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Institut de la Méditerranée

PROFIL PAYS DU FEMISE : ALGÉRIE

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Introduction : construire la pérennité

En signant l'accord d'association avec l'Europe, lequel sera prolongera certainement par une adhésion à l'OMC, l'Algérie a fait le choix clair de l'ouverture internationale. Comme pour l'ensemble des PM, ce choix que l'on estime pertinent va induire des effets contrastés, mais, dans le cas de l'Algérie, ils vont intervenir pendant une conjoncture interne exceptionnellement favorable pour opérer la transition nécessaire, grâce notamment à l'actuelle tendance des marchés pétroliers. L'Algérie a d'importantes ressources en devises (que l'on peut estimer à plus de 50 milliards de $). Le referendum sur la concorde nationale permet de penser que les conditions politiques sont réunies pour une avancée en ligne de la société. L'Algérie est le seul pays de la région à disposer d'une industrie de produits intermédiaires importante et a développé, ces dernières années, une grande capacité à créer des petites entreprises privées.

Il existe un accord sur le diagnostic et certaines grandes directions :

√ L'Algérie a longtemps souffert du « syndrome hollandais » et de son exposition à la volatilité du cours du pétrole, sa principale ressource.

√ L'économie n'est pas assez diversifiée, ce dont témoigne tout autant les sources de recettes fiscales que le contenu des échanges extérieurs et souffre socialement d'un fort taux de chômage, qui pèse fortement sur la paix sociale et, en conséquence, sur les capacités des gouvernements à réformer.

√ Autre facteur qui rend vulnérables les capacités budgétaires de l'Etat, le poids de l'informel, grandement lié aux problèmes d'emplois, qui pèse sur les ressources fiscales non liées à la manne pétrolière, et sur les conditions de concurrence dans le secteur privé.

√ La transition vers l'économie de marché, où le secteur privé développe son activité dans la sphère formel est retardé par l'absence de culture financière, laquelle se traduit à la fois par les difficultés d'accès au crédit pour les entreprises privés, mais également dans la répugnance de ces dernières à y recourir, cela supposant une transparence qui n'est pas encore l'habitude et qui, de fait, fait subir une concurrence plus importante.

√ La décennie 90 a conduit l'Algérie à prendre un retard certain relativement aux autres économies émergentes, comme l'illustre l'analyse multi-critère en annexe. Cette analyse, qui positionne sur plusieurs plans l'économie algérienne relativement aux autres économies euro-méditerranéennes (et aux autres économies dans le monde), indique en effet le retard assez généralisé pris par l'Algérie. C'est pour cela qu'il est impératif de profiter d'une fenêtre d'opportunité exceptionnelle, dont la durée reste inconnue, pour changer de dynamique.

√ Une gestion efficace du problème de la dette, soutenue par l'embellie des cours du pétrole, a permis de restaurer l'image de l'Algérie sur les marchés financiers internationaux et lui donne aujourd'hui de grandes marges de manœuvre pour son développement.

Cela assigne ainsi de grands objectifs à l'économie algérienne :

√ Réduire son exposition aux fluctuations pétrolières

√ Créer un nombre d'emplois dans le secteur privé sans précédent

√ Confirmer la soutenabilité retrouvée de la dette

√ Rendre soutenable le budget, quelle que soit la configuration des marchés pétrolier.

√ Maintenir la stabilité du taux de change (ainsi que dans les termes de l'échanges) notamment pour échapper à un malaise hollandais, syndrome maintes fois expérimenté pays qui ont reçu brutalement de nouvelles ressources financières dues à l'exportation d'une matière première.

√ Restaurer la confiance de la population dans la classe politique en générale, dans le domaine fiscal en particulier, de sorte que le secteur privé trouve intérêt à se développer dans la sphère formelle.

Derrière ces grandes directions, peu contestable, se pose la question de la méthode. Et là, il y a débat, comme en témoignent les contributions au sein même de ce profil. Faut-il continuer la relance par un soutien de la demande, dont se méfient la Banque Mondiale ou le FMI ? Ce type d'action est-il cohérent avec l'état de la nation, son besoin de création d'emplois dans le secteur privé, son besoin d'investissements — notamment dans le logement résidentiel et industriel, son besoin de réduire l'exposition globale à la manne pétrolière. S'agit-il de la bonne méthode pour instaurer la politique contra-cyclique qui fait défaut jusqu'ici ?

Fondamentalement pourtant, il apparaît que le débat n'est pas dans relance d'inspiration keynesienne versus orthodoxie budgétaro-monétaire, tant une impulsion semble nécessaire pour « changer de niveau », pour « changer de cercle » ; il est certainement dans les priorités ciblées par la relance, lesquelles, correctement choisies, rendent compatibles les grands objectifs listés plus haut. Examinant en effet les deux simulations des chapitres 1 et 3, des marges budgétaires existent, notamment en utilisant le volant offert —on ne sait pas pour combien de temps— par l'actuel trend des marchés pétroliers, ce qui par le passé a permis de restaurer la situation de l'endettement. Ces priorités doivent être déterminées avec précaution pour que l'action ne soit pas seulement un pare-feu de court terme, qui pèsera dès lors que la conjoncture se montrera moins favorable.

Quelles pistes ?

En premier lieu, l'idée force est que, disposant maintenant de marges de manœuvre budgétaires, c'est une stratégie de développement complète qu'il convient de mettre en place, stratégie qu'il est nécessaire de clarifier auprès des agents. Les ressources budgétaires actuelles doivent alors être utiliser pour initier un mouvement qui doit s'auto-entretenir pour la suite. C'est en fait une formidable opportunité, à condition de la mettre au service de la stratégie d'ouverture choisie qui doit être l'axe de la politique algérienne dans les années à venir.

Les cinq grands chapitres qui suivent, s'ils peuvent différer sur les méthodes à suivre, tendent malgré tout à indiquer les mêmes priorités, que l'on peut résumer en quatre grands axes d'action :

√ Améliorer le fonctionnement du marché du travail : le profil identifie deux types de contrainte à l'origine des déséquilibres sur le marché du travail (i) le schéma institutionnel, notamment le mode de fixation des salaires, l'intervention de l'Etat, les restrictions d'embauche-licenciement ; et (ii) les performances économiques, médiocres en ce qui concerne la productivité et l'investissement, notamment dans le privé. (XXX)

√ Investir : réduire la vulnérabilité à la volatilité tout en poursuivant une certaine relance, c'est avant tout investir dans le long terme. Jusqu'ici, de façon pro-cyclique, ce sont les investissements publics qui ont constitué la variable d'ajustement lorsque la conjoncture se retournait. A l'inverse, il semblerait nécessaire qu'ils adopte un trend élevé et stable, tandis que les dépenses courantes doivent faire l'objet d'une optimisation, doivent devenir la variable d'ajustement pendant la transition vers plus de secteur privé ;

√ Améliorer la productivité globale : toute l'astuce sera de rompre la relation négative entre création d'emploi dans le secteur privé et amélioration de la productivité, parce que ce que réclame l'économie algérienne est une combinaison des deux : il faut créer des emplois ET améliorer la productivité globale. Ici, l'économie de la connaissance, à la fois dans les aspects de la formation initiale (où de grands progrès ont été faits) et la formation continue, notamment pour ce qui concerne les administrations.

√ Améliorer les conditions de l'économie et la société civile : réformer les cadres légaux apparaît comme une nécessité, afin de permettre de meilleures conditions d'opérations pour les entreprises privées. L'Algérie se distingue par une place de l'Etat plus importante, même relativement aux autres pays méditerranéens. Afin de tirer le meilleur parti de la stratégie d'ouverture choisie, il est nécessaire de faire des progrès dans les procédures de décision, d'accélérer la réforme de l'Etat, de réaliser un effort de décentralisation donnant une plus grande autonomie aux collectivités locales et territoriales et d'encourager et soutenir les structures représentant la société civile. Il faudra également, et sans doute à court terme, fournir de nombreuses conditions de bases, d'infrastructures de base, à commencer par l'immobilier, industriel et résidentiel.

Chapitre 5 : Le commerce extérieur

SUMMARY

The reform of the trade system in Algeria began during the second half of the 1980s. The main goal was to make Algeria less dependent from external shocks and to create the conditions for economic and social growth. But Algeria was primarily an oil exporter country and a large country too, with a strong centralist organization redistributing the oil proceeds and defining the rules of production and social distribution. The price system was heavily distorted by subsidies to producer and to consumers.

Having decided to postpone trade liberalization, the reforms started with a gradual liberalization of some domestic sectors. The first phase focused primarily on the agricultural sector and on the growing external unbalance on agricultural products. The law of 1987 adopted a more pragmatic approach, encouraging the private management of farms and relying on the adjustment of prices to market conditions. Private ownership of land was excluded, providing for a different solution. The increase in output was not sufficient to cover the growing demand for food and the country increased its dependence from foreign sources. Europe and United States were the main suppliers.

The second phase had a much broader base and came just after the counter-oil shock. Its focus was extended to include the banking system, giving more autonomy to the Central Bank, and the hydrocarbons sector. For the first time after the 1971 nationalisation, the oil sector was opened up to foreign investors. In 1991 the Algerian Parliament amended the exploration law, extended to the natural gas the same benefits allowed to crude oil exploration and production. This reform succeeded in attracting the large part of foreign investment. Later in 1993, Algeria revised its investment code in order to provide equal and non discriminatory treatment for all investors in joint ventures, direct investments, and portfolio investments in several economic sectors. The banking sector instead has undergone a progressive opening up to private domestic and foreign investors since 1990. In the second half of the decade several foreign banks from Arab countries opened some establishments to service the domestic market, although the large majority of activities remained in the hands of the six state-owned banks.

During this second phase, however, the Algerian economy was trapped by its macroeconomic unbalances and the external resources were not enough to finance a misguided and inefficient import-substitution system of production. Several consecutive devaluations as well as the three years IMF supported structural adjustment programme corrected the REER misalignment and stabilised the cost of servicing the international debt burden, but were not sufficient to revitalise the economy and promote its diversification. After being launched, the privatization programme was halted by the difficulties in restructuring the former state-owned enterprises. Despite the huge amount of public resources poured into this transformation phase, the results did not receive the interest of foreign and domestic investors.

Imports were reduced to levels more compatible with the stagnation of export and many subsidies were removed in order to make market prices more transparent and efficient. Nonetheless, the external vulnerability, in a long-term perspective, remarked the necessity of a wide-ranging structural reform to boost the ailing internal and external competitiveness. The facts were evident in the stagnation of the economy and the rising

unemployment: private investments, except in the hydrocarbons sector, were halting, the privatisation program turned out to be a failure, the role of the State in the economy remained stifling, and the price system still rigorously administered, and finally, the custom tariffs still too protective.

The third phase of reform began after the end of the SAP, with a stronger commitment to further the liberalisation of the economy. The beginning of negotiations in 1997 with the European Union and the WTO marked this new phase. For more than 4 years the tariff and customs system has been revised: customs duties have been simplifies and lowered, some service sectors were liberalised like telecommunication, transport; foreign firms may today explore, extract and export crude oil and natural gas under a more transparent system of concession, although yet in cooperation with Sonatrach. In addition, the strength of the external accounts sustained by high oil prices since year 2000 and a relative political stability have facilitated the transition to an open market economy. Two out of the three fundamental factors of the external vulnerability are still there, although now working in different directions. The oil and gas specialisation has contributing in lowering the external debt position and its cost in the balance of payments. The foreign debt is lower than the total amount of international reserves accumulated at the Central Bank. The cost of servicing the foreign debt is either now more sustainable. The growing export receipts have also contributed to lessening the cost of the agricultural import deficit, the second external dependence of the Algerian economy.

Three important reforms were implemented in 2001 and 2002. The new Privatization Law, which gave the Minister in charge of privatization and investment the power to dismantle state owned enterprises and which opened up all sectors to privatization. In that same year, the new Investment Code opened up all sectors to private investment. In 2002 the tariff reform was carried out with a deep simplification of tariffs and a maximum import duty reduced to 30 percent from 60 percent.

The situation today is quite contradictory; four consecutive years of high oil price have strengthened the government's commitments, nevertheless a number of problems inhibits its capacity to create a common shared vision for the future of the Algerian society.

The first and foremost source of concern is the continuing country's dependence on the hydrocarbons sector. It accounts for almost the entire export sector and is thus the country's primary source of budget revenue, which is the main determinants of the social and economic developments. The diversification into more sustainable sectors has been frustrated for decades by the customs protectionism, which is now questioned by the symbolic reduction of tariffs, since the reduction of maximum duties have been more than compensated by the DAP and other customs taxes.

The second regards the transposition of the WTO rules into the legal framework. The revision process has not yet been carried out completely, if we exclude the tariff measures, and several other areas still require intervention: the import license system, the new competitive framework of the 2002 hydrocarbons sector draft Law, and the enforcement of IPR legislation.

The process seem contradictory and hesitant. While having implemented the liberalisation reforms, at the same time it has introduced new tools intended to lessen temporarily their impact on trade and make them less effective. The same is for the stock exchange: after its opening, the privatisation process come to a halt. A missed opportunity for portfolio investments.

This excessive fragmentation of policies does not seem to answer the needs for a long-term strategic vision of the country's economic growth. What is visible is the political challenge to spur the country's growth by means of socially painful but necessary measures; from below, instead, we notice the difficulties to reach a common consensus on the goals and the means. Civil society is not participating actively to the formation of this necessary consensus. More, it advances requests that would slow down the process, if not going in the opposite direction, conserving the status quo.

In this favourable external conjuncture, Algeria should evaluate this trade-off: it can either speed up the path of completing the reforms and thus become a market economy or it can redistribute the unprecedented amount of international reserves to soften the cost of the painful restructuring of the last decade without seizing the distorted fundamentals. This conjuncture of high oil price of oil will not last for years, but the more open, competitive and efficient scenario that has been offered by the Association Agreement is the anchor. Moving away from the "rent system" through diversifying the economy and liberalising trade is a long-term challenge that can be favoured by the current improvement, if Algeria can seize the opportunity. For this reason the role of the EU will be decisive.

1. TRENDS IN TRADE, RELATIONS WITH WTO AND REGIONAL INTEGRATION

The oil and gas sectors continued to have a direct and structural effect on the Algerian economy, as its exports consist nearly entirely of hydrocarbon. Algeria has the fifth-largest reserves of natural gas in the world and is the second largest gas exporter; it ranks 14th in oil reserves. In 2003, some 30 percent of GDP was accounted for by these sectors, which also generated 97 percent of aggregate exports.

1.1 The long-term trends of foreign trade

As an oil exporter, overall trade figures indicate that Algeria is highly vulnerable to external factors, which are the main determinants of its social and economic development[1]. High oil prices during the seventies - and more recently since 1999 - sustained a strong improvement in its external trade balance averaging 2 or 8 billion USD respectively.

[1] In the last two decades, oil prices, external shocks and the availability of external finance have played a major role in shaping up the trade policy of Algeria. See Femise (2003), Belkacem (2001).

Table 1. Average growth of GDP, Import and export (1997-2003; US$, current prices)

Period	1977-03	1977-81	1982-86	1987-94	1995-98	1999-03
GPD	4,5	20,6	7,5	-4,9	2,7	6,9
Exports	5,5	23,8	-10,6	1,2	3,3	19,3
Imports	3,0	12,9	-4,8	1,9	-1,5	9,1

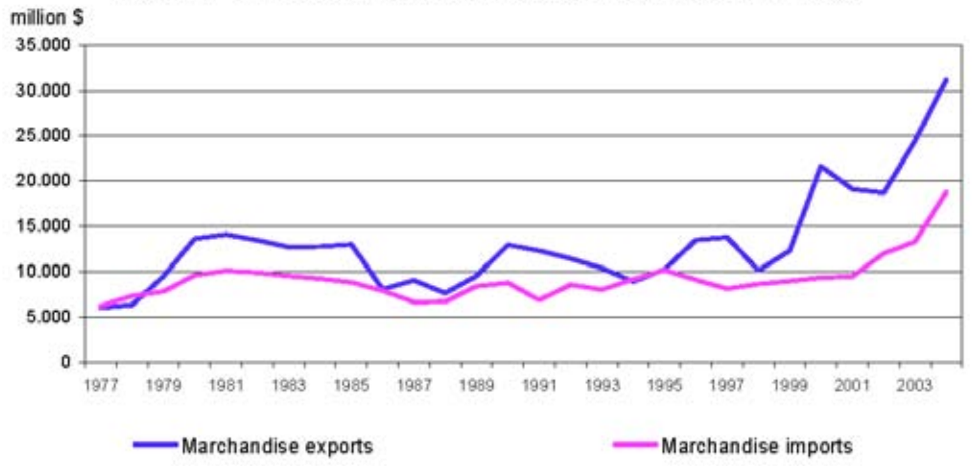
Source: WDI, CD-ROM, 2004 and up-dates from IMF Reports

On the contrary, as oil prices fall, the rigidities of the development model implemented by Algeria magnify the deterioration of the trade account and the contraction of growth[2]. Algeria' vulnerability is evident in this long-term perspective. The 40 percent collapse in oil prices of 1986 had dramatic negative effects, disputing the redistributive role of state budget and the principles of the bureaucratic central planning. The dynamics of imports showed some resistance to move according to the patterns of exports, being committed to planned targets of industrialisation and social welfare.

Even the timid reforms experienced in the agricultural sector in the early eighties did not had much success, and food imports continued their growth at the expenses of the capital and intermediate products.

The down-turn of the balance of trade ended in 1988, largely because of an unexpected rise in oil prices, but the effects were only temporary while imports, in particularly agricultural products, continued to grow, affecting negatively the balance of trade[3].

Figure 1 - Growth of imports and exports, 1977-2004 (million $)



Source: Elaboration on UNCTAD, CD-Rom

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[2] After the independence in 1965, for more than two decades, the direct control of all economic and social activities ignored the efficiency and the sustainability of this import-substitution growth model biased toward heavy industries as well as the volatility of international prices. The private sector was completely marginalised, while the government trough its state-owned companies controlled the import and export regime. Oil revenues were the main source of foreign capital, which funded over 60 percent of total state revenue and the import bill not supported by foreign credits.

[3] This poor economic performance, and widening deficits in the current accounts led the government to negotiate a financial solution with the IMF. Currency devaluation, dismantling the restrictions on external transactions and tighter fiscal and monetary policies forced the economy into a deep social and political crisis. The financial solution did not address the fundamentals governing the Algerian economy and plunged the country into a four years deep social and political crisis.

The intervention of the IMF in 1994 become urgent and necessary for regaining the confidence of the international financial community. Under the three years SAP in the second half of the nineties, a wide-ranging structural reform was implemented in order to secure the macroeconomic stability[4], and for this reason imports were reduced to lower levels compatible with the stagnation of export, while GDP growth averaging below 3 percent. The gap between exports and imports after the 1996-97 peaks stabilised in the range of 2 billion USD which was compatible with the market price of oil. Nonetheless the low productivity of industry and the general lack of competitiveness of the manufacturing and service sectors hampered the non oil exports, despite several consecutive depreciations of the Algerian Dinar and the convertibility of the exchange rate adopted in 1994.

