	599	142	603	2194	5256	2000
9940	85	72	179	92	579	269	636	2125	5903	2001
12009	87	127	366	127	943	385	757	2485	6732	2002

13534	125	120	418	47	1206	567	855	2242	7954	2003
18308	175	169	525	56	1952	1166	1097	3071	10097	2004
20357	148	217	387	31	2506	1249	1058	3506	11255	2005
21456	148	235	493	-	3055	1281	777	3738	11729	2006
27631	231	284	621	-	4318	1672	715	5363	14427	2007
39479	395	395	705	-	6916	2179	659	7245	20985	2008
39294	350	478	1089	2	7574	1866	728	6435	20772	2009
40473	396	544	1262	-	8280	2380	388	6519	20704	2010
47247	578	691	1760	-	8873	3931	579	6219	24616	2011
50376	741	807	1555	-	9538	3590	1652	6160	26333	2012
55028	594	1029	2414	-	10623	3466	1213	6965	28724	2013
58580	440	738	1962	-	12619	3815	886	8436	29684	2014
39192	289	492	1428	-	9315	2051	994	5612	19011	2015
47089	238	701	1927	-	11709	2857	936	6249	22472	2016
46059	186	592	1542	-	12369	3209	1910	5953	20298	2017
46197	166	546	1904	-	11557	3546	1542	5837	21099	2018

- *MINISTRY OF FINANCE, GENERAL DIRECTORATE OF CUSTOMS, CNIS, The Achievements of Algeria's Foreign Trade, Period: 1963–2010, P16 and P18.*
- *MINISTRY OF FINANCE, GENERAL DIRECTORATE OF CUSTOMS, CNIS, EVOLUTION OF ALGERIA'S FOREIGN TRADE BY USAGE GROUPS 2005-2015.*
- *MINISTRY OF FINANCE, GENERAL DIRECTORATE OF CUSTOMS, CNIS, STATISTICS OF ALGERIA'S FOREIGN TRADE 2017-2018-2019.*

Figure 4: Geographical Distribution of Algerian Imports During the Year 2018



Source: Compiled by the researcher based on:

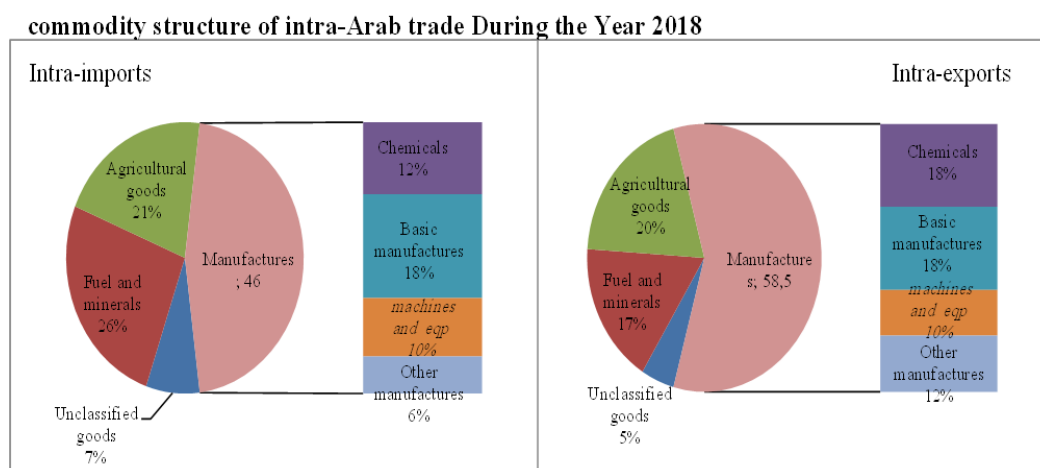
- *Data from Table 02*

Upon examining the data from the table and the graphical representation, it is evident that the European continent dominates the ranking in supplying Algeria with its most important imports. The countries of the European Union occupy the top position among the markets supplying Algeria, representing approximately 52% of our total imports during the study period. France leads these countries, accounting for 11% of Algeria's total imports, followed by Italy in second place with 8%. Other European countries such as Germany and Spain also contribute

significantly. This can be attributed to the industrial advancement of these countries and their dominance in the market for both industrial and non-industrial products, as well as geographical proximity and historical colonial ties, among other factors.