Higher oil prices since 1999 changed again the perspective and softened the external constraints. Oil exports revenues expanded to 21 billion USD in 2000 and to 24 billion in 2003 from less than 10 billion in 1998, more than enough to finance the import bill. Consequently, trade surplus expanded to record values and the excess revenues allowed a 20 percent increase of imports, after years of compression. It is not clear how much of this import increase could be ascribed to the lower tariffs adopted in 2002, but definitely the previous prudent commitment of the government to increase oil production and oil exports before opening to more imports was bearing its fruits. Of course the price was turning the economy even more dependent on oil and related products. This trade policy has led the country's foreign reserves to rebound sharply (to over 33 billion USD by late 2003, compared to 12 billion at the end of 2000), while enabling the government to substantially reduce its external debt from 48 percent of GDP to just over 27 percent in 2003.

1.2. Trade openness

Algeria is an open country in term of the size of its merchandise foreign trade sector relative to the economy as a whole. During the first oil boom of the seventies the openness ratio (exports + imports/GDP) reached level higher than 50 percent, although halving this record high to a low 25 percent of GDP in 1986 when oil prices fell to 13 USD per barrel. As an oil exporter, the degree of openness follow closely the oil prices cycle. Although a series of devaluations in 1991 and 1994, the export performance did not improve at all, with an export ratio in the range of 20-25 percent of GDP, the same average level of the seventies. On the contrary, some deviations from this regular trend can be seen during 1991-1994 when import grew faster than export and then increasing the openness ratio by 15 point to an average of 40 percent in 1994, but bringing the economy to collapse. The stabilisation of import to more sustainable macroeconomic conditions, as defined by the SAP, and, later since 1999, the positive external conditions of high oil prices contributed to increasing the openness ratio near to the level reached in the seventies. In year 2003, total Algerian merchandise exports and imports amounted to 38,1 billion USD relative to a GDP of 66 billion, or 57 percent (Figure 2), among the highest in the MENA region[5].

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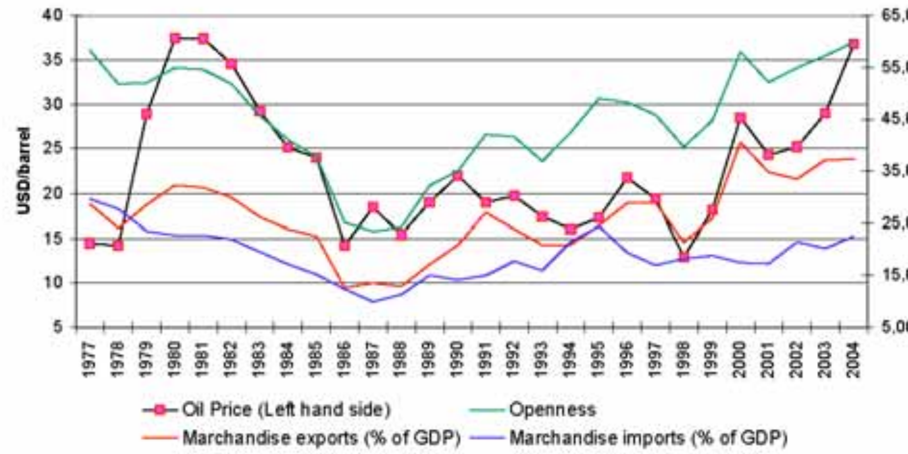
[4] See Akalay (2001)

[5] FEMISE 2002

Figure 2 - Openness Ratio and oil price



Source: Elaboration on UNCTAD, CD-Rom

1.3. Recent trends and forecast

The situation today is quite contradictory, as four consecutive years of high oil prices have brought hope and confidence in the new market-oriented approach of the government, but also resistance from the groups defending the status quo in the redistribution of the oil rent. Algeria's trade balance in 2003 amounted to a surplus of 11,1 billion USD as compared to 9,6 billion in 2001. Current account improvement was even better: a surplus of 9,0 billion USD in 2003 as compared to a deficit of nearly 1 billion in the low-oil-price year of 1998. After three consecutive years of high oil receipts the 8,9 billion USD surplus stood at 13,8 percent of GDP in 2003, with a trend continuing into 2004 as the average oil price continued to increase (44 USD/barrel in September 2004). Year-end forecasts indicates a larger trade and current account surpluses, the latter equivalent to 18,3 percent of GDP, although the rise in imports (+32,7 in September 2004). With a growing domestic demand and the reduction of protection (DAP lowered to 24 percent in 2004 and the suppression of the 2,4 percent customs advance) Algerian imports have shown a 20 percent average increase during the year. In the same time the 10 percent appreciation of dinar and euro against the dollar has inflated the trade balance stated in dollars. The commitment to suppress the DAP by 2006 will undoubtedly increase the propensity to imports, as far as the nominal rate of exchange continues to appreciate.

Table 2. Evolution of foreign trade, recent trend and forecasts

	2001	2002	2003	2004 a
Export of goods (US$ bn, fob)	19,1	18,7	24,5	32,2
Import of goods (US$ bn, fob)	9,5	12,0	13,3	14,8
Trade balance (US$ bn)	9,6	6,7	11,1	17,4
Current Account Balance (US$ bn)	7,1	4,4	8,9	13,2
Current Account Balance (% of GDP)	12,9	7,8	13,5	18,3

Source: Central Bank of Algeria, Annual Report; EIU Country Report, August 2004, (a)

The strength of increased petroleum production of over 1,4 million barrels per day and a renewed political stability have put Algeria in a favourable safe condition. Three consecutive years of high oil price on international markets had further strengthened Algeria's financial position in relation to the rest of the world, near tripling the foreign exchange reserves to 43 billion USD in 2004. International reserves are now larger than the Republic's debt position.

However, this strong external position depends on the level of world oil prices, and the experience show that they can turn down quickly. In addition, the structure of the balance of payments, in particular services, has changed after the implementation of trade reforms. Like most developing countries with a substantial oil sector, Algeria expanded its contractual relationships with international oil and gas companies who build, operate and maintain the various production and processing facilities. These contracts now result in large service payments to foreign companies, and this is reflected in Algeria's current account where non-factor services payments have increased to about 3 billion USD annually in recent years. Furthermore, Algeria has become a net capital exporter, since it pays out more to foreigners for amortisation of debt - and (in the future) outward foreign investment by Sonatrach[6]- than it currently receives from foreign investors. It also receives a steady stream of transfers from overseas, typically about 1 billion USD annually, and mostly from its citizens who are working abroad, but remitting a portion of their earnings back to relatives in Algeria.

In addition, the unprecedented levels reached by international reserves poses the question of whether this accumulation is the most effective way of using these resources instead of investing into domestic assets to boost the modernisation as well as the diversification out of the hydrocarbon sector.

1.4. Relations with WTO

The opening up of Algeria has been due to many factors, not all of them economic. A decade long weaknesses in its domestic economy have been instrumental in spurring moves towards stronger ties in the multilateral trading system, although the WTO admission, still in progress, has made Algeria a record holder with the longest negotiation process.

Negotiations officially began in June 1987 with the request for membership to GATT and the establishment of the Working Party. However, membership saw no real progress until 1996, when Algeria presented its first Memorandum on Foreign Trade Regime[7][7], which made the first meeting of the working party possible. Since April 1998 then the Working Party has met seven times to work on Algeria's admission; the most recent meeting was held in June 2004, when the *Draft Report on Trade in Algeria* was presented.

Algeria's admission, initially planned for 2003, then postponed until 2004, has been once again postponed in 2005. The reasons for this delay can be found primarily in the strong internal resistance to the trade and market reforms required by the WTO international rules. Indeed, although the Government has publicly declared each time the occasion has presented itself that it wishes to become a member of the WTO, thereby gaining the approval of its principle international interlocutors, public opinion, the workers' and employers' associations, and even the National Assembly itself have not only verbalised their position against international openness, but have underlined this position through a number of concrete actions, perpetuating the protection of the State

[6] Sonatrach is expected to invest abroad 900 million USD in 2004
[7] Algeria Memorandum 1996 (WT/ACC/DZA1)

and lessening the pressure for improving Algeria's competitiveness and export diversification.

However since 2000 the membership process has picked up speed and many of the main commitments requested by the WTO have been respected by the Government, in enacting a number of laws aimed at complying with the international trade standards, such as the new customs tariff system, the new Investment Code, the reform of the Commercial Code, the revision of the privatisation law, the reforms of telecommunications, electricity and gas sectors, the reorganisation of the oil sector.

Numerous areas are still under negotiation, the most important ones being the enforcement of intellectual property rights, the level of customs duties, the list of 227 protected products, the alignment of technical barriers to trade, the implementation of safeguard measures, the establishment of an import license system, the removal of non tariff barriers to trade, the abolishment of the remaining subsidies, in particular in the agricultural sector, and the alignment of investment policy to international standards. The economy's liberalisation process cannot yet consider itself completed; there remain a number of constraints that must be solved before Algeria's request for membership will be approved.

Further weaknesses discussed at the working party meeting of June 2004 concern the signing of bilateral agreements, most of which have not yet been signed, the privatisation policies, whose results have been unsatisfactory, the trade of pharmaceuticals, which is impeded by particular normative restrictions regarding standards, and the standards planned for foreign investment, which make the present business environment particularly restrictive.

Additional weaknesses emerged during the meeting of the WTO members; the USA and the EU, in particular, brought up the fact that there still exists a double pricing system for gas and electricity, since the price Algeria applies for domestic use is lower than the price applied on exports. Also criticised was the ban on alcoholic beverages and on import of used trucks included in the budget law of 2004 and approved by the National Assembly.

1.5. EU-Association Agreement

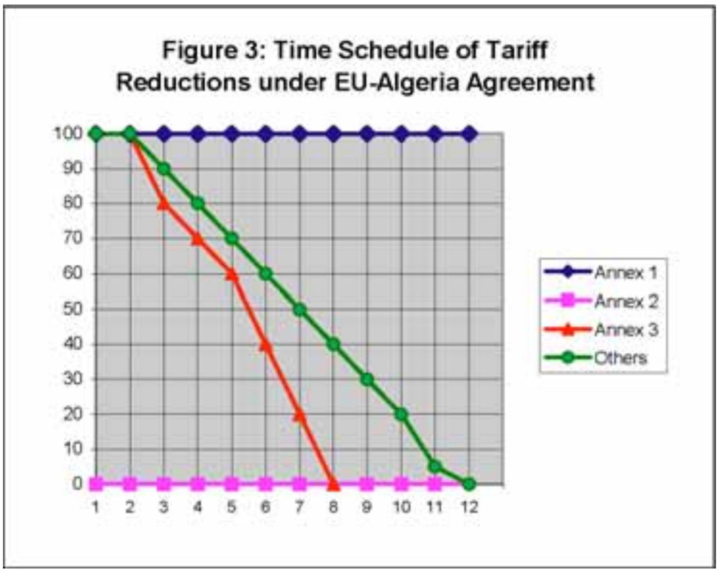
The transition of the Algerian economy has been significantly enhanced by the negotiations for the Association Agreement with the EU, which replaced the former Co-operation Agreement of 1976. Negotiations started in 1997 and were concluded four years later in 2001. The Agreement was initialled on 19 December 2001 in Brussels. After the ratification by the European Parliament in October 2002, it will enter into force after ratification by the parliaments of Member States as well as Algeria[8].

The final aim is to create a Free Trade Area between the EU and Algeria over a transitional period of 12 years, and to help increase economic growth for their businesses communities. The tariff reductions are asymmetric, since all EU tariffs on Algerian

[8] It took five years of negotiations to finalise the Association Agreement with Algeria. One of the distinguishing features of this agreement is the introduction of closer cooperation in the sphere of justice and home affairs, which will have a very real impact on ordinary people. The two sides pledged to simplify and speed up procedures for issuing visas. The agreement also covers cooperation on combating organised crime, money-laundering, racism and xenophobia, drugs and terrorism as well as preventing illegal immigration.

industrial products already enjoy preferential access, while Algeria undergoes gradual and differentiated reduction of its duties over a period of twelve years starting on the date of entry in force of agreement as shown in figure 3. The tariff reduction for agricultural products, instead, will be operative after ratification of the Agreement and are governed by 7 Protocols that concern agricultural products, fishery and processed agricultural products. For Algerian originating agricultural products, a quota and customs-free "agricultural calendar" will be applied, while for other products, like oranges and dried vegetables, imports are free without time restrictions. By reciprocity, several concessions are granted to EU agricultural products imported into Algeria, like rice, alcoholic beverages, processed meat, vegetable oils and margarine among the most relevant products.

The time schedule of tariff reductions is defined by three annexes outlining the preferences and priorities for different categories of products. In principle, the higher the base rate of the tariff, the longer the AA should allow for its elimination. But this is not the case for Algeria. Eighty lines, considered in annex 1 are exempted from further reductions. One third of the tariff lines (annex 2) will be eliminated immediately after the ratification, the large majority with a tariff of 5 percent, after the unilateral tariff revision of 2003. Another third, comprising the higher rate, will be dismantled over the 12 year period. As an example, a longer period is allowed for hides and skins, textiles, footwear, machinery and industrial equipment, motor vehicles, precision instruments, the largest part of imported products from EU, listed in Annex 3 and others. Instead, mineral products, chemicals, plastics, wood and paper, glassware and metal base products, basically all intermediate products included in Annex 1 and 2, will benefit from a faster reduction. Finally, some chemicals products and raw animal products will continue to be imported (Annex 1) without reduction of tariffs for the whole period.



Specific and detailed rules of origin are defined for each individual industrial product and for MFA products (textile and apparel): in principle at least 40-50 percent of the ex-work price of the imported products must be originating in Algeria. The annexes list the required working or processing to be carried out on non-originating materials in order to obtain an originating status.

The Agreement also lays an important foundation for political, economic and social liberalisation in Algeria, which the EU supports trough the MEDA and FEMIP-EIB resources[9]. It also binds Algeria to introducing modern legislation on competition and protection of intellectual property in signing 13 multilateral conventions. It also provides for an exchange of concessions regarding trade in services and for granting the national treatment to European investors.

Very important for strengthening south-south trade relations, the Association Agreement provides a system of diagonal cumulation, a principle provided to other Mediterranean Partners, according to which the parties of the Association Agreement have identical rules harmonised with European rules. In order to maximise the benefits of the Association Agreement, Algeria should make plans for joining the collateral free trade agreement with Egypt, Jordan, Tunisia and Morocco (AGADIR Agreement)[10].

1.6. GAFTA and UMA

In 2002 Algeria joined the Arab Free Trade Area Agreement (AFTA)[11], a step toward fostering trade integration among Arab countries. The initiative was approved in 1998 by the Economic Council of the Arab League the same year, with the aim of establishing a free-trade area over a ten-year period and to be fully operational as of 1 January 2007. No provisions are expected to enhance free trade in services; similarly, no commitment has been taken to liberalise the transport sector, a very critical aspect of the South-South integration. The programme offers rules of origin for duty-free treatment. The AFTA value added requirement is set at 40 percent and the RoO scheme rules for full cumulation of origin among the AFTA countries. However, since the 15 member countries are allowed to draw up a list of exemptions for agricultural and manufactured products until 2008, the inter-Arab trade has remained relatively stable over time, in contrast with other regional groupings[12]. In order to speed up the pan-Arab economic and industrial co-operation, the member countries decided in February 2002 to accelerate the tariff reduction by 2005.

Early in 1989 Algeria had also signed the UMA (Agreement of the Union of Arab Maghreb) with Morocco, Tunisia, Libya and Mauritania, sharing the objective of creating a free trade zone. Plans for the Arab Maghreb Union (AMU), were revived in 1999 after a decade of inactivity. However, the Agreement is not yet in force and only two conventions have been signed by the member countries: Convention on Trade and Tariffs and Convention of the Exchange of Agricultural products.

1.7. Regional Integration, bilateral agreements

Since independence Algeria has also signed numerous bilateral trade agreements, both with neighbouring Arab countries and with non-Arab countries. The most relevant were those with India (1976), Turkey and USSR (1979). However, the country's political

[9] European Commission (2004).

[10] The agreement is concerned with the harmonisation of customs procedures in order to create a critical mass of south-south trade and benefit from the cumulation of imported inputs to gain access to the EU market. The agreement has been supported by the EU Commission.

[11] ECSWA (2003), Survey of Economic and Social Developments in ECSWA Region, 2002-2003, United Nations, Beirut, 15 April 2003.

[12] Al-Atrach and Yousef (2000).

international relations slowed down with the economic and political crisis for more than a decade since 1984.

Bilateral trade relations were resumed in line with the contextual relaunch of the 1996 negotiations with the WTO and the EU. The aim was to strengthen its trade relations with African and Arab countries. The list of Agreements is presented in Annex 1. Among the most significant, in term of economic results which supported Algerian imports or exports in the recent years we find the bilateral agreement with China renegotiated in 1999 and extended to economic cooperation in 2002, and the Trade and Investment Framework Agreement (TIFA) signed with the United States in July 2001, laying the groundwork for the future realisation of a Free Trade Agreement between the two countries. Within TIFA an Algerian-American Council mill meet periodically in order to prepare measures necessary to strengthening the trade partnership between the two countries.

Investment activities and the delocalisation of foreign firms in Algeria are supported by 18 BITs with its major or potential partners, including Italy, the first signed in 1991 and implemented in 1993, Spain and Romania in 1994, Germany, China and Jordan in 1996. Only three BI treaties are actually in force. Algeria has also 12 DTT - double taxation treaties -, including some with key economic partners such as Egypt, France, Italy and Germany.

Considering the still high level of protection of the Algerian economy, the emerging complexity of Algeria's trade regime may raise some concerns. In fact, with an average tariff of 18 percent and a maximum duty of 30 percent, trade distortions may arise in the implementation of so many different preferential trade regimes, since the same products will receive a different treatment according to their sources and origin. As far as imports are concerned, products receiving different treatments could distort prices and competitiveness. The same is true for exports, where Algerian exporters will find trading opportunities distorted by the application of different rules of origin and tariff preferences.

2. QUANTITATIVE INDICATORS OF TRADE PATTERNS

Algeria’s main exports products include petroleum, natural gas and petroleum products. The majority of these are exported to EU countries. The US and Turkey are also important export partners. Restrictions on export goods are few with the exception of some goods including palm seedlings and sheep. Cereals and milk are the main import products. Algeria is in fact the world’s fifth largest importer of wheat. Pharmaceutical products and telecommunication equipment are also imported in large amounts.

2.1. Composition of imports

For years, the composition of Algeria’s imports has been considered particularly rigid, being dominated by the large share of investment goods and food products. This rigidity had been explained by the significant control of import flows by the public companies in the manufacturing sector or by the strong correlation with the public expenditure affecting the decisions of investment and the social expenditure.

However, since the trade liberalisation carried on over the 1998-2003 period, the composition of imports is more lively and moving into the desired direction for supporting economic transformation. Of Algeria's total imports, worth more than 13,4 billion USD in 2003, foodstuffs share has been lowered to 19,5 percent, semi-finished goods and consumer goods have been stabilised to 34,7 and 5,1 percent, respectively, while industrial goods are up again to 40,8 percent. The distribution by commodities continues to be spread over more than hundred single products and sectors, indicating the persistent gap between domestic demand and supply and the generalised weakness of the Algerian nominal competitiveness. Nevertheless, the changes of the commodity structure (figure 4) show some positive changes in the increased demand of capital goods and the lower dependence on foodstuff imports.

The share of major items in total imports, namely telecommunication equipment and transport vehicles, steel pipes and plates, non-electrical machinery, has continued to increase since 1995, reflecting the resumption of economic investment activities in Algeria's service, oil and manufacturing sectors. The industrial product components have increased by 7 percentage points in 10 years, while the import volumes and share of intermediate products have been stabilised following the persistent contraction of the manufacturing activities.

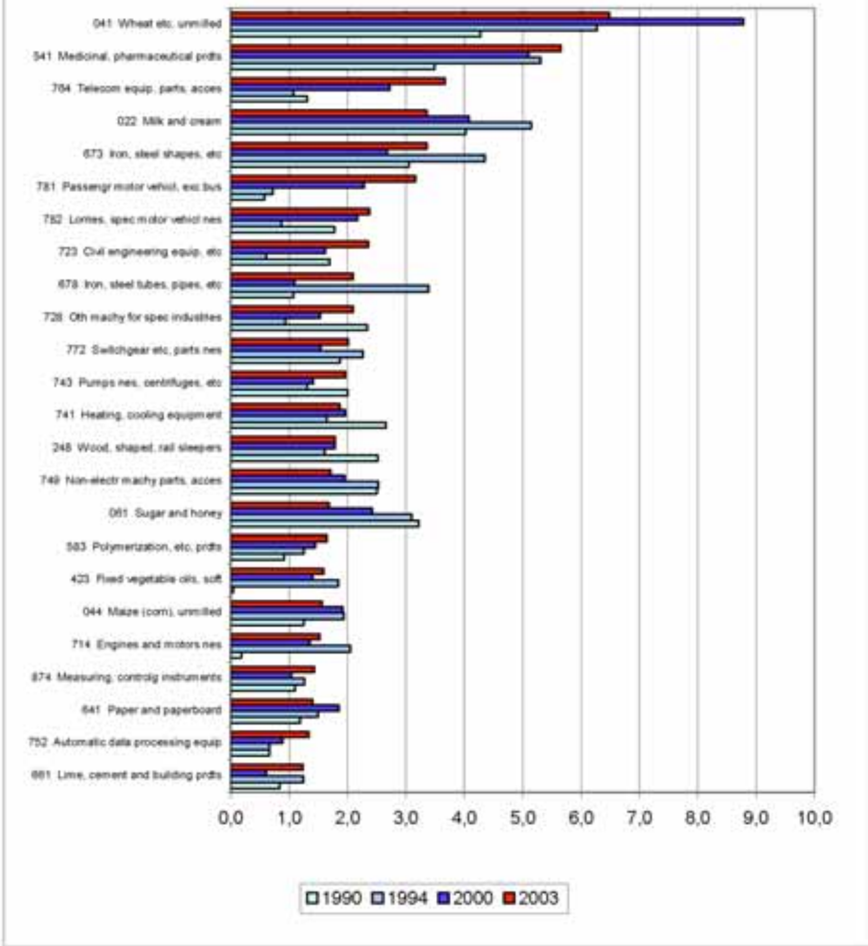
Food supplies remained still dependent on foreign sources, but the improved organisation of farmers, better market reward and favourable weather conditions have allowed the substitution with local products, making Algeria less dependent on imports. The overall share of agricultural products in total import decreased from 25 in 1999 to 20 percent in 2003. The highest drop is noticed on imports of unmilled wheat and flour, barley, maize, vegetables, sugar, milk, while increasing the share of imports of fruits and meat. This trend highlights the ability of domestic producers to satisfy the domestic market, and also emphasizes the investment opportunities in the agro-processing sector.

2.2. Composition of exports

In 2003, export revenues from crude petroleum, natural gas, petroleum refined products and petroleum residual products have increased up to 98 percent of total merchandise exports, the highest level of concentration in the decade. The remainder 2 percent consists of around 96 types of commodities covering a broad range of primary and semi finished products. The share of consumer goods is inexistent, confirming the difficulties of the domestic industrial sector and the total absence of incentives to diversify the industrial structure. The privatisation process ha created only closures, instead of opportunities for modernisation and market linkages with foreign buyers and producers, as the experience of the central Europe and Asian has shown in the Nineties. On the contrary, in Algeria, the closures of domestic uncompetitive state-owned companies were the incentive to start up new private import activities, sometime a sort of unregulated parallel trading feeding a growing informal economy, initially protected by the overvaluation of the dinar and then by high customs duties levied at the border.

This extremely high concentration in the composition of exports and the hydrocarbon sector's dominance did not change during the past decades, although some redistribution is noticeable at the product level, with exports of crude oil growing faster than refined products, and natural gas holding firm its 40 percent share (figure 5). Political choices are behind the rationale of this outcome, because since 1991 the

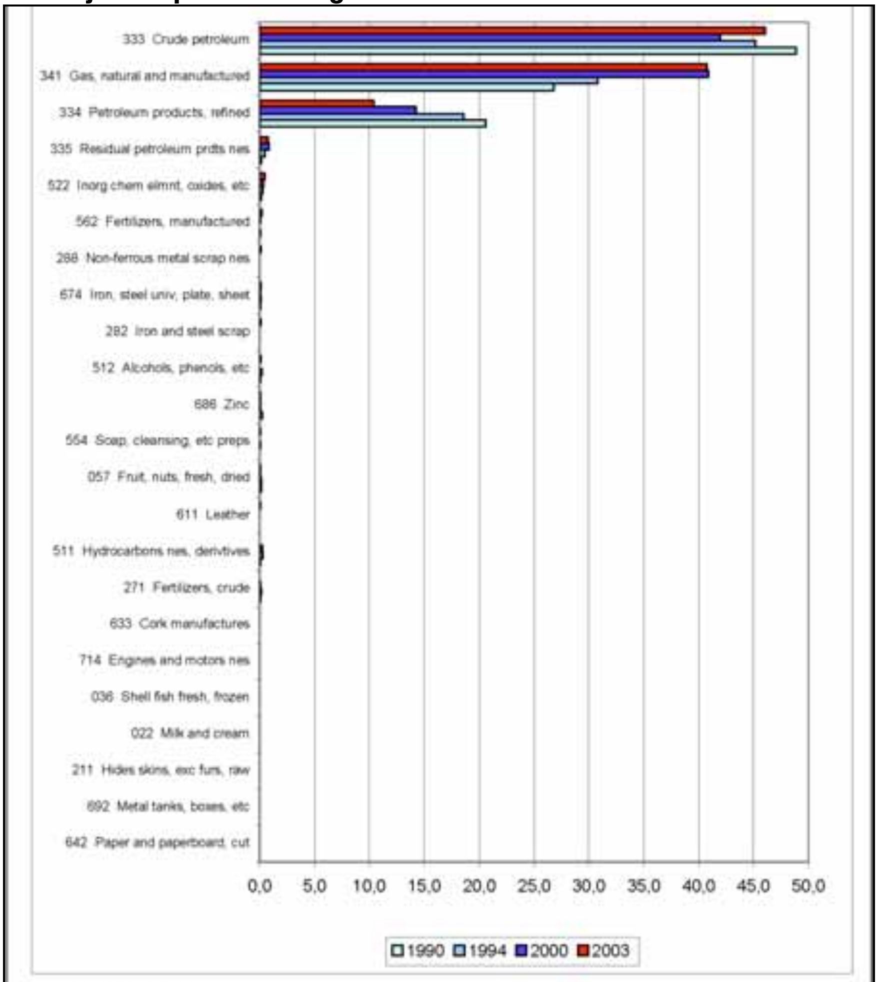
Figure 4: Major imports of Algeria



Source: Elaboration on Comtrade

liberalisation policies were addressed primarily to foreign firms in partnership with Sonatrach. Average crude oil production in 2003 reached 1,2 million bbl/d, running well above its OPEC quota of 782,000 bbl/d (as of November 1, 2003). Together with 320,000 bbl/d of lease condensate and 190,000 bbl/d of natural gas plant liquids, Algeria averaged about 1,71 million bbl/d of total oil production during 2003, up 27 percent from 1,34 million bbl/d in 1998. Partnership production, which has increased in 2003 and reached a 47 percent contribution from a low 15 percent in 1998, boosted the oil exports to the United States (which becomes the first trading partners in 2004, well above France) and Europe. Total production (including crude oil, lease condensate, and natural gas liquids) increased 30 percent to 1,58 million bbl/d in 2003, from an average of 1,2 million in the mid nineties. The current concessions are likely to further increase Algeria's crude oil production capacity to 1,5 million bbl/d by 2005 and to 2,0 million bbl/d by 2010.

Figure 5: Major exports of Algeria



Source: Elaboration on Comtrade

The same strategy has been repeated in the gas sub-sector. The average production increased from 55 billion cubic meters in 1994 to 82 billion in 1999, and the actual extraction ceiling support an average export of 75 billion cubic meters.

Within the non-hydrocarbon exports, the most dynamic sectors are inorganic chemicals, manufactured fertilisers and non ferrous metal scrap, while crude fertilisers, derivates hydrocarbons, zinc, steel declined. The dynamism of the hydrocarbon sector hides the poor export performance of the manufacturing sector, negatively affected by the closures and the pervasive conservatism to save the status quo. Under these conditions is hardly to find entrepreneurs willing to expose themselves and risk their own resources and capital for accessing foreign markets.

2.3. Geographical distribution

In term of geographical distribution, the preferential relationship with Western industrialized countries accounts for the bulk of Algerian foreign trade. Europe, in particular, was the target of the trade diplomacy during the eighties, with the aim to enlarge its penetration as a leading world energy supplier[13], followed in the nineties by stronger ties with the north American markets for crude oil extraction and export. The results were quite substantial: two sub-sea gasducts supply Europe with natural gas, growing own shipping activities for the transportation of LPG (one fourth of total exports), long term contract for LNG supplies.

In terms of value, major export destinations are in order of importance the United States, Italy, France, the United States, Spain, Netherlands, Belgium but also Brazil, Turkey and Canada. The most significant shift is the growing share of North America, due to the increasing supply of crude oil to the United States (140 million tons in 2003, from a low 7 million in 2001), which becomes in that year the first individual trading buyer of Algeria with one fifth of total export. Italy, which was traditionally the principal destination of Algerian products (crude oil and natural gas) receded to the second position with annual 4.718 million USD, followed by France and the fast growing Spain. These three countries made up 44,8 percent of Algeria's total export or 70 percent of those to Europe. The resumption of contracts between Sonatrach and United States oil exploration companies in the nineties guided the increasing United States imports from Algeria (4.9 billion USD in 2003). However, trade patterns changed only marginally since then: the United States joined France, Italy and Spain as one of preferred Algeria's markets, as well as its supplier (see tables A2 and A3).

At a bilateral level, France remains Algeria's foremost supplier with a growing share of 25 percent of Algerian imports, followed by Italy, Spain and the United States. The share of European Union is fairly stable at 66 percent, while the United States reducing considerably their export to Algeria. The shift in the composition of Algeria's import, in particular the contraction of food import is among the main determinants, allowing other European countries like Italy and Spain to gain better market positions. Together with its close relationship with France, Algeria has continued to develop special links with developing countries in Asia (China in particular), in Eastern Europe (Ukraine) and in Latin America (Argentina).

By contrast, Algeria's partners in the Union of the Arab Maghreb--Morocco, Tunisia, Libya, and Mauritania--accounted for less than 2 percent of its trade. After diplomatic relations between Algeria and Morocco resumed in 1988 and the following launch of the UMA, the progress in its implementation has not been strong enough.

2.4. Revealed Comparative Advantage

The distribution of exports and import by groups of commodities, as presented in Figures 4 and 5, gives a first approximation of the *structure of comparative advantages*. More specifically, the Net Trade Ratio (NTR), which is a well known index that considers both import and export simultaneously[14], identifies those sectors that contribute substantially to the trade surplus or deficit.

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[13] By the turn of the century, Algeria had become the world's third largest exporter of natural gas (after Russia and Canada) and the second-largest exporter of liquefied natural gas (after Indonesia). It is the largest non-European supplier of natural gas to Europe and the chief supplier of liquefied natural gas to the United States. It is the largest non-European and the second-largest exporter of liquefied natural gas (after Indonesia). supplier of natural gas to Europe and the chief supplier of liquified natural gas to the United States.

[14] The concept of Revealed Comparative Advantage (RCA) is grounded in conventional trade theory and empirical analysis. The data are supplied by UNCTAD at the three-digit level of the Standard International Trade Classification (SITC). There are 253 three-digit product categories.

In fact a positive value means a comparative advantage, while negative values indicate the disadvantages. Annex 4 records the NTR index on single- and two-digit SITC levels for 1990 (before trade reforms) and 2000 and 2003 (after trade reforms).

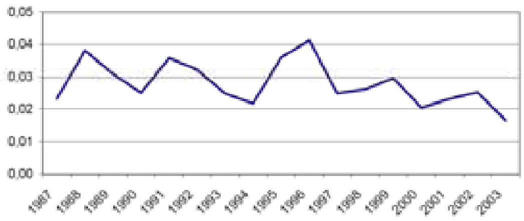
As expected from its development stage and from its large trade surplus, Algeria has a overwhelming and long-lasting comparative advantage in energy products (SITC 3). In the last recent years only 5 new sectors can be qualified as promising source of revenues and diversification: they are identified within the downstream up-grading of country's natural resources, like inorganic chemicals, manufactured fertilisers, metalliferous ores and metal scrap, hide and skins and leather products. Some of these activities require large capital investments, which is a scarce resource in the country. Instead, trade reforms had adverse effects on three sectors, namely, beverages, footwear and crude fertilisers, which in the past were artificially subsidised.

Contrasting the factor endowment and the availability of growing unemployed labour-force, the specialisation of Algeria remains seriously distorted. As illustrated in Annex 4, the patterns of comparative disadvantages in trade of agricultural goods, vegetables, fruits, vegetable oils, and all labour intensive manufactured products did not change much during the last decade. Definitively over the period of trade reforms, Algeria's competitiveness performance was disappointing. Trade liberalisation was not strong enough to encourage structural transformation and failed in promoting the diversification out of the hydrocarbon sectors.

2.5. Intra-Industry Trade

It is hardly difficult to measure the diversification of exports and the gains in competitiveness using more sophisticated definitions like the 0,05 intensity of intra-industry trade (IIT), the two-way exchange within the same group of products. The index reached rather low values during the last decades, slowing down to 0,02 in 2003 from 0,04 in 1996. The low values of the IIT index[15] reveal the poor development of the domestic industrial sector as well as its strong vertical integration into the world economy (Figure 6 and Annex 5).

Figure 6: Intra Industry Trade Index



Source: UNCTAD

The rentier system build on the hydrocarbon sector continued to work against the diversification of exportables. High oil prices provided the resources for balancing the external equilibrium and financing the public expenditure. The negative evolution feed up also the volatility of the index build on marginal and often episodic trading activities. The

[15] IIT index is due to Grubel and Lloyd (1975). Three digit sectors correspond to the standard definition of "industry" in the IIT literature (see Greenaway and Milner, 1986). These indices are calculated from SITC three-digit trade data.

number of sectors has decreased from ten to six, which barely sum up to 1 percent of merchandise trade. The most important sectors are alcohols and phenols, manufactured fertilizers, while recent new entries are soaps and detergents, jewellery and other hydrocarbon derivates.

3. QUANTITATIVE INDICATORS OF FDI PATTERNS

This section will provide some descriptive statistics on the significance of Foreign Direct Investment in the Algerian economy. The section includes also an overview of the main laws regulating the foreign ownership, as well as the results of the privatisation.

3.1. FDI inflows

Foreign direct investment (FDI) and portfolio investment in Algeria are negligible considering the potential endowment of the country's resources and human capital availability. Before the Nineties FDI were almost concentrated in the oil sector, since the 1971 government decision to nationalise the hydrocarbon sector and to limit foreign firms participation to minority holdings with Sonatrach[16] exploration activities and infrastructures. But, inflows were rather irregular, depending on the expectations of future oil prices and market condition, and became negative late in the Eighties.

As a reaction of the oil counter-shock and the contraction of financial resources needed for oil exploration and other public investments (Figure 7) a new hydrocarbon law in 1986[17]. Later in December 1991 the Parliament moved forward in amending the law, obliging Sonatrach to cooperate in joint ventures with international companies interested in exploring low-deposit areas that required high-technology methods, but the low oil market conditions and the deterioration of the macroeconomic conditions of Algeria discouraged further commitments from foreign investors.

The positive outcome of the macroeconomic stabilisation and the revised law on investment increased the attractiveness of the country. Between the mid nineties and 2001, more than 20 exploration and production contracts were signed with American and European investors, five times the previous yearly average. Definitively 2001 and 2002 were intense years for Algeria, with inflows reaching of 1 billion USD. After years of isolation, they raised the hopes to reach levels more comparable to the successful regional neighbours. These foreign investments will increase significantly the oil and natural gas production in this decade, as well as exports[18]. Outside the hydrocarbon sectors, foreign investments are not comparable in terms of inflows and degree of openness.

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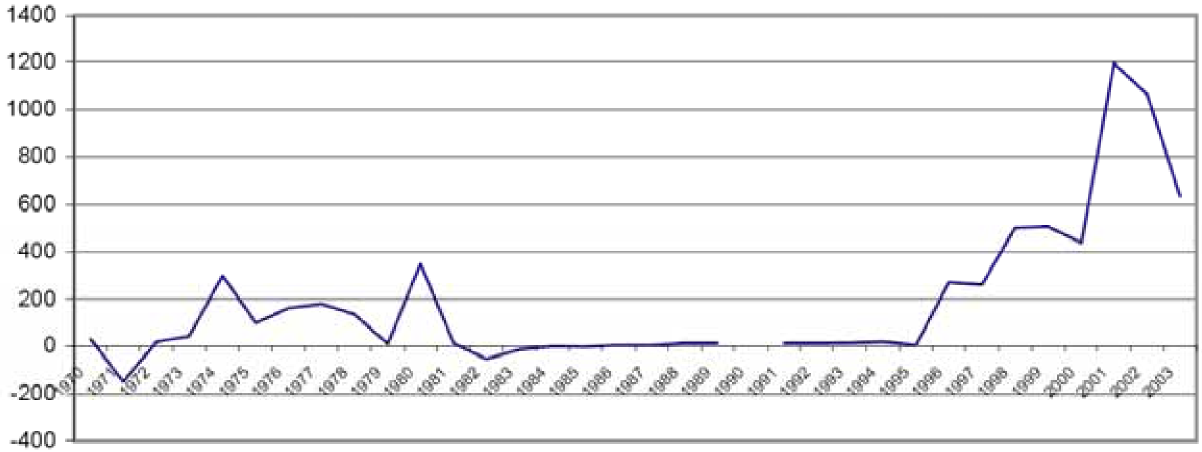
[16] Sonatrach was created in 1971 when Algeria abrogated all outstanding contracts and nationalised 51 percent of all French companies holding oil concessions and 100 percent of the gas rights. After the nationalisation foreign companies were required to conduct all exploration and production in conjunction with Sonatrach, the latter holding at least 51 percent of the voting rights. Law 91-14, issued on 4 December 1991 provides that foreign companies can explore for and produce natural gas, previously a monopoly of Sonatrach, and they can finance, construct and operate pipelines; in addition tax and royalties can be reduced under certain conditions. Disputes can be resolved by recourse to international arbitration. See A. B Derman (1992).

[17] Exploration Law 19 August 1986. On the reform of the hydrocarbon sector before the 2002 hydrocarbon law, see Khelif A. (2001).

[18] Crude oil production from the partnership of Sonatrach with foreign oil companies is expected to increase to 2 billion barrels per day in 2014, up from 1.1 bb/d currently. Gas production will reach 85 billion m3 in 2006, up from 60 billion m3, with the new operations in In Salah, 9 billion m3 per year and In Amenas, 9 billion m3 per year.

Figure 7: FDI inflows in Algeria, 1970-2003 (million $)



Source: Elaboration on UNCTAD -WIR

They are limited to protected sectors like (non tradable) public services such as telecommunications licenses (Egypt and Kuwait), public works contracts, or in the agro-food (European), chemicals (German) and steel industries (Italy, India).

The total stock of FDI increased from 1.465 million USD in 1995 to 6.336 million in 2003. As a percentage of GDP, the stock of inward FDI has increased to an average of 9 percent, among the lowest values in the MENA region. The performance Index, measured as the ratio of the county's share in global FDI flows to its share in global GDP, rank Algeria at the 81 place out of 140 countries, while in the Potential Index it ranks only 75. These low position stands in sharp contrast with the patterns of other countries in the region. In terms of flows, foreign investment represents near 6 percent of the domestic capital formation, evidently inadequate to redress the imbalances accumulated in the past decades and qualitatively insufficient to stimulate the diversification towards non oil sectors, as needed for overcoming the perverse oil-state-rent cycle. Outside of hydrocarbons, foreign direct investment account only 1 billion USD (including the second GSM licence), compared to 3 billion in Tunisia and 2,8 billion USD in Morocco. FDI inflows appear more symbolic than effective in addressing the structural problems of the Algerian industrial sector. They remain marginalised, they did not promote the competitiveness of local enterprises as a vehicle for transferring up-dated technologies and creating new jobs.

Despite the declared commitments of the government, the opening of new Free Zones, the contraction of inflows in the last two years, confirms the difficulties in proceeding towards the transformation of the industrial structure and in attracting the attention for greenfield initiatives suitable for the modernisation and the diversification of the economy[19].

Table 3. FDI Inflows and inward stocks in Algeria, US$, current prices

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Inflows	270	260	206	501	507	438	1196	1065	634
Stocks	1.465	1.735	1.995	2.496	3.003	3.441	4.637	5.702	6.336

Source: UNCTAD, World Investment Report, 2003

19 As recognised by a recent OECD report the reforms "were mostly small and timid and the country is still not very attractive to foreign investors", in AfDB/OECD (2004), pag. 61

3.2. Comment on Investment promotion law, 1993, 2001 and regulation

In 1993 Algeria[20][20] revised its investment code in providing equal and non-discriminatory treatment for all investors in joint ventures, direct investments and portfolio investment. As expected, the main objective was to attract new investments, new up-graded technologies and managerial capacities. This framework was further modernised in August 2001 introducing the fundamental principles of freedom of investment, the protection of investment, as well as the non discrimination between foreign and national investors and the guarantee of profit and capital repatriation. In addition, the investment law was intended to be instrumental for supporting the privatisation of some key sectors of the Algerian economy, allowing for assets acquisitions and capital participation in public companies. In this specific context, not yet openly defined by the government, acquisitions were encouraged, except for hydrocarbons, where foreign investments are limited to joint ventures with Sonatrach, and for pipelines where foreign ownership is still prohibited.

FDI legislation in Algeria does not have local content requirements or regulations, offering instead conditional incentives in the form of custom duties reductions and fiscal exemptions. Investment incentives take the form of exemptions on income tax, property tax, VAT and custom-duties, which are granted to both Algerian and foreign investors. Tax exemptions vary in accordance with two incentive regimes: the general regime which lower the costs of investment and property assets (3 year VAT exemption, reduction to 5 percent on customs duties on imported equipment, exemption of property tax) and the special regimes under a negotiated incentive scheme, which grants the same benefits as the general regime, but lower the operating costs for the infrastructure works, and gives a 10 years exemption on corporate income taxes (IBS, IRG) and on wages. Under all these regimes, the system of incentives covers both the period of realisation and the period of exploitation of the investment, in accordance with the definitions established by the Law.

To simplify the investment procedures, APSSI has been replaced by the National Investment Development Agency (ANDI), adopting the model of the "Guichet Unique" as an interface vis-à-vis foreign investors. Apparently, the aim was to shorten the time consuming procedures for authorization, defined by the law in 30 days[21]. It would be an effective advantage, if realised, since a recent UNCTAD report[22] found that the procedures for registering the foreign investment currently need 121 days on average. In reality ANDI, acting on behalf of the State, is managing the system of fiscal advantages trough a negotiated process and the benefits are graduated according to several parameters established by the Law, like the size of the investment, the geographic location, the jobs created, the technology transferred, the use of local inputs and the export orientation[23]. Free zones are also allowed with specific incentives. After this

[20] with Legislative Decree No. 12, 1993

[21] The World Bank has in fact estimated that starting a business in Algeria involves 14 different steps and takes approximately 26 days (excluding the waiting period to obtain authorisation). Compared to other countries in the area Algeria rates quite high on the Difficulty of Hiring Index (World Bank, Doing Business, http://rru.worldbank.org/DoingBusiness).).

[22] UNCTAD (2004).

[23] The previous Investment Code allowed the maximum advantages to foreign partners if they financed more than 30 percent of the total value of the investment and used 50 percent local inputs. Firms exporting 100 per cent of production were completely exempt from taxes, those exporting 50 percent of production were allowed only a 50 percent exemption. See U.S. Commercial Service (1998).

negotiated process, the investment proposal and the incentive scheme are submitted for approval to the INC (Investment National Council).

The law allows the repatriation of investment's proceeds, but this is limited to profits and dividends made in foreign currencies. Therefore profits generated through loans accorded by Algerian banks cannot be repatriated as well as royalties generated by licensing patents or trade marks, which are not recognised as earnings of the companies because of a different definition of intellectual property assets. Even when allowed by law, repatriation of profits is subject to practical obstacles, such as long administrative procedure for authorisation from the Central Bank and related bank transfers operations.

In conclusion, the investment legislation needs further amendments to enhance the attractiveness of the country. Institutional changes should address the complains about the still overwhelming Algerian bureaucracy, the labour market legislation, which is very different from the European one, the inter-bank payment system and its lagging efficiency despite the banking reform. Though the situation has improved, a lack of transparency still afflicts business dealings in Algeria. Banking and telecommunications infrastructure remains underdeveloped and the reforming progress is slow.

3.3. Revenue from privatisation

The autonomy of SOEs and the encouragement of the private sector in agriculture were introduced by the second five years plan in 1985, but the results were disappointing. This de facto privatisation consisted in the dismantling of the socialist farms, lifting the monopoly of fruit and vegetable trading, the restitution of land nationalised in the sixties and later in the nineties pulling out of retailing[24]. Hydrocarbon was the second sector covered by liberalisation measures in 1991, a sector where reform has been rapid and positively accepted by foreign investors. However is only after the 1994 setback, within the framework of the SAP and debt rescheduling, that the Government accelerated and widened the programme of economic liberalisation and privatisation.

Refusing the mass privatisation voucher scheme, used in the same period in Central Europe, the authorities decided for a more gradualist approach. The hydrocarbon sector was excluded for obvious strategic reasons and Sonatrach continued its operations applying the production sharing model established by the 1991 reform[25]. Therefore, the first privatisation programme, supported by the IMF in 1996, started with the local public enterprises (EPL). A large number of them were given full autonomy while others, more than 800, were dissolved.

[24] The Algerian privatisation programme has been analysed by Dillman (2000, 2001).

[25] The hydrocarbons law of 1999 which provides a concerted reform of the sector, including the privatisation of Sonatrach, is opposed by labour groups and by lack of political consensus and did not receive the consensus of the parliamentary committee law. Sonatrach's role is ambiguous and source of a conflict of interest. Sonatrach is a commercial company with production monopolistic rights in the country and the exclusive government's agency, responsible for regulating the sector and awarding exploration and production contracts. As a state-owned monopoly Sonatrach lacks proper incentives to minimize its costs, operate more efficiently, plan and invest for the long term. As state-owned company it is unable to compete in term of wages with the private sector.

The legal framework for privatisation of large public enterprises was instead set up with the Privatization Order N. 22 of 1995[26] and its Regulations which defined the institutional framework, the means of consolidation and the methods of privatisation[27]. The target was the 400 EPE, they also endowed with full financial autonomy and grouped into 11 sectoral holdings acting as a vehicle for restructuring or privatising the public enterprises. Commercial banks were re-capitalised and performance contracts were signed with the state enterprises to ensure their efficient management. Although granting the same legal status as private companies, the holdings were still subject to government interference. A list of prioritary activities for privatisation was drafted in 1997: hotel and tourism; distribution; textile; food and agriculture; road transportation; port and airport services; mechanical, electrical, chemistry, plastic and paper sectors. Some 230 firms were identified for sale in the same year, more than hundred were dismissed increasing the number of unemployed. Among the few sales trough IPO and strategic investors it can be observed the Banque Nationale d'Algérie, a pharmaceutical firm, a dairy firm, a cement company, a steel industry, which were joining forces with foreign firms or local investors. None of these firms has changed its strategy to access new foreign markets.

These sluggish results are not surprising. These public firms are largely uncompetitive in term of technology and economic performance; they are undercapitalised and overstaffed with unskilled employees, they require deep restructuring and upgrading of their managerial approach before being privatised.

A different approach come from the new Government which tackled the issue in a broader perspective of liberalisation, including the reduction of customs protection. The previous sectoral approach was unified with the Order No. 04 of 2001 which opened the privatisation programme to all sectors, abolished the list of activities that could be privatised and gave to the Minister in charge of Participation and promotion of Investment the powers to restructure public sector enterprises. A new investment code was approved the same year, providing fiscal incentives to foreign and domestic private investors. Finally an innovative legislation for increasing the competition within the hydrocarbon sector with the set up of independent authorities for granting the concessions and regulating the market access and the proposal for opening Sonatrach's capital to foreign companies. The law, stalled for three consecutive years[28], faced a widespread opposition from a spectrum of parties, ranging from Berber nationalists to Islamists to trade unionists, who see market liberalisation as a threat to jobs and an inroad for foreign influence.

Despite the changes, so far, the progress of the formal privatisation was slow and the public industry output continued to decline. Few investors were interested in acquisitions. Private capital, domestic or foreign, persisted in its reluctance in investing in

[26] Completed by Order No. 12 of 1997.

[27] In addition, a Resolution of *Conseil National des Participation* introduced a distinction between total and partial privatisation; this resolution stated that a public holding was responsible for partial privatization while an independent body, set up through the Privatization Order, was responsible for total privatisation.

[28] The oil and gas law will set up two autonomous agencies. The first, Alnaft, will grant prospecting and production rights and run a databank. To avoid conflicts of interest, the agency cannot invest in the sector and an international bidding procedure will select the investors. The second agency will regulate transport charges and access to the network of pipelines owned by Sonatrach as well as defining technical and environmental rules. Sonatrach will focus on supplying domestic and foreign markets under the same conditions of other investors. Although owned by the State, the company should be treated under competitive conditions without government subsidies and guaranties.

an inefficient industrial sector, but also blaming the excessive red tape, political unwillingness and civil strife as the causes of this sluggish progress. The government appears ambivalent on the privatisation front. Of the 1,270 enterprises currently owned by the state, 53 percent are now classified as financially sound after much restructuring, 30 percent in poor financial shape but still functioning, with the remaining 18 percent (approximately 230 companies) are close to bankrupt. Instead of proposing the sale of the profitable companies, the list of the 120 companies selected for privatisation has been drown from the worst performing, yet with limited market opportunities for private investors. The investors will receive incentives, but it without surprise that the process has been long without addressing the problem of competitiveness[29].

4. MARKET DEVELOPMENT, BARRIERS TO ENTRY BARRIERS AND CONTESTABILITY OF MARKETS

In 1991 the state monopoly on foreign trade was abolished, followed by a new Investment Code in 1993. In 1995, a new important step was accomplished: two orders, one relative to privatisation, the other to the management of public expenditure, driving the Algerian enterprises into a decentralised model of market economy and abandoning the top-down methods of governance. All trade-related laws and regulations have been revised and amended in order to liberalise its trade and investment environment by taking into account the obligations of the multilateral trading system. The amendments concerned a variety of areas, including customs valuation, investment and competition.

This section provides an overview of the changes of the trade legislation in order to prepare its accession to the WTO and outlines its role in addressing the trade policy with regard the manufacturing and agricultural sectors. The implementation for removing the tariff and non-tariff measures will be commented in order to identify the commitments and the potential benefits. Trade liberalisation to service activities in considered for the main infrastructures: telecommunications, financial services and electricity.

The Council of Ministers is responsible for trade policy formulation. Trade policy is implemented by the Ministry of Trade, which coordinates his functions with other ministries and agencies, where necessary, including the Ministry of Finance, the Ministry of Industry and the Ministry of Agriculture (Table 4).

Several agencies or authorities support the trade policy. The group of agencies includes the CPE (Conseil des Participations de l'Etat), ANDI and the Conseil National de l'Investissement, which are under Government control and their task is to formulate and/or implement the government policy in several fields considered strategic for the economic development of the country. The second group includes the new sectoral authorities created in the nineties such as COSOB; CREG, and ARPT, whose members are directly appointed by the President of Republic; for this reason the authorities are characterized by greater autonomy and independency. The aim of these independent authorities is to guide Algeria towards a market oriented economy, with competitive and dynamic firms.

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29 http://www.arabcomconsult.com/algeria2003/industry.htm

Table 4. Ministerial responsibility for trade-related issues

Ministry / Agency	Competence
President of the Republic	
Commission d'Organisation et de Surveillance des Opérations de Bourse (COSOB)	Independent body Supervising the stock exchange
Autorité de régulation de la poste et des télécommunications (ARPT)	Supervising the telecommunications and postal services and ensuring competition
Central Bank of Algeria	Banking
Commission de Regulation de l'Electricité et du Gaz (CREG)	Ensuring competition and transparency in the electricity market, establishing tariffs, managing tender procedures
Council of Government	Formulating trade policy
Chef du Government	
Commission de Controle des Operations de Privatisation	Independent body Supervising the Privatisation transactions
Conseil des Participations de L'Etat (CPE)	Defines and approves the privatisation programme
Agence Nationale de Developpement de l'Investissement (ANDI)	Facilitating and promoting investment and manage the programs of financial assistance
Conseil National de l'Investissement	Defines the investment policy and authorizes the investments
Competition Council	protect competition and to sanction practices that restrict competition
Conseil National de Tourisme	Implementing policy to promote tourism
Ministre délégué auprès du Chef du gouvernement, chargé de la Participation et de la Promotion des investissements (MDPPI)	Technical support for formulation, negotiations and implementation of privatisation and investment policy
Ministère délégué auprès du chef du gouvernement, chargé de la planification.	
Office Nationale de Statistiques (OPS)	Statistics
Ministere de la Poste et des Technologies de l'Information et de Communication	Post and Telecommunications
Ministere de la Santé, de la Population et de la Reforme Hospitalière	Pharmaceuticals Prior authorization to import (chemicals, pharmaceuticals, toxic products)
Laboratoire National de Contrôle des Produits Pharmaceutiques (LNCPP)	Prior import autorisation pharmaceuticals products
Ministere de le Petite et Moyenne Entreprise et de l'Artisanat	Investment promotion and development of SME
Ministre de l'intérieur et des collectivités locales	Internal affairs
Ministere des Finances	
Direction Generale des Douane	Customs tariff, valuation, rules of origin
Caisse de Garantie des Marchés Publics	Financing public sector
Commission nationale des marchés publics	Government Procurement
Ministere des Affaires Etrangères	Negotiating international and bilateral agreement
Ministere de l'Industrie et de la Restructuration	Competences in establishment of policies and strategies for development of industrial sectors, innovation
Institut Algérien de normalisation (IANOR),	Labelling and marking Defining standards, measures, technical specifications and ISO 9000 certification
Institut National Algérien de la Propriété Industrielle (INAPI)	Enforcement of Intellectual property rights
Ministere de l'Energie et des Mines	Oil. Electricity and Gas. Competences in establishment of policies and strategies for research, production and development of hydrocarbon, mining, electricity and gas resources
Sonatrach	Establishing tariffs, managing tenders procedures in hydrocarbons sector
Ministre de Transport	Railway; Port and Airport
Ministere de l'Agriculture et du	Agriculture, implementation of laws on

Developpement Rural	sanitary and phytosanitary standards Prior import authorisation
Direction de la Protection des végétaux et des contrôles techniques (DPVCT)	prior technical authorization for seeds and seedlings
Centre National de Certification et de controle	Quality control
National Veterinary Authority	sanitary waiver for animal products
Ministere du Tourisme	Tourism
Ministere du Défense	
Direction Générale Nationale de la Sécurité	Prior authorization for arms and ammunition
Ministere du Commerce	Trade policy
Centre National Du Registre de Commerce (CNRC)	Commercial Register
Promotion du Commerce Extérieur	Export promotion
Société Algérienne des Foires et d'Exportations	Fair and Export promotion
Ministere du Travail et de la Sécurité Sociale	Labour and social security
CAGEX (Compagnie Algérienne d'Assurance et de Garantie des Exportations)	Joint stock company

Source: Government of Algeria web-sites

The main legislation relating to international trade is the Customs Code (No. 07/79, amended with Order No.02/2001), the Commercial Register Law No. 22/1990 and the yearly Loi des Finances, which contains the list of customs tariff reduction. According to the Customs Law, the Cabinet decides the customs duties granted to certain sectors in the economy. Since 1992 Algeria's tariffs have been based on a eight–digit tariff nomenclature according to the Harmonised Commodity System and the applied customs tariff is available on the web[30]. The Investment Code Legislative Decree (No. 12/1993, amended by Order No. 3/2001) and Executive Decree No.281/2001 contain provisions for foreign investment.

On the structural front, the centrepiece of the program was the liberalisation of the trade and payment systems. Trade was liberalised gradually since 1994 by establishing current account convertibility of the Dinar, and developing an inter-bank foreign exchange market. Remaining restrictions of the price system were eliminated and the generalised system of subsidies was phased out.

Table 5. Main trade-related laws in Algeria

Law	Area
Customs Code No. 07/79 modified and completed by Law 10/98; Order No.02/2001 establishing a new customs tariff system.	Customs tariff, para-tariff measures, customs valuation
Law No. 22/1990 governing the Commercial Register and Law No.68/1992 on CNRC Regulation No. 04/1992 on banking domiciliation modified by Regulation No. 05/1995; Law No 08/1988 on veterinary medicine and the protection of animal health; Decree No. 47/1993 on conformity control of domestic and imported products; Decree No. 283/1993 on Entry points; Decree No. 286/1993 on phytosanitary inspection; Executive Decree No. 254/1997 on prior authorization for the manufacture and import of toxic or particularly hazardous products Decree No. 105/1998 on product's borders inspection, Executive Decree No. 156/1999 on phytosanitary Interministerial Decree of January 1998 completing the Order of 3 March 1997, which provides the current list of goods subject to mandatory standards; Decree No. 354/1996 on products inspections completed by Decree No.306/2000; Decree No.32/2002 on prior authorization for importing seeds of cereals and leguminous vegetables for food and animal feed	Import and Export System
1989 Act on Prices; Order No. 06/1995 on competition policy; Executive Decree No.314/2000 on dominant position on	Competition Policy

30 www.ita.doc.gow/td/tic/tariff/algeria.pdf. The 2003 version is on http://r0.unctad.org/trains/

market; Executive Decree No. 315/2000 on concentration; New Competition Law was enacted in July 2003	
No law	Anti-dumping, countervailing and safeguard measures
Law No 02/1989 on Consumers Protection	Consumer Protection ; Safeguard measures
Investment Code Legislative Decree No.12/1993 replaced by Order No. 03/2001 on New Investment Code Executive Decree No.281/2001 on composition and role of Conseil National de l'Investissement	Foreign investment
Privatisation Law No.22/1995 modified and completed by Order No.12/1997; Executive Decree No.133/1996 regarding golden share; Executive Decree No.318/2000 on competences of Counseil National de Participations d'Etat (CNPE); Order No 04/2001 on organisation, management and privatisation of State owned enterprises	Privatisation
Law No 10/1990 on money and credit replaced by Law 11/2003 on Money and Credit; Regulation No. 03/1990 on capital movement	Money and Credit
Copyright: Order No.10/1997 on copyrights and related issues; **Design:** Order No. 86/1966 on industrial design; Order No.65/1976 on appellations of origin; **Patent:** Legislative Decree 17/1993 on protection of inventions; Order No. 07/2003 on patents; **Trade marks** (not yet)	Intellectual property rights
Law No. 05/1998 Code Maritime; and Executive Decree No.119/1999 on port reform; Law No. 06/1998 on civil aviation amended by Law in December 2000; Decree No.391/1990 on statute of Societe Nationale de Transport Ferroviaire	Transport
Law No.03/2000 defining general rules on postal and telecommunications services;	Telecommunication
Law on Electricity and Gas Distribution by pipes No. 01/2002; Presidential Decree No 195/2002 son New Statute of Sonelgaz, Mining act No. 10/2001; **Hydrocarbons**: Law No.14/1986 on research, exploitation and transmission of hydrocarbons; Law No.91-14 of 4 December 1991 on foreign participation in exploration and extraction of natural gas; Avant project de la loi sur les hydrocarbures (October 2002)	Electricity, Mining and Hydrocarbons
Legislative Decree No.10/1993 on establishment of Algerian Stock Exchange and COSOB (Commission d'Organisation et de Surveillance des Operations de Bourse) modified and completed by Ordinance No.19/96 and by Law No. 04/2003; Law No. 22/2996 modified by Law 22/2001 on movement of foreign capital; Algerian Central Bank Regulation No.2000/04 on movement of foreign capital	Stock Exchange
Executive Decree No.327/96 establishing l'Office Algérien de Promotion du Commerce Extérieur (PROMEX); Order No.06/1996 establishing the Algerian Export Insurance and Guarantee Fund (CAGEX).	Export promotion

Executive Decree No.321/1994 on investment promotion in Zones Specifiques; Bank of Algeria Regulation No. 17/1994 defining the exchange regulations specific to free zones; Executive Decree No. 321/1994 on free zone; Order No. 106/1997 establishing the free zone of Bellara; Order No 02/2003 on Free Zones;	Free Zones
Executive Decree No.434/1991 Presidential Decree No. 250/2002 Code des Marches Publique amended in 2003	Government procurement
Law No 23/1989 on standardisation; Decree 132/1990 on role and functions of Normalisation; Decree N.192/1991 on analysis laboratories, Decree N. 537/1991 standards and metrology; Decree No. 47/1993 on conformity control of locally-manufactured or imported products ; Executive Decree 355/1996 analysis laboratories completed by Decree N.459/1997; Decree 69/1998 establishment of Institut Algerienne de Normalisation (IANOR); Decree N. 111/2000 on role and functions of normalisation; Law 28/2001 on set up of National Council on Certification	Standards
Law No 08/1988 on veterinary medicine and protection of animal health, and No. 17/1987 phytosanitary protection Executive Decree No.156/1999 on the control of phytosanitary products for agricultural use; Executive Decree No. 93.286 of 23 November 1993 on mandatory phytosanitary inspection at Algeria's borders for plants and plants products.	Sanitary and phytosanitary measures

Source: Government of Algeria.

4.1 Trade policy: Agriculture and Manufacturing

4.1.1 Tariffs and Tariff-like Charges

Customs tariffs are Algeria's main trade policy instrument at the border. Started in 1992 with a major tariff reform, trade liberalisation continued with the announcement of the 2001-2004 Economic Recovery Support Programme (PSRE). The latter included a trade liberalization component putting an end to the Algeria's inward-oriented strategy of the past decades and a further reduction of customs duties. During the same period, both the negotiation for the accession to WTO and for the Association Agreements with the EU provided a well-established framework for trade liberalisation and for restoring the credibility of the country.

Significant efforts were directed to the harmonisation and simplification of customs procedures, as well as to the rationalisation of the customs duties with three unilateral tariff reductions, in 1992, 1997 and 2002 respectively. The 1992 reform adopted a tariff represented by 6112 subheadings with a maximum import duty of 60 percent. The maximum duty was gradually reduced to 45 and to 30 percent in 1997[31] and in 2002[32] respectively, while the number of rates has fallen from six in 1992 to four since 2002 ranging from zero to 30 percent. All custom duties are applied on c.i.f. values (ad valorem duties) which made the Algerian tariff system more transparent and since June 2002 the custom legislation uses the transaction value as the basis for valuating imported goods. In addition to duties, a value added tax of 17 percent (7 percent for the reduced rate[33]) has been applied since 1991 with other specific surcharges or consumption duties on hydrocarbons[34], alcohol[35] and tobacco[36].

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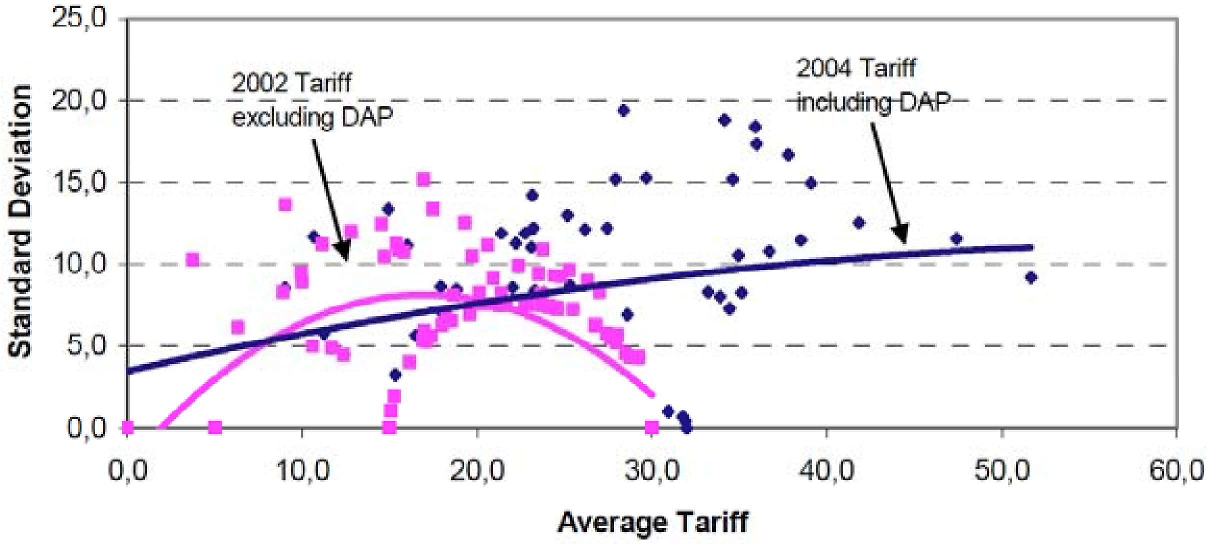
[31] The 1996 Finance Act lowered the maximum 60 percent rate to 50 percent.

[32] Custom duties have been further reduced with the Order No. 01.02 of 20 August 2001.

[33] These include imports on behalf of SONELGAZ in the energy sector, products for the manufacture of traditional handicraft, raw or manufactured articles used for construction and repair of ships and aircraft, and imports in CKD and SKD condition intended for industries assembling motor vehicles.

[34] A "taxe sur les produits pétroliers" (TPP) at specific rates is set on petroleum oils and petroleum gases.

Figure 9: 2002 and 2004 average tariffs in Algeria



To counterbalance the reduction in tariff, the government began to levy a 2 percent customs formalities fee (RFD)[37], a customs fee of 4 per mill on the value of imported goods[38], an advance payment of 4 percent on imported goods for resale and a "droit additionel provisoire" (DAP) on 480 products for the year 2001, at a rate of 60 percent, due to be phased out by 12 percent yearly until 2006, hence increasing the degree of non-transparency. In addition to the duties, other customs charges are applied to particular imports, like the hallmark duty on gold and precious metals and a slaughter tax on imports of live animals.

As a consequence, until 2006, the overall tariff dispersion will be larger than the bound schedule: the reduced average tariff will be more than compensated by extra tariff peaks in key sectors not subject to tariff reductions, including some dairy products, potatoes, fruits and vegetables, margarine, cous cous, biscuits, beverages, cosmetics, textiles, electric appliances and furniture. Figures 9 and 10 provide an aggregate picture of the distribution of average tariffs and differential among each category for the 97 HS two-digit classification as well the distortion due to the DAP at 24 percent between 2002 and 2004.

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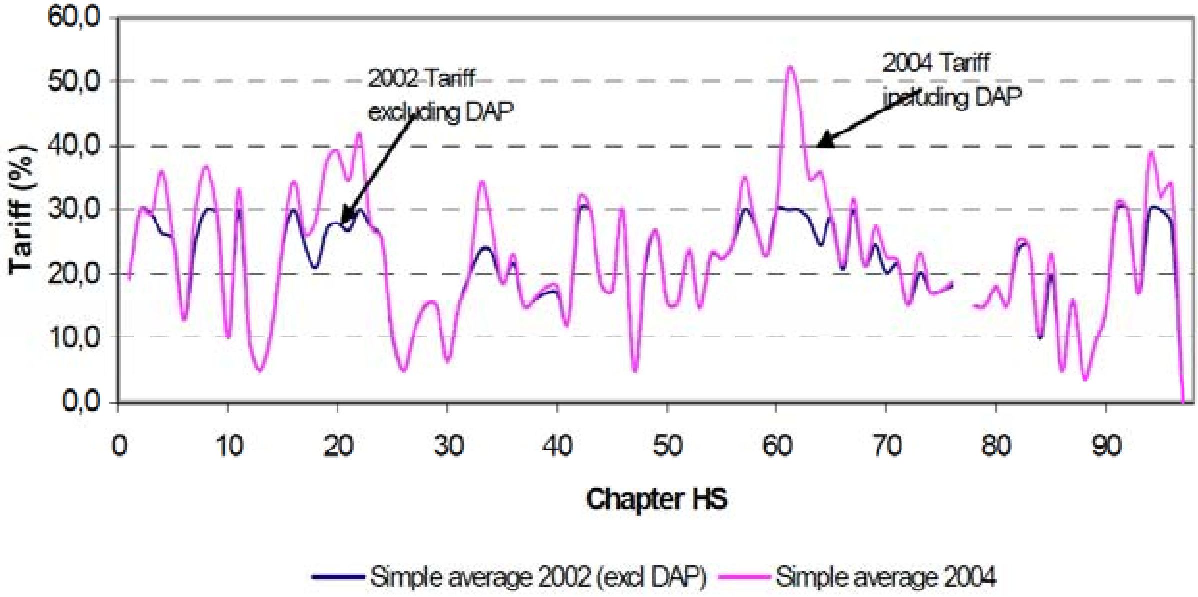
35 "Droits de circulation sur les alcohols" are levied on wines and spirits at specific rates.

36 The "taxe intérieure de consommation" (TIC) at specific rates is charged on beer, matches, tobacco and tobacco products. Ad valorem rates between 10% and 90% apply to salmon, caviar, fruits, coffee, liquors, worn clothing, off¬road and other motor vehicles.

37 A "redevance pour formalités douanières" of 2 percent of the customs value is levied on import declarations except those destined for the Ministry of National Defence, and primary goods which enter duty free. Finance Law 2004 has declared inconsistent with WTO rules both RFD and the 4 per mill customs duty and replaced them with a new type of duties related to the use of Customs computerised management system (SGID).

38 The same customs fee is applied to exports.

Figure 10: Simple average tariffs in Algeria -2004



So far, pending the ratification of the EU Association Agreement, tariff preferences are not much significant, since they are provided only in the context of regional or bilateral[39] trade conventions with the Arab Maghreb Union countries, which grant for exemption from customs duties and charges of equivalent effect on original or traded products. The extent of tariff preferences granted under these agreements depends on the individual partners[40], but they affect only a marginal share of total Algerian trade. More relevant will be the tariff reductions negotiated under the Association Agreement with the EU, which will affect more than 60 percent of imports.

Most items are dutiable at rates of 15 or 30 percent, with a mean unweighted average rate of 18,7 percent (Table 6 and Annex A.6 and A.7) and a standard deviation of 10,3 percent. Nominal protection in 2004 (excluding the 2 percent RFD) remains significantly high in particular for agricultural commodities (24,5 percent, calculated on HS 1-24) and on processed goods (20,9 percent), while the dispersion of applied tariffs, as measured by the overall standard deviation, doesn't show significant differences in agriculture (9,6 percentage points) compared to industrial products (10,1 percentage points). Somewhat lower rates are charged on raw materials than on semi-processed or final goods, thereby providing some higher level of effective protection to the manufacturing sector than that reflected by the nominal rates.

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39 Algeria has signed bilateral free-trade agreements with Tunisia, Morocco, Libya and Mauritania.

40 Bilateral trade agreements with Tunisia, Morocco and Libya provide for total customs duty exemption for all products originating in these countries. The Trade and Tariff Convention with Tunisia signed on 9 January 1981 was supplemented by an Additional Protocol of 17 May 1984. Algeria's trade relations with Morocco are governed by the Trade and Tariff Convention concluded on 14 March 1989, amending the Convention of 17 March 1973. The Trade and Tariff Convention with Libya was signed on 1 December 1987. The Trade and Tariff Convention with Mauritania signed on 23 April 1996 provides for the lifting of non-tariff barriers and progressive elimination of customs duties for originating products on the basis of jointly agreed lists. The Tariff Convention with Jordan was signed in 1997. This convention provides for customs duty exemption for originating products and is being ratified.

Considering the temporary DAP applied during the period under review, the tariff displays a negative escalation ("de-escalation") from raw materials to semi-processed goods, implying lower effective protection for the next stage of processing than is evident from the nominal rates, unless intermediate goods producers are able to secure concessional rates to offset the higher rates on their material inputs. In general, escalation is slightly more marked in agriculture than in industry, although there are considerable discrepancies according o the branch of activity. This high cost of protection is mainly borne by Algerian consumers who pay higher prices for their daily basic expenditure or ask for subsidies, while producers will benefit from this rent.

Table 6. Customs tariff (simple average) by stage of processing, 2004

	Lines	Minimum	Maximum	Average	Standard Deviation
Agricultural goods	850	0	30	24,5	9,6
Manufactured products	5151	0	30	17,7	10,1
Raw Materials (including DAP)	659	0	30 (56)	16,9 (24,3)	11,3 (14,2)
Semi processed (including DAP)	3141	0	30 (56)	17,5 (18,9)	8,6 (11,5)
Processed goods (Including DAP)	2195	0	30 (56)	20,9 (22,7)	11,8 (16,6)

Source: Author's elaboration on July 2003 tariff

Exemptions from customs duties are granted to capital goods, products and materials intended for oil activities[41], to organic and chemical products used for the production of pharmaceutical products[42]), and to inputs used for the manufacture of goods intended for export[43]. Instead, the new 2001 Investment Code allows for customs duties reductions on imported capital goods. The incentives were widely used by the administration, since the revenue collection from customs duties was about 13-15 percent of the values of imports in the last three years, well below the 18,7 statistical average.

Exemption from VAT are also widespread, from non concentrated milk and cream, pharmaceutical products, fertilizers, cereals used for the manufacture of bread flour and semolina from milled cereal grain, to products and materials destined for the exploitation of hydrocarbons by Sonatrach.

The overall high degree of protection granted has been compensated by "ad hoc", functional or specific exemption and reduction, reducing the needed transparency for an effective competitive market-driven economy. Distortions are well identified and they should be removed significantly, in order to encourage deeper and less vulnerable trade integration with the rest of the world. According to the agreed schedule for tariff reduction within the EU Association Agreement, the average nominal protection will gradually be reduced to 9,9 percent after 6 years and to 3,7 percent at the end of the transitory period. Figure 11 show the reduction among each HS category.

[41] provided by Art. 58 of law No. 86-14 of 19 August 1986

[42] law No. 2000-06 of 23 December 2000

[43] Finance Law No. 2000-06 of 23 December 2000

4.1.2 Non tariff-barriers

Most non-tariff measures have been removed in 1990 with the right of registered commercial entities to operate freely in import or export activities[44]. Private companies were allowed to import goods on their own account, using the foreign currencies generated from their own exports, and to develop partnerships with foreign partners. However, excluding the export proceeds from oil and gas, the amount of foreign currencies generated by the non-hydrocarbon sectors barely attained 6 percent of total imports payments, de facto shifting the authorisation from the Ministry of commerce to the Central Bank[45].

Many of the inefficiencies and protectionist policies associated with its formerly centralized economy still exist. Non tariff barriers take the form of bureaucratic customs clearance procedures, since Algeria doesn't have at present an import licensing system, although being scheduled to enter into force during the first quarter of 2003.

Some products are subject to restrictions or to prior authorisation or technical certificate by some ministries. For security or religious reasons, import restrictions include firearms, explosives and pork products. Imports requirements are dispersed among more than thirty laws and regulation, defining procedures, conformity of technical regulations, labelling instructions. According to bankers, all this increases the global inefficiency and the elevated degree of corruption of the Customs administration. It compares adversely to Morocco and Tunisia, as well as countries like India and China. In fact, the instrumentalisation of the customs system in order to block the competitors and the discretionary perception of customs duties are means usually protecting oligopolies, to the same title that the banking and judicial system, making import activities time consuming, discretionary and costly[46].

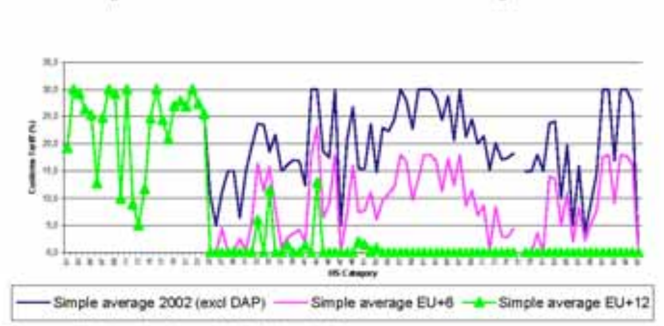

Figure 11: Tariff reduction within the EU Association Agreement

Source: Elaboration from EU - Algeria AA

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44 The commercial register is managed by Centre National du Registre de Commerce (CNRC) according to Law no 22/1990. In addition the registered company should have a banking domiciliation for all foreign payments (Regulation n. 04/1002).

45 Legislation passed in 1991 permitted the establishment of local marketing operations, as well as agency agreements between foreign and Algerian partners known as concessionaires. The new distribution system practically ended the government's monopoly on foreign trade. Both manufacturers and suppliers can now sell either through local wholesalers or through their own distribution networks.

46 For example, the Ministry for Health and Population must clear medical products (pharmaceutical products, medical equipment), the Ministry of Defence and National Security Directorate must clear hunting weapons, the Ministry of Posts and Telecommunications must clear radio equipment and radio transmitters, the Ministry of Information and Culture must clear books and magazines and the Ministry of Agriculture must clear seeds, fodder, live animals and plants. Consumer goods of a toxic nature or particularly hazardous products are subject to prior import authorization from the Ministry of Trade. See also a comment of. Byrd (2003)

The concern that technical standards and regulations introduced with the 1989 consumer protection law[47] should be used as a non-tariff barrier has been removed with the reduction of the list of products subject to systematic inspection at the customs, as amended and simplified in 1997 and 2000[48]. The evaluation that can be replaced with a certification of conformity by the producer or by independent certification bodies.

Although public ownership is not a NBT per se, the relevance of the public sector and the rules of Public Procurement continue to distort trade flows and domestic prices. Public Procurement rules[49] although being aligned to the WTO Agreement on Government Procurement in 2002[50] still require a reserve of 15 percent of Algerian products.

4.1.3 Export subsidies & related issues

As states at the Working Party for accession[51] Algeria has a mechanism for subsidising non-hydrocarbons export, but specific informations for beneficiary sectors, activities, purposes, amount of benefits are not declared. On the contrary, considering the small size of non-hydrocarbons in Algeria exports, the government in 2002 requested to be allowed to maintain this system as per Art. 27 of the Agreement on Subsidies and Countervailing Measures.

Promotion activities are supported through the "Office Algerienne de la Promotion du Commerce Exterieur" (PROMEX)[52], which is also responsible for managing the 1996 FSPE (Fonds Special pour la Promotion des Exportations). This fund supports the participation of Algerian companies in international fairs and trade shows, cover their costs of market research, the transport and handling costs for the services provided in Algerian ports and other non specified costs incurred by adapting products to foreign markets.

The financial support is provided through the Algerian Export Insurance and Guarantee Fund (CAGEX), which guarantees credits of Algerian exporters. Finally, a short-term credit system (3 to 24 months) is provided by the BNA. This is granted to all companies that export based on their turnover.

Although being phased out, price regulation continues to apply to certain inputs and final consumption goods. These consumption subsidies include in particular the price of pharmaceuticals, pasteurized milk, bread, flour, gasoline, diesel and fuel oil, domestic natural gas, LPG fuel, LPG bulk, propane, and butane. As for services, they apply to rail transport, passenger transport by motor vehicle, and hydrocarbons pipeline transport tariffs.

The problem of price regulation is often directly correlated to the presence of natural monopolies. The pricing system on energy, for example, witnesses the bad

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[47] Law N.2 of 1989

[48] See in particular Decree N. 47 of 1993, Decree N. 354 of 1996 modified by Decree N.306 of 2000 (for conformity and quality control of imported products), Interministerial Decree 3 January 1998.

[49] Executive Decree N. 434 of 9.11.91,

[50] Presidential Decree No. 250 of 24 June 2002.

[51] WTO (2002), WT/ACC/DZA/15, Question 42, page 35.

[52] Ordinance 327 of 1.10.96

implementation of the 2002 Law on Electricity and Gas, which established a double price system: a decree-set differentiated price of gas and energy for the home market (firms and domestic customers) and a market driven price for export, which is negotiated directly between the producers and the international buyers. This can be a source of export subsidies, and therefore inconsistent with the WTO principles and commitments.

Several tangible fiscal advantages are provided since 2001 to those companies producing goods and services exclusively for export. Only transport companies, banks and reinsurance companies are excluded. The facilities to exporters consider a five-year exemption on company income tax (IBS), a full exemption on Value added tax (TAV) on foreign sales, the exclusion of export proceeds from the taxable base of the business tax (TAP), the exemption of exported products from the TSA (taxe spécifique additionnelle). Some of these advantages, for example exemptions on the payment of IBS, VF and TAP, are also available to investors who obtain a part of their earnings from export. These advantages are decided upon by the ANDI (agence national pour la promotion des investissements). Up to now the incentives had little effects on the diversification of exports.

It must be noted however that despite the presence of public supporting structures promotion and the provisions of fiscal incentives, export companies remain in the minority (859 surveyed in 2003, against 27.000 importers). This fact reinforces the fundamental issue of the difficulties of Algerian producers, the lack of market addressed and sustainable incentives for private entrepreneurship, the insufficiencies of transport infrastructures which increases operating costs; the misalignment from international quality standards, definitely the lack of real competitiveness.

4.1.4 Anti-Export Bias

In macroeconomic terms, an anti-export bias is caused primarily by the overvaluation of the exchange rate, which makes domestic production for export less profitable or by structural and administrative bottlenecks, which more directly discourage both domestic production and exports. Oil dependence as well as high protection of inefficient domestic producers make the economic system vulnerable and create a process of natural appreciation of the REER, which determines poor competitiveness and works against export and investment. The persistent real appreciation of the dinar all over more than two decades, despite the nominal devaluation in 1991 and 1994, was a source of the misalignment that even after the stabilisation period continued evidently to discourage new initiatives in traded goods and service sectors.

Since then, Algeria has embarked on a programme that will make its institutions more compatible with WTO rules. This process has led to tariff reductions and modernisation of import and export procedures. These cost-reducing reforms were clearly addressed to remove the anti-export bias and to improve Algerian's business climate. However, the protection levels remained well above those of the more open countries who are likely to compete with Algeria in access to the EU market. According to Unctad statistics, the effective reduction of customs duties was only two percentage points, from a weighted average of 18,7 percent in 1993 to 16,7 percent in 2001, evidently inadequate to reduce the existing anti-export bias and the distortions against private production activities, since import competing activities remain highly attractive.

Even the approval in 2001 of the new law on the promotion of investments was intended to remove the administrative constraints and to provide an adequate and competitive package of fiscal incentives. As a first step, new institutions were streamlined to the new tasks. However, despite the empowerment of ANDI and INC (Investment National Council) investors were reluctant to commit resources and capital into new ventures. The economic risks is still too high. Indeed, an estimate of the MDPPI (Ministère délégué auprès du chef du Gouvernement chargé de la participation et de la promotion de l'investissement), on the 48.000 projects proposed between 1993 and 2002, for total amount of 42 billion USD, the projects realized amounted only to 500 million dollars: one out of eight in average in 2003[53].

The process of transition to a market economy also has considered the innovative concept of free zones[54]. But its implementation was immediately halted and did not achieve the hoped results; it has remained for the most part a project still on paper rather than a real system of incentives for the Algerian industry. This led to the revision of the legislation in 2003[55], with new flexible procedures for making the planned free zones more attractive to FDI, with the consequent creation of local employment. Although granting fiscal exemptions and concession for over 40 years, the initiatives did not yet attracted the interest of foreign investors.

4.1.5 The specific case of agricultural products

The agricultural sector was the first to know the commercial liberalisation since the eighties. The priority given to the sector reflects its economic importance within the Algerian economy: 15 percent of the Algerian labour force, but more critical, its 40 percent share in total imports. The sector accounts for some 10-11 percent of the country's GDP in an average year, and 9 percent of GDP in drought years. Having about 8 million hectares of usable agricultural land, the same size of Italy, half of Spain, only 7 percent of farmland is irrigated, which makes the agricultural production heavily dependent on rainfall and significantly constrained by factors such as short cropping season, soil nutrient depletion, and rural migration to urban centers.

Agricultural mismanagement[56], "self-management" *(autogestion),* the Agrarian Revolution, land collectivisation and inadequate infrastructure and machinery[57] had negatively affected agricultural production, which was not able to keep the pace of the population growth, definitively making Algeria dependent on food imports. In normal years, imports generally account for 75 percent of total food needs and consumption.

Acknowledging the inadequacies of a centralised economy, the 1987 Law adopted a more pragmatic approach encouraging the private management of farms and relying

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[53] UNCTAD (2004).

[54] Ordinance N.106 of 5.4.97for the Bellara free zone

[55] Ordinance N.2 of 19.7.2003

[56] Over one-third of farmland constantly lies fallow, in particular in those regions marginalized by the national agriculture development programmes throughout the decades, compared to 28 percent in Morocco and 10,5 percent in Tunisia.

[57] There is 1 agricultural employee for 3,4 ha in Algeria, compared to 13,7 ha in Spain, 5,3 in Tunisia, 2,4 in Morocco and 0.4 ha in Egypt. There is 1 tractor for less than 88 ha as against 1 tractor for 140 ha in Tunisia and 231 ha in Morocco. One hectare of agricultural area in use generates a gross agricultural product of more than 800 USD in Algeria, as against 4,000 USD in Egypt and less than 600 USD in Morocco and Tunisia.

on the adjustment of prices to the market conditions. Although land remains the inalienable property of the state, the farmers both collectively (EACs) or individually (EAIs) were allowed with perpetual usufruct of the land they farm[58]. Further liberalisation measure were included in the 1994 SAP in order to stimulate a better utilisation of land. They resulted in a progressive elimination of the subsidies to agricultural development (subsidies to the inputs, free services to the producers) and the systems of obligatory delivery (offices and cooperatives). Wheat production was excluded by this market reform and compensatory resources were assigned in subsidising the consumers of basic products.

All prices are now liberalised, with the exception of wheat and milk, whose strategic character has been recognised, with the maintenance of a price control. Higher production prices were assured either by the market play (as in the case, in general, of fruits and vegetables, ovine meat and barley), or by increasing the guaranteed prices (tender wheat, durum wheat).

Although the reforms were designed to restructure the Algerian rural sector, they failed to provide the economic incentives for increasing production and participation. The nominal rate of protection remain still significant (on average 24 percent) and onerous for the consumers, while leaving to the state full responsibility in controlling the food health safety requirements[59][59] and in providing veterinary inspections at border posts.

Agricultural trade policy is still governed through a complex system for protecting meat, dairy products, fruit and vegetables and olive oil, which are considered as "strategic products"[60]. The escalation of the tariff structure, as well as the exemptions, may be seen as an obstacle for the agricultural development. In general, the bound tariff (30 percent) is sufficiently high to allow for a considerable degree of protection at the border. The highest rate is levied on refined products for household consumption like meat, fish, milk and cream, butter, yogurt, cheese, olive oil, all refined vegetable and animal oils, potatoes and all kind of vegetables and fruits, coffee, tea and spices, all products of the milling industry. However, the 5 percent tariff is levied on breeding live animals, milk in powder, fat and oils derived from milk, bulbs and live plants, potato seeds, beans, sugar, wheat durum, rice, maize, meslin, soya beans and other oil seeds and vegetable oils for industry (excluding olive oil), but raises the rate to 15 percent if used by local industries (like low fat milk, sugar beets, fodder and animal fats). Until the 2003 tariff revision, no logic could explain the 30 percent rate for both fruits and fruit juice or jams, or fresh tomatoes and preserved tomatoes. Apart some specific products and excluding wheat and rice, it is not clear from this tariff structure if the rationale is intended to soften the impact of imported products on the consumer prices

Algeria is structurally a net importer of cereals and in particular of durum wheat, although wheat and barley are the major grain crops, representing 63 percent of all cultivated areas. The country's food and farming exports are negligible, in the order of 30 million USD, less than 2 percent of total exports. Agricultural trade continued to record large deficits heavily influenced by seasonal conditions and by growing consumer demand. During the stabilisation of the late nineties the deficit was reduced from 3 to 2,5

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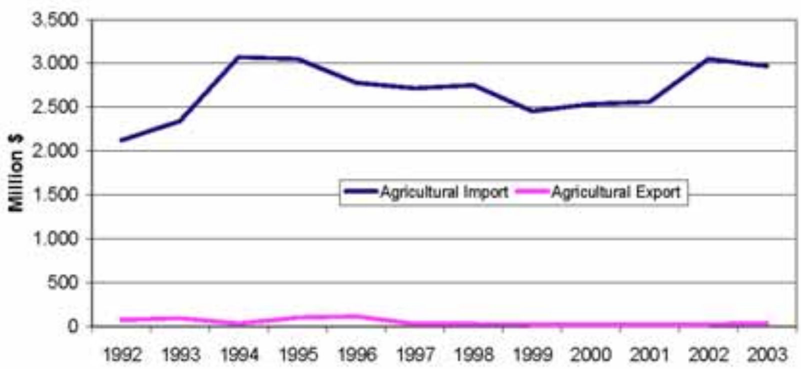
58 For an evaluation of the structural problems of the agricultural sector see Bedrani (2001).

59 Safety requirements regards the respect of pesticide residues, heavy metals and other contaminants (Law No. 87-17 of1 August 1987 on phytosanitary protection, amended by decree No. 93-139 of 14 June 1993).

60 For a comparison with other Mediterranean countries see Kuiper M. dell'Aquila C. (2004).

billion USD, although for 2002 and 2003 the figures are more discouraging, marked by an increase of imports. In detail, since the adoption of the reforming measures the level of imports of cereals and vegetables has continued to increase, while only those of dairy products have shown a downward trend. The grains share in total agricultural imports increased to an average 40 percent in 1999-2003, the main suppliers being the European Union (durum wheat and barley) and the United States (wheat and corn). Other important imports are dairy products, whose share decreased from 24 to 18 percent, sugar and sugar confectionery (sable at 9 percent), fruits and vegetables (up from 3 to 6 percent). From the export side, fruits make up for almost 55 percent of total exports, followed by vegetable oil, in particular since 2000 and dairy products (see for detailed breakdown Annex A.8).

Figure 12: Agricultural trade



Source: Elaboration from UNCTAD

This pattern in agricultural trade does not represent the underlying comparative advantages, but rather the outcome of incongruent agricultural and trade policies. Despite the government's longstanding objective of boosting agricultural productivity, the per capita production of wheat and particularly durum wheat has been declining over the past 30 years: Algeria (41kilograms) as against Morocco (53 kilograms). The same trend is observed for food legumes for which Algeria has turned, from being an exporter, to a net importer since the 1990s. In view of the prevailing shortage of arable land and water resources, sustainable increases in agricultural production will have necessarily to come from increases in productivity per unit area, in particular through a significant improvement in water-use-efficiency at the farm level. Significant investments in agricultural research, technology transfer, and extension are required to enable Algeria to meet the challenge.

4.2 Trade infrastructure and transactions costs

4.2.1 Trade Infrastructure

Algeria has a diversified system of transport, in terms of infrastructure and in terms of services (aerial, maritime, road, railways). This sector has been opened up to more competition in line with the liberalisation process of the economy.

The maritime transport system has been opened to the private participation. The 11 multiservice ports (and 2 for hydrocarbon exports) are now regulated by the 1998

Law[61], which fixes the general rules of exercise of the main operating modes in order to improve their efficiency and capacity to support external trade. Semiautonomous port authorities have been created in 1984 to handle port operations, however the main bottlenecks to the transport facilitation are in the infrastructures. The revenues of the port authorities have not been reinvested in infrastructures and services and therefore the level of performance and the operation efficiency has decreased over the years. Access to port market services is still restricted as well as the number of international conventions to facilitate cross-border trade. Urban transport, once a public monopoly, is now run by private companies, which today controls three fourth of the sector. However, the deregulation of the sector has created a chaotic situation, leading to greatly increased prices[62]. What's more there are not suitable quality standards and safety, including the technical control of vehicles, is limited.

In the civil aviation sector, considering the needs of national and international mobility, the open sky policy relied especially on the liberalisation of the sector and on the closing of monopolies. The 1998 Law[63] liberalised the operations of 35 airports opened to civil aviation, while instituting a high level of security and safety. Rail transport is governed by an agreement between the government and the Société Nationale du Transport Ferroviaire, a public company that manages and provides rail services. New targets have been identified separately for investment and management activities, considering also the new modes of managing the infrastructures, including the licences on particular routes. However there is still no managerial authority and the productivity of the railway system has worsened compared to that of neighbouring countries.

Although some sectors have been opened up to private capital, the government's limited ability to invest in infrastructures have led to limited competition in transport and to modest private participation, which is almost exclusively concentrated in the sectors of domestic air transport and local urban transport.

4.2.2 Transaction Costs

Trade reforms have led to the adoption of a new legislative framework that fulfils the requirements of the EU Association Agreement and the accession to WTO. However, the problems of its enforcement and implementation are still on the agenda. Customs Procedures in Algeria have been significantly reduced and simplified in the last few years, in part due to the need to improve the coordination and programming capacity of the Administration.

This modernisation program led to the computerisation of the customs system through the SIGAD (Système Integré d'Information et de Gestion Automatisee) started in 1995 and completed in 2003. In line with international standards, the tariff system uses universal codification and the automation of customs clearing procedures thereby eliminating a possible source of non-monetary cost in the evaluation of goods. In 2004 a computerised system was launched for the treatment of declared values (circuit vert) and a system for customs clearing risk management (circuit orange).

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[61] Law 05 of 25 June 1998 (Code Maritime) and by the Executive Decree 18 August 1999

[62] Boubakour (2004).

[63] Law 98-06 of June 1998

The development of export-oriented enterprises is a priority for Algeria, but transaction costs for starting and operating a business are the main impediments frustrating the new entrepreneurship capacity and the enlargement of the formal productive sector. A survey of 570 operators published in a recent FIAS Report[64] as well as the Doing Business project of the World Bank have shown that the main constraints discouraging the investment activities in Algeria are in particular the State interference on the economy, the number of procedures required to start a business, the administrative barriers, the lack of transparency and information, the inadequate infrastructures, the difficulty in finding capital and the shortage of real estate.

Table 7. Snapshot of Business Environment Algeria

	Algeria			Average of region		
	Starting a Business	Registering Property	Enforcing Contracts	Starting a Business	Registering Property	Enforcing Contracts
Number of procedures	14	16	49	10	6	38
Time	26	52	407	39	54	437
Cost	27.3	9.0	28.7	51.2	6.8	17.9

Source: World Bank – Doing Business

Those activities require time consuming formalised procedures, which continue to be lengthy and more expensive than the regional average, in particular when considering the enforcement of legislation and contracts.

Another source of concerns is the enforcement of the intellectual property rights. Algeria has essentially implemented its copyright and patent legislation in line with the TRIPS Agreement[65], although problems remain regarding the adjustment of other international standards like trade marks, the protection of software, of artistic performance and phonograms works, the protection of new varieties of plants and OGM.

4.3 Networks Industries and Services

4.3.1 Developments

Restructuring the working of the economy as a whole has been the goal of the Algerian government since the early 1990s, with the primary economic challenge being to stimulate investment in the service and non-hydrocarbons sectors. By doing this, the government hopes to address a high unemployment rate, which officially stands at around 30 percent. Despite these intentions, industrial production continues to decline, while structural changes in the service sector have been slow. Few privatisations have been successful to date. Since the second half of the 1990s Algeria has undertaken a policy of dismantling public monopolies, which controlled the entire services market. This policy planned for the opening up of some sectors to private investment – both local and foreign – as the key to the country's economic growth.

The service sector in Algeria has steadily grown since mid nineties reaching about 40 percent of GDP in 2003. The share of l services has grown consistently in the last decade, increasing the structural unbalance of international payments.

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64 FIAS Report 2002

65 Order N.10 of 6 March 1997 on copyright and related rights, and Order N.07 of 19 July 2003 on patents

Despite the reforms, the services sector does not meet the standards set by the GATS Agreement. Railways and ports remain under state control, while others like telecommunications and banking have attracted new private investors including some important international strategic investors.

An encouraging aspect is provided by the new legislations adopted in 1998 and 2000 which lay the foundations for the development of a competitive and transparent market in some strategic sectors of the Algerian economy.

4.3.2 Particular Sectors

4.3.2.1. Telecommunications Sector

Algeria is a late comer in the reforming the telecommunication sector, but with the privatisation the telephone penetration rate is growing rapidly. Fixed line density was an estimated 7,3 lines per 100 inhabitants, and mobile density 4,8, for a total density of 12,2 lines per 100 at year-end 2003, compared to 7,7 in 2002 and 6,5 in 2001. These indicators rank Algeria far below the regional average, one half of Egypt's density or one third of Jordan's one, confirming that this insufficient connectivity does not support Algeria's openness and international exchanges.

The key step was taken only in 2000 under the Telecommunications Law, which eliminated the public monopoly, separating postal operations from telecommunications activities and allowing private and foreign telephone operators to invest in the sector. The same Law also established the Post and Telecommunications Regulatory Authority (ARPT), responsible for enforcing regulations, licensing the operators and ensuring fair competition. Under the new system, in 2001, the market was opened to more competition and diversification. The former public operator was transformed into a stock-company, fully owned by the state, called Algérie Télécom (AT). Two new licensing for the GSM segment were granted to the incumbent state-owned operator, Algérie Télécom and to Orascom, an Egyptian private mobile telecommunications company, which launched its service in February 2002.

The number of mobile telephones has soared from less than 200,000 in 2001, to nearly 1,500,000 in early 2004, with more than 1,3 million subscribers belonging to the country’s private GSM operator Orascom Telecom Algérie (OTA). State-owned Algérie Telecom (AT) had less than 200,000 subscribers[66]. The market is continuing to develop significantly, and medium-term estimates are at roughly 4 million lines. The competitiveness of the private operator is the prepaid mobile services offered to customers, which is not offered by the State-owned company. At the end of 2003 the Algerian Government approved the third cellular phone license to Wataniya Telecom, Kuwait's national mobile telecommunications company.

4.3.2.2. Financial sector

Access to finance is a critical determinant of private sector development and it has affected negatively market entry and subsequent growth. After more than a decade it is evident that the reforms have made modest progress in their efforts to promote the

[66] Noumba (2004).

transformation of Algerian banking and financial sector. The Law on Money and Credit of 1990 opened the sector to private and foreign investors, which is made up of 30 banks, 6 of which are state owned (including one Saving Bank) and 14 of which are private banks, 1 development bank and 9 financial institutions (leasing, financial intermediation). With the exception of one bank in Oran, all the others are concentrated in Alger. Although 15 private banks were licences since 1998, the banking sector remains highly concentrated, with the public banks accounting for 92 percent of the total assets in 2003. Their lending behaviour is biased towards the public sector and their restructuring has been constrained by the overwhelming share of non-performing loans in their balance sheets. Therefore their privatisation has been impeded by the low profitability and subsequent resistance in restructuring. According to an IMF Report[67], it is fully evident that the financial support given by the state to the public banks, on average, over 4 percent of GDP per year from 1991 to 2002, has allowed the banks and their managers to disregard the logic of profitability. This support distorted the system and impeded the development of a strong private banking sector, which remains modest as well as characterised by limited transparency due primarily to the presence of business family banks.

The speed of reform has increased in 2003, under the pressure of the crash of two private banks. The new Law[68] reinforces the conditions of installation and control of banks and financial institutions. Besides, the Bank of Algeria will have more refined mechanisms of supervision on the banking system. International bank lending to the non-bank, non-oil sector is virtually non-existent as well as the presence of foreign strategic investors in the sector.

Capital market has also been fostered with the opening in 1999 of the financial stock exchange[69], with the intention of being the primary tool for realizing privatisation operations of state owned enterprises. To date it has very few listings (the Erid Setif company of food processing, the Saidal state owned pharmaceuticals company, and the Algiers Aurassi Hotel). Trading is still virtually nonexistent and no development of the stock market has been seen; indeed, its performance has deteriorated over the years. Negotiations have dropped from a volume of 35,348 shares in 1999, to a volume of 5,710 shares and capitalisation has gone from 19,2 billion dinars in 1999 to 1,1 billion in 2004. In order to launch the system the 2004 finance law established that profits from shares quoted on the stock exchange would be tax-exempt for five years starting from 2003. In addition a new Regulation of the Central Bank[70] established that capital and portfolio investments of non-residents are completely liberalised.

Despite the improvements, poor development of banking establishments outside large urban centers and the inefficiencies in the telecommunications and banking sectors complicate currency transfers. A number of factors explain the lack of development in the financial market, the first being the lack of success of the privatisations, which the government counted on being the driving force behind the stock exchange. Secondly the limited ability to get financial information, above all due to the inability of the banks to

[67] IMF (2004).

[68] Ordonnance n. 3/11 of 26 August 2003

[69] established by legislative Decree n.10 of 23 March 1993 amended and completed by Law 04 of 17 February 2003

[70] Regulation of the Central Bank N.2000 of 2 April 2004

support and follow up on the growth of the financial market and the small investors institutions[71].

4.3.2.3. Electricity Sector

Until 2002, the electricity sector was under the control of Sonelgaz, a state-owned company, while the electricity tariffs were under the direct control of the State. The company was in dire conditions and the significant increases of tariffs since 1995 were not sufficient to improve its financial health as well as the new infrastructures necessary to respond to the growing demand by households and industries. Indeed, over the years, the tariffs system has represented the main source of distortion and poor profitability of the state monopoly. In 2001 the tariffs for low and medium voltage were fixed at an average price below the company's economic costs (60 and 95 percent, respectively), while only the high voltage were producing a margin (112 percent of average costs)[72].

The new electricity and gas law entered in force in February 2002[73][73] with a clear objective to unbundle Sonelgaz activities with the transformation into a joint-stock company[74][74], although still with state majority holding, and with the opening up the sector to local and foreign producers under licenses for generation and concession for distribution. Only the transmission will remain in the hands of the government. Allowing the third part access (TPA), the aim was to open at least 30 percent of the market of producing and distributing electricity by 2005. The activities were separated for sectors (gas and electricity) and functions (production, transport and distribution of electricity; transport and distribution of gas) through the creation of 4 joint stock companies subsidiaries[75].

State intervention is still dominant: several ministries and a representative of the President of the Republic makeup of the general assembly of Sonelgaz subsidiaries, energy production and distribution system is subject to the authorizations and licences granted by the Ministry of Energy while CREG (Commission de Regulation de l'Electricité et du Gaz), an autonomous regulatory body, is responsible for setting tariffs and guaranteeing market transparency.

The institution of a new legal and institutional framework has not been enough to guarantee the needed deregulation of the sector. Nothing has been done to adjust the tariff system, resulting in large subsidies to the domestic market. Being tariffs[76] on

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71 FSAP Financial Sector Assessment Program – World Bank and IMF – Algeria Financial Sector Assessment – July 2004 ec M 2004-0344

72 World Bank, "Project appraisal document on a proposed loan in the amount of US dollars 18,0 Million to the People's Democratic Republic of Algeria for an energy and mining technical assistance loan", 2 February 2001 Rep. No. 21778-AL, Infrastructure development Group –Middle East and North African Region, World Bank

73 Law on Electricity and Gas distribution No.1/2003 came into effect on 5 February 2002.

74 Presidential Decree N. 195 of 1 June 2002

75 Sonelgaz will be divided into subsidiaries: Sonelgaz spa for electricity transmission; Sonelgaz spa for gas transmission and distribution, Sonelgaz spa for electricity production, Sonelgaz spa for electricity distribution.

76 The tariff system applied by Sonelgaz varies according to the type of electricity (high, medium and low voltage) and the time of day (peak, busy and off-peak period) and provides for two rates for high voltage, four rates of medium voltage customers and five rates for low voltage customers. The fixed charge calculated in DA per month is 335172,5 for high voltage, while for medium voltage the tariff goes from 341,0 to 25577,6 according to the time of day, and from 252,81 to 58,60 for low voltage.

average two to three times lower than in neighbouring countries is hard to find interest from private, and particularly foreign, investors in this sector.

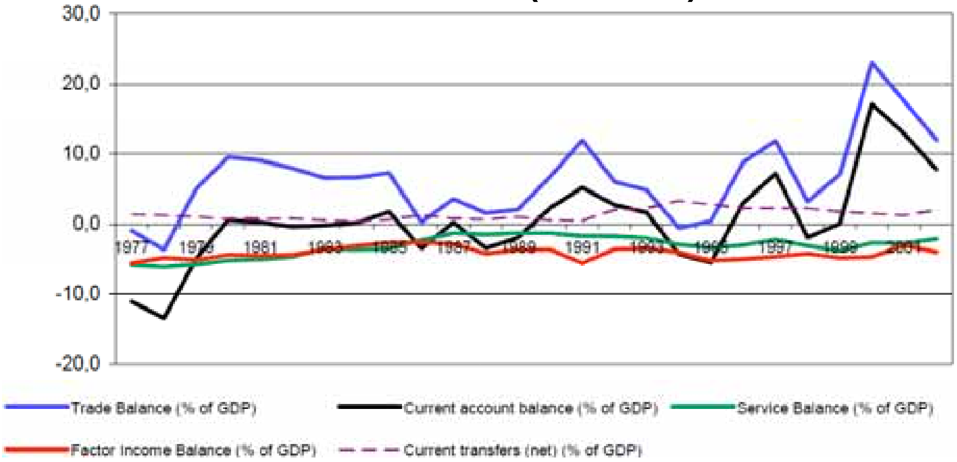
5. TRADE POLICY AND COMPETITIVENESS

As an oil exporter, Algeria's external dimension is particularly exposed to real external shocks. Exports, public sector revenues and real exchange rate are all linked to the main patterns of oil and natural gas prices. This section will provide an overview of the effect of trade policy on Algeria’s competitiveness and external accounts.

5.1 Structure and sustainability of external account

Over the past three decades the evolution of the current account position in Algeria has been largely determined by the evolution of its trade account and by its dependence on hydrocarbon exports and food imports. The collapse of oil prices in 1978, 1986 and 1994 more than food imports revealed the dramatic vulnerability of the Algerian economy. The 1986 events and the mounting pressure of servicing its foreign debt, Algeria’s third external dependence, exposed all the system to an inconclusive debate and left the country without a viable strategy, unless perpetuating the status-quo. At the end, the current account deteriorated to reach the 4,0 percent of GDP in 1989, primarily driven by the payment for servicing international loans. The external accounts became unsustainable without external support, which was avoided in 1991, or painful suppression of the domestic economy, including the devaluation of the national currency (dinar).

Figure 13: Evolution of Current Account (% of GDP)

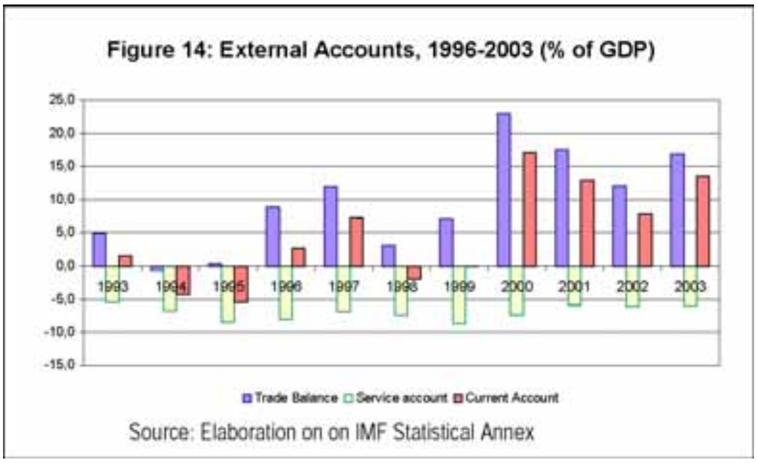


The policy reaction led to debt rescheduling with commercial banks in March 1992 for an amount of 1,5 billion USD and 3,2 billion USD in June 1995. Facing a further reduction of oil prices in 1994 and a further deterioration of the trade and current accounts, the government finally submitted a SAP supported by the IMF, conditional for a further negotiation with the Paris Club. The direct result of these developments was a painful recession lasting for more than seven years. The flow of import were stabilised to less than 9 billion USD, resulting in a reduction from 24 percent to GDP in 1994 to 17 percent in 2001 and an improvement of the trade account (figure 13). The financial agreements eased the external debt constraints in 1997, generating a surplus of over 3,5 billion USD in the current account, far above the repayment of principal component (2,3 billion) due on the country’s external debt. The financial and economic indicators improved considerably. The yearly debt service, which was around 9 billion USD between 1990 and 1993 was halved to 4,5 billion in 1997. In term of exports the debt service ratio fell from 82,2 percent in 1993 to just 30,2 percent in 1997.

But again since 2000 the oil prices moved upward in favour of the Algerian economy. The doubled value of exports energized the current account position, increasing to 15 percent of GDP between 2000 and 2001 and then stabilising to 10 percent in 2003. The macroeconomic adjustment has been completed and these favourable external events have made the economy less financially vulnerable. Algeria is capable of resisting, for two years at least, any sharp fall in crude oil prices (below US$15) without payments falling into arrears, and without having to reschedule its external debt.

In fact, this unexpected windfall did not change the prudential macroeconomic policy. Restriction on imports of goods and services were partly lifted increasing by more than 10 percent in two consecutive years and 33 percent in 2004, but once paid the principal component of external debt, the prudent decision was to rebuild the currency reserves. They reached a new historic high of 34,7 billion USD at end of June 2004, or over 23 months' imports of goods and services. The debt service continued to improve and in 2003 it absorbed just less than 18 percent of exports receipts. Simultaneously, the external debt has been reduced by a third: from a maximum of 33,6 billion US$ in 1996 it went down to 23,3 billion USD at the end of 2003.

At the end of 2003 the positive net foreign financial position had transformed Algeria into a creditor against the rest of the world: a very uncommon position indeed for a less developed country. In principle, this is a good indicator of the viability of the macroeconomic stabilisation, but in this specific context it reflects the difficulties on the microeconomic front, as well as the resistance to implement the transition to a true competitive market economy. This historic high level of reserves has the potential for supplying funds for sound investments in activities where Algeria has a competitive advantage[77].



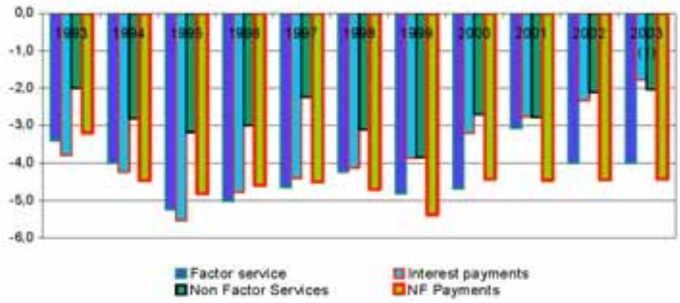
The reform measures have not changed significantly the nature of the Algerian dependence. The external current account is under control, it turned into a surplus of almost 10 percent of GDP in 2003 (figure 14, Annex 8), but only because oil prices more

77 Martin I (2003), Sid Ahmed (2001).

than doubled. Foreign debt has been halved. Export revenues did not result from substantial increases in non-traditional exports. Quite the contrary: the softening in the current account had a rebound in import flow due to the higher domestic demand and investment in the oil sector. These two dependences have not been removed.

An additional concern comes from balance of services, which did not accurately defined in the available presentation of the Algerian balance of payment. But it will not be surprising to find within the non-factor services (figure 15) the increased expenditure in telecommunication, financial and business services, which are growing in support of the domestic investment demand for modernisation and transformation, as well as within factor services the remuneration of foreign investors net of their operating costs and reinvested profits.

Figure 15: Service Accounts, 1993-2003 (% of GDP)



Source: Elaboration on Annual Reports Algeria Central Bank

5.2. Evolution of Terms of Trade and the exchange rate policy

According to IMF, Algeria has no explicitly stated a nominal anchor for its exchange rate, but rather monitors various indicators in conducting monetary and exchange policy[78]. Owing to its structural characteristic, the economy is vulnerable to real shocks like the terms of trade volatility and the price fluctuations of hydrocarbon exports. The terms of trade volatility is among the highest in the MENA region[79] and has been the major source of the substantial misalignment of the real effective exchange rate (REER) during the first part of the eighties[80], due to misconceived macroeconomic and trade policies. The Dinar appreciated by about 30 percent in real effective terms during 1980-1986 period, mainly because of the high oil prices and the downward rigidity of nominal wages and prices. Following the deterioration in the external accounts and the increasing misalignment of the REER, the authorities allowed the currency to depreciate from 1986 to 1990, enabling Algeria to achieve a substantial real exchange rate depreciation of 200 per cent in a very short period of time. This was not sufficient,

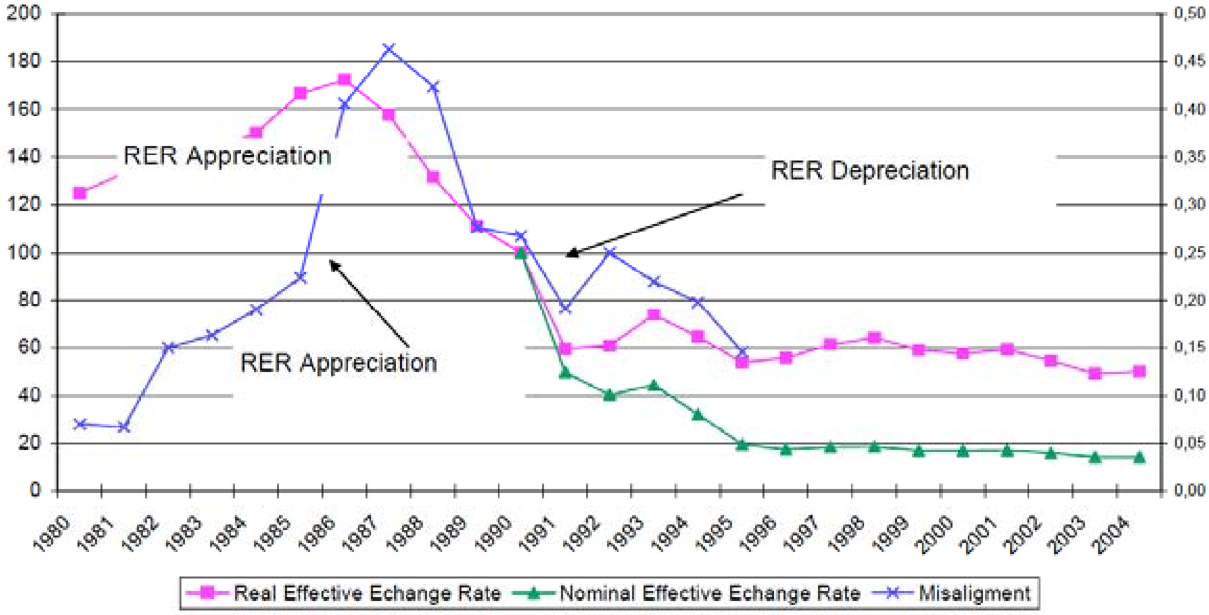
[78] IMF (2003a); Jbli and Kramarenko (2003).

[79] IMF (2003c)

[80] The correlation between the REER and the trade protection has been the object of a study of the IMF; see: Sorsa (1999). More recently the misalignement of REER has been measured by Sekkat. and Varoudakis (1998), show that Algeria has a steadily appreciating real exchange rate from 1976 to 1986, contrary to the Morocco and Tunisia which in the same period exhibit a slight but steady trend of real effective rate depreciation. After 1986 Algeria experiences a sharp real depreciation, followed by erratic RER movements over the 1990s (pag. 13).

however, to restore external balance and shortages of foreign exchange in the official market gave rise to a more depreciated parallel market rate[81].

Figure 16: REER, Nominal devaluation and misalignement



Source: IMF

The IMF stabilisation programme and the liberalisation of commercial foreign transactions provided the foundation for a flexible exchange rate regime, with a stated objective to stabilise the variations of the dinar's REER within the framework of a non-inflationary monetary policy. As shown in figure 16, the dinar misalignment has been partly corrected by the stabilisation of the macroeconomic variables and by the substantial nominal depreciations along all the nineties[82]. Of course, the measure of *misalignmen*t is matter of debate as well as its impact on productivity and export diversification. However for a long period the REER misalignment and the high tariff protection have discouraged export activities, and despite the macroeconomic stability achieved by Algeria, growth of the non-oil tradable sector and diversification of exports continued to be slow if not totally missing.

Table 8. – Inflation and exchange rate, 1996-2003 (Percent, unless otherwise indicated)

	1996	1997	1998	1999	2000	2001	2002	2003	2004 a
Inflation CPI a (% change)	18,7	5,7	5,0	2,7	0,3	4,2	1,4	3,5	..
Nominal exchange rate (Algerian Dinar per	54,7	57,7	58,7	66,5	75,2	77,8	79,7	77,4	..
Real effective exchange rate (% change)	3,9	9,8	4,8	-8,0	-2,5	2,8	-7,7	-10,1	2,0
Terms of trade (% change)	..	..	..	..	..	..	..	..	..

A: Period average. Source: IMF (2000, 2004), Country Report; EIU (2004), Algeria, Country Report, June.

[81] The magnitude of real effective exchange rate overvaluation has been estimated by Sekkat (1998, 2000) over the 1980-1996 period. Sekkat and Varoudakis (1998), and Achy and Sekkat (2000). According to Sekkat (1998), the average black market premium on official exchange rate as a proxy of the estimated misalignment has grown in Algeria from 95,8 percent in 1975-79 to 379 percent in 1985-89 likely led to the overvaluation of REER, decreasing to 194 percent in 1990-96 period after several nominal devaluations.

[82] Benhabib., Benbouziane., Ziani.

A new challenge to the exchange rate regime came with the resumption of policy reforms in 1999 and by the devaluation of dollar against the euro in 2002. While in the past the high dollarisation of the export precluded initially any significant nominal adjustment against the dollar, the growing integration with the European Union prompted the central bank to stabilise the REER against the volatility of the Euro/dollar exchange rate. In 2002 and 2003 the exchange rate policy pursued a devaluation against the euro (9 and 14 percent, respectively), and a small revaluation of 3 percent against the dollar. These nominal movements resulted in a substantial depreciation of the REER, further correcting the initial misalignment. Giving more weight to the euro, as in 2004, while falling 7 percent against the dollar, Algeria will add more competitiveness to its non hydrocarbon exports on the European markets as the EU association agreement is implemented.

5.3 Sectoral relative labour costs management and the determinants of comparative advantage

As seen in chapter II, Algeria has a net trade balance in natural resources sectors and a net unbalance in almost all manufacturing sectors and industries. Trade liberalisation till now had only a marginal impact on export sectors while investment incentives had fostered a further concentration in the oil and gas sectors. In this chapter, the comparative advantage is measured in terms of ability to increase Algeria's export share in international market, which reflects a relative advantage both in term of lower costs of production and in term of product diversification and market access. The RCA index is a widely accepted measure of competitiveness, as it measures the change of the export share on a commodity relative to the corresponding export of a reference group, usually the world. If the index is above unity, Algeria is said to have a comparative advantage in the production of that commodity.

Table 9: Algerian Average Revealed Comparative Advantage, 1997-2003, three-digits

	Number of product categories			Percentages			Percentages	
	RCA>1	RCA<1		RCA>1	RCA<1		RCA>1	RCA<1
a	7	65	72	3,4	31,4	34,8	8,0	92,0
b	1	35	36	0,5	16,9	17,4	2,7	97,3
c		20	20		9,7	9,7		100,0
d		36	36		17,4	17,4		100,0
e		43	43		20,8	20,8		100,0
	8	199	207	3,9	96,1	100,0	3,6	96,4

Note: sources of comparative advantages according to UNCTAD (2003): a: Availability of primary products; b: Labour intensity and resources; c: Labour and low level technology; d: Labour and medium level technology; e: Labour and high level technology. f: not defined.

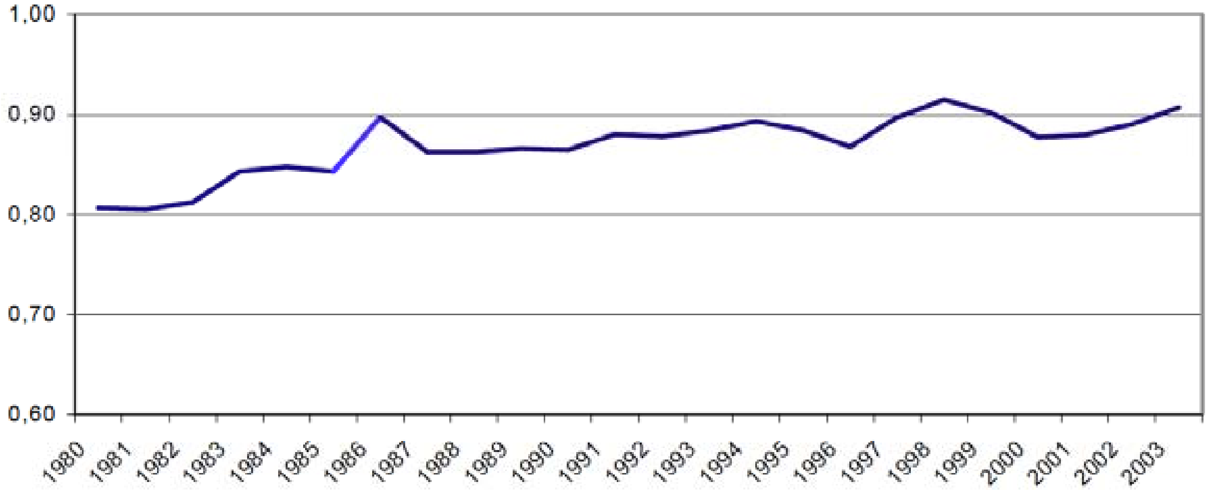
Annex 10 shows the comparative advantages for 2003 and an average value for the period 1997-2003. The share of 2003 export for 210 products categories gives the importance of each sector within Algeria's trade. The product categories are classified in five groups reflecting different factor-intensities and sources of competitiveness. The main results are summarised in Table 9. It appears immediately the asymmetric characteristic of the Algerian economy: only 8 product categories can be defined as competitive, having a RCA greater than one. The other sectors are uncompetitive and barely have they showed significant improvements over the recent years. Natural resources and labour intensity applied to natural resources are the sources that explain the RCA of all these 8 product categories.

The findings illustrated above provide several strong signals. The trade reforms that have been implemented gradually since 1986 do not appear to have broadened the structure of the comparative advantages, since none of the labour intensive categories supports the export structure. Second, Algeria has consolidated its tradition of oil exporter, while its labour force shows manifestly a comparative disadvantage even among the Arab region. Its industrial sector and its work force, although competitive in terms of salary (the average manufacturing labour cost per hour is estimated at 0,90 $, compared with 8,44 $ in Israel, 16 $ in Germany and 12,96 $ in the United States), remain absent from foreign markets. Third, the source of the comparative advantage did not change, being as strong as natural resources are available.

5.4 Differentiation and diversification of exports

Algeria is among the less diversified economies of the Arab-Mediterranean countries, far from the degree reached by its main competitors like Egypt[83]. Algerian export diversification suffers from a structural bottlenecks caused by a variety of domestic and exogenous factors, including its obsolete industrial base and the scarcity of capital goods. The hydrocarbons sector is the backbone of the economy, accounting for over 95 percent of export earnings and roughly 30 percent of GDP. The early government's reforms of the Eighties and the Nineties were specifically addressed to this sector. Although the Saharan Blend oil, with negligible metal content, was among the best in the world and it was selling often well above the OPEC quota, this policy had two targets: first increase the crude oil production; second, diversify the export activities into refining and toward natural gas in order to compensate the lower oil prices with the higher value added of industrial transformation.

Figure 17: Diversification index of Algeria



Source: UNCTAD

83 FEMISE (2003); UNCTAD (2003)

A diversification strategy appears in the exploitation of the reserves of natural gas, the fifth-largest deposit in the world[84], so to make Algeria the second largest gas exporter. Natural gas had become the country's most valuable export as a result of the extension of pipelines to European Markets and of a more realistic market-based pricing policy. Exports of LNG were also doubled, reaching sales of 12,5 billion cubic meters in 2003. This new approach resulted in contracts extending into the 2000s with such clients as Gaz de France, Enagas of Spain, Distrigaz of Belgium, and Panhandle of the United States.

Although exports of the non-hydrocarbon sector have nearly tripled since 1998, they remain a small share of total export, less than 4 percent: a disappointing result considering the continuous decline in industrial output. These exports are still dominated by metals and minerals that require little or no processing. In recent years exports of a number of resource based products have grown rapidly. Among the most significative we find export of food products, hides, inorganic chemicals and steel. The poor performance does not depend on market access, since many industrial and agricultural product enjoy free access in the EU[85]. More likely is the slow progress in structural reforms and the distorted incentives given to the private sector, which were not removed by the 2002 tariff reduction and the 2001 code of investments.

The sustainability of this export-oriented model is contestable. The great external exposure has had a limited impact on employment and on human capital; it did not work for increasing the potential value added of the domestic natural resources and for deepening the exposure of domestic firms to the competitive pressure of international markets. The opportunity is already available: the EU Association Agreement. Though having rules of origin that could raise the cost of Algerian industries, trying to meet the requirements by shifting inputs to higher cost sources, it is also trade creating, since it will shift from higher to lower cost sources of supply, stimulating further liberalisation and diversification. Export opportunities will arise in agricultural products from free quotas and tariff reductions. The impact on diversification will depend on the magnitude of the effects that bilateral trade liberalisation will have on market access and the cost of production.

These are key strategic issues for increasing the competitiveness and the productivity of the domestic endowment, rich of natural resources and unemployed workers. However, dependence on low-wage strategy appears to be a weak option and should be reinforced with quality-based and market niche strategies into high value-added, down-stream chemicals or more labour intensive processed products. Instead efforts continues to be reserved to deepen the diversification within the energy sectors, now extended to electricity by a joint project of Sonatrach and Sonergaz[86] to export 1.200 MW to Spain. An agreement has been signed with Spain in 2002 and several European and American power firms are interested to build the power station and export 1.200 MW to Spain.

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[84] Algeria's considerable natural gas reserves of about 3,200 billion cubic meters of proven recoverable gas were expected to last more than sixty years at 1992 production rate.

[85] See on this point IMF 9887

[86] An agreement has been signed with Spain in 2002 and several European and American power firms are interested to build the power station.

5.5 Technological content of exports and ability of insertion in international dynamic markets

International competitiveness is increasingly based on the ability of countries and of individual firms to provide high value-added products and services that incorporate knowledge and new technologies. In this sector Algeria did not have any comparative advantage and its share in total manufacturing export has reached a 4,2 percent in year 2000, against a share of 18,7 percent in world export, but two time more than the MENA average, 2,1 percent (excluding Israel). The Algerian specificities, according to this report, are related to the nature of some downstream activities in the inorganic chemical sector. However, we notice a great volatility, confirming the weakness of the strategic approach of the Algerian exporters and a need for stronger connection with technologically advanced firms in western countries. There is a clear need in Algeria to continue to improve export competitiveness and export diversification in the high-tech sectors. This would necessarily entail an upgrading of technology and labour skills and productivity.

5.6 Capacity to respond to the international demand evolutions

Not all sectors have the same opportunities for growth. Much of it depends on the dynamic of world demand as well as the condition of their competitiveness. The specialisation patterns play a crucial role in defining the viability and sustainability of structural changes, which are presented through the Competitiveness Matrix[87]. In addition annexes 12 and 13 show the correlation between the comparative advantage of 223 products and world trade growth in the last decade.

The Matrix represents the relevant information regarding the change of market share and the capacity of Algeria to adapt its exports to the growth of international demand, since each sector can be classified on the basis of these two parameters. Thus, when Algeria's sector export share is increasing in the international markets, it will be considered as "Rising Stars" (RS) or "Waning Stars" (WS) depending on whether at the world level such sector is dynamic or not. "Lost Opportunities" (LO) and "Backward Sectors" (BS) include those sectors that decrease their participation in dynamic and shrinking markets, respectively.

The most competitive exports are included within the category of *Rising Stars*, because their market share increased in dynamic growing world demand sectors. Export receipts increased in 2003 to 21,6 billion USD, 88 percent of total exports. Within this category, few products represent almost the entire section: crude petroleum and natural gas. Of course this result depends on external favourable cycle of the oil markets, but could be rapidly reversed given their volatility.

[87] Fajnzylber (1991)

Table 10: Algerian Competitiveness Matrix – 2003

Growth of World Demand	Above the average	LOST OPPORTUNITIES Number of sectors: 19 Value of export (2003): 17,0 Mil USD Share of export: 0,1 percent	RISING STARS Number of sectors: 28 Value of export (2003): 21.666 Mil USD Share of export: 88,0 percent
	Below the average	BACKWARD SECTORS Number of sectors: 24 Value of export (2003): 2622,3 Mil USD Share of export: 10,7 percent	WANING STARS Number of sectors: 51 Value of export (2003): 298,5 Mil USD Share of export: 1,2 percent
		Decreasing	Increasing
		Market Share	

Table 11: Algerian Competitiveness Matrix of non hydrocarbon sector – 2003

Growth of World Demand	Above the average	LOST OPPORTUNITIES Number of sectors: 19 Value of export (2003): 17,0 Mil USD Share of export: 3,5 percent	RISING STARS Number of sectors: 25 Value of export (2003): 93,9 Mil USD Share of export: 19,5 percent
	Below the average	BACKWARD SECTORS Number of sectors: 23 Value of export (2003): 65,3 Mil USD Share of export: 13,5 percent	WANING STARS Number of sectors: 51 Value of export (2003): 298,5 Mil USD Share of export: 61,9 percent
		Decreasing	Increasing
		Market Share	

Considering the overwhelming share of oil products a better picture can be drown from the non-hydrocarbon sector, the 4 percent of the Algerian exports. This competitiveness matrix will provide a more accurate picture of the actual competitive level of Algeria. The analysis is less optimistic and portrays the difficulties of the transition.

Only 25 sectors can be considered *Rising Stars*, and among them only 3 sectors exports more than 20 million USD for a total of 93,9 million USD. Iron and steel scrap, alcohols, soap and cleansing products are on the top of the list. An additional 62 percent of Algerian exports, totally nearly 300 million USD, can be considered in the *Waning Stars* category, because these products increased their market share in slow growing sectors of the world market. This means that Algeria has gained market shares in several sectors but most of them are characterised by stagnant demand. Within this category we find inorganic chemicals, manufactured fertilisers, non-ferrous metal