In second place, according to regions, is the Organisation for Economic Co-operation and Development (OECD), excluding the European Union countries. This organization includes the largest possible number of major industrial countries, led by the United States of America. The United States is the seventh-largest supplier to the Algerian market in 2018, accounting for approximately 4% during the study period. The third position is held by Asian countries (excluding Arab countries) among the list of suppliers to Algeria, representing 16% of total imports. China is the top supplier to Algeria, surpassing traditional suppliers such as France, Italy, and Spain. It is expected that China's exports to Algeria will increase further in the future, as has been observed in other developing countries, especially in the African continent. The interaction with Arab countries, including those in the Maghreb region, is very weak. Algerian imports from the region fluctuated between 4% and 6%, whether before or after joining the Greater Arab Free Trade Area. The percentage did not exceed 6.5% even in the best-case scenario, recorded in 2013. This can be attributed to several factors, including the absence of integrative strategies among these countries, as well as the similarity in their economic and production structures. Most of these countries are primarily specialized in producing and exporting raw materials and commodities. Additionally, political and sectarian conflicts have contributed to the low volume of bilateral trade.

The table and the following chart illustrate the commodity structure of Arab intra-trade in general during 2018, as well as the structure of Algerian imports from the region for the same year.



Source: *Arab Monetary Fund, Unified Arab Economic Report 2018, p. 163.*

Through examining the graphical representation, it becomes evident that there is similarity in the commodity structure of overall Arab trade, where manufactured goods constitute the highest share of Arab trade. Within this category, chemical products hold the largest proportion, exceeding 18% for exports and 12% for imports. The fuel and mineral category ranked second, with a percentage surpassing 17% for exports and 25% for imports. As for the agricultural goods category, it ranked last with an average percentage of 20% of total Arab intra-trade.

Table 03: Algerian imports from the Greater Arab Free Trade Area during 2018 Unit:\$106

growth rate	Rank	Year 2019		Year 2018		Statement
		Percentage %	Value	Percentage %	Value	
3.57-	1	73.95	981.60	78.00	1017.90	Semi-finished materials
21.16	2	13.07	173.54	10.98	143.24	Consumer Goods
5.76	3	5.96	79.10	5.73	74.79	Foodstuffs
25.19	4	4.89	64.89	3.97	51.83	Industrial processing goods
64.36	5	1.81	24.01	1.12	14.61	Raw material
62.54	6	0.30	3.98	0.19	2.45	Energy & Oils
0.92	7	0.02	0.25	0.02	0.24	Agricultural processing commodities

Source: Ministry of Finance, General Directorate of Customs, National Center for Information and Statistics (CNIS), Statistics of Foreign Trade of Algeria 2018-2019, Page 24. For the commodity composition of Algerian imports from the Greater Arab Free Trade Area in 2018, they were mainly focused on semi-manufactured goods and consumer goods, including pharmaceuticals, cleaning materials, and food items. This composition has been typical for imported goods for several years. However, industrial equipment, which usually constitutes the largest proportion of Algerian imports, did not exceed 5% of the total imports from the region. This underscores the similarity in the production structure of Arab countries. Typically, such equipment is imported from industrially advanced European countries at significant costs. Based on the preceding analysis, there is a clear geographical concentration of Algerian imports outside the Greater Arab Free Trade Area. Similar to exports, Algerian imports come from a limited number of suppliers, leaving the national economy vulnerable to risks if the supplying countries face any crises or disruptions. This situation worsens when it concerns essential commodities, especially food items. For instance, the wheat crisis that many countries experienced after the wildfires in Russia in 2010, as well as recent crises resulting from the Russo-Ukrainian War, floods in India, and many other examples, highlight the risks associated with relying on a limited number of suppliers for essential goods.

5- Challenges of the Greater Arab Free Trade Area:

Free trade zones are considered important tools from an economic perspective for expanding markets and increasing trade volumes among signatory countries. This is achieved by lifting various customs barriers. However, intra-Arab trade within the framework of the Greater Arab Free Trade Area, despite more than two decades since its establishment, remains modest. This can be attributed to a range of challenges and obstacles that hinder the success of the Arab project and undermine aspirations for transitioning to a customs union. These challenges have been addressed in numerous Arab reports, which have called for the necessity of overcoming them. Below, we will attempt to summarize these challenges in the following points.

5.1. Structural Similarity:

The production structure in most Arab countries exhibits similarities, with the majority relying on exporting raw basic commodities, especially mineral fuel, phosphates, and metals. Conversely, the majority of imports consist of fully manufactured industrial goods and intermediary products used as inputs for production processes, thus heavily relying on foreign markets.

Consequently, the comparatively weak competitiveness of Arab goods compared to similar imports from other countries poses another challenge in terms of price and quality. This is especially significant considering that many Arab countries, as members of international trade agreements, including the World Trade Organization, have opened their markets to foreign goods. This influx of foreign products alongside Arab ones contributes to reducing intra-Arab trade.

5.2. Transportation:

One of the most significant challenges hindering intra-Arab trade development is the constraints associated with transportation. This issue involves two main aspects. Firstly, the incomplete road and railway transportation networks between Arab countries present a major obstacle. Many road and railway transportation axes require completion, especially in terms of connecting the Arab Mashreq countries with those in North Africa. Secondly, the high cost of land and sea transportation in the Arab region, along with administrative constraints related to transportation movement, exacerbates the issue. Procedures at border crossings and transit procedures are complex and sometimes time-consuming, necessitating review and reform.

5.3. Non-Tariff Barriers:

Non-tariff barriers are among the key challenges that the free trade area seeks to address by establishing committees dedicated to monitoring developments in reducing these barriers. Sometimes, these barriers can pose a greater burden than customs duties. Non-tariff barriers include paperwork, lengthy customs procedures, technical restrictions related to specifications and standards, agricultural and veterinary quarantine procedures, as well as monetary restrictions related to transfers, import and export licenses, service fees, and other charges.

5.4. Compliance of Arab Countries with Implementation:

The Greater Arab Free Trade Area witnesses non-compliance from several Arab countries with the provisions established by the Economic and Social Council regarding this area. This non-compliance extends to the implementation of tariff reductions, removal of non-tariff barriers, or adherence to lists of goods exempt from customs duties.

6. Conclusion:

Following the end of World War II and over decades, many countries turned towards establishing economic and trade blocs to achieve peace and common economic development. In response to these blocs, Arab countries recognized the necessity of establishing a unified Arab economic bloc. This was embodied through the establishment of the Greater Arab Free Trade Area, which came into effect at the beginning of 2005 and included the majority of Arab countries.

In line with the trade liberalization policy adopted by Algeria starting from the year 2000, and recognizing the importance of Arab economic integration, Algeria officially joined the Greater Arab Free Trade Area at the beginning of 2009. This move aimed at diversifying the geographical structure of trade exchanges and moving away from reliance solely on traditional

trading partners, which could pose risks if these importing or supplying countries were to face crises or disruptions.

Results:

Through conducting this research, we have arrived at several key findings, which we outline below:

- There is a significant geographical concentration in Algeria's foreign trade. Just as its exports are directed towards a limited number of customers, Algerian imports also come from a limited number of suppliers.
- Algeria relies predominantly on its traditional customers and suppliers, such as France, Italy, and Spain, although the latter's share has decreased in recent years due to political disagreements and the resulting severance of trade and economic relations between the two countries.
- There is rapid and growing trade between Algeria and China, with China being Algeria's top supplier and the seventh-largest customer according to 2019 statistics.
- Trade exchanges are very limited with countries in Asia, Arab countries including those in the Arab Maghreb, African countries, countries in the Ocean region, and other non-EU European countries. Consequently, there is a failure to capitalize on new opportunities that could open up other avenues for trade to support national economic development.
- Algeria's trade dealings with Arab countries within the Greater Arab Free Trade Area are extremely limited, and their value is very minimal.
- Algeria's accession to the Greater Arab Free Trade Area has led to an increase in the value of trade exchanges, but the values remain modest and do not meet the aspirations aimed at supporting trade and economic exchanges among Arab countries.
- Algerian trade exchanges primarily hinge on the factor of distance, primarily due to its correlation with transportation and shipping costs, despite other attracting factors such as population density, common language, historical ties, and others.
- The limited trade exchanges among Arab countries within the framework of the free trade area are primarily attributed to the similarity in the production structure of member states, in addition to political differences, small markets, and inadequate infrastructure, which may undermine aspirations for establishing a customs union.
- The Greater Arab Free Trade Area faces a myriad of challenges that hinder the growth of intra-Arab trade exchanges.

RECOMMENDATIONS

- Diversifying the production base through export-oriented production strategies is essential. This can be achieved by establishing joint investment projects in various sectors. In other words, there must be coordination of sectoral policies among Arab countries in a manner that competitively enhances the performance of these sectors. Consequently, this coordination becomes a crucial factor in boosting intra-Arab trade.
- Urgent solutions need to be found for transportation and transit problems by unifying legislation and leveraging maritime transportation. Additionally, there is a need to complete, develop, and utilize railway infrastructure. In this regard, the Arab League, the International Road Transport Union, and other relevant organizations have been urged to facilitate trade and transportation in the region by encouraging member states to join key United Nations

agreements related to facilitating transportation, notably the International Road Transport Convention, and to work towards their implementation.

-Addressing the issue of conflicting rules of origin while avoiding overregulation regarding technical specifications and features is crucial. Additionally, eliminating non-tariff barriers is essential as they can be more damaging than tariff barriers.

-For Algeria, it is imperative to diversify the geographical structure of its trade and not rely on a limited number of trading partners. This is to mitigate risks in case importing or supplying countries face any crises or disruptions.

-Algeria can achieve significant gains by joining the Arab Free Trade Area. This can be accomplished by enhancing the competitiveness of Algerian products, bolstering the industrial sector, and fostering a culture of export-oriented production among Algerian economic operators. This direction will enable Algeria to position itself strongly and effectively in Arab markets.

-Exploring new trade partners, such as countries in Southeast Asia that produce high-tech goods at competitive prices, can open up new opportunities and support economic development efforts.

Footnotes

¹Saleh Talem, "Economic Blocs and Their Impact on Some Macroeconomic Indicators: A Reading of the European Union Experience," *Al-Mee'yar Journal*, Issue 16, 2016, p. 312.

²Economic and Social Commission for Western Asia, "Free Trade Areas," Glossary of Terms, <https://archive.unescwa.org/ar/sd-glossary/free-trade-area>

³Jamila Larnaqa, "The Greater Arab Free Trade Area: The Road to Success," *Jadid Al-Iqtisad Magazine*, Issue 02, December 2007, p. 231.

⁴Arab Monetary Fund, "Unified Arab Economic Report: Arab Economic Cooperation - Greater Arab Free Trade Area," p. 02.

⁵Houari Maâraj, "The Greater Arab Free Trade Area: A Step Towards Activating Arab Economic Integration," Scientific Symposium 26, Regional Studies Center, Mosul, 2007, p. 8. ⁶General Secretariat of the League of Arab States, Arab Chambers Union, "Greater Arab Free Trade Area: Introductory Guide," p. 08.

⁷Ministry of Trade and Export Promotion of Algeria, "Arab Free Trade Area," <https://www.commerce.gov.dz/a-grande-zone-arabe-de-libre-echange>

⁸Samia Mekouach, "The Unified European Currency and Its Impact on the Algerian Balance of Payments," Master's Thesis, Faculty of Economic and Management Sciences, University of Batna, 2006/2007, p. 71.

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5. Saleh Talem, "Economic Blocs and Their Impact on Some Macroeconomic Indicators: A Reading of the European Union Experience," *Al-Mee'yar Journal*, Issue 16, 2016.
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9. Houari Maareg, "The Greater Arab Free Trade Area: A Step towards Activating Arab Economic Integration," *Scientific Conference 26, Regional Studies Center, Mosul*, 2007.
10. Algerian Ministry of Trade and Export Promotion, *Arab Free Trade Area*, <https://www.commerce.gov.dz/a-grande-zone-arabe-de-libre-echange>
11. Ministry of Finance, General Directorate of Customs, National Center for Informatics and Statistics, *External Trade Statistics of Algeria 2017-2018-2019*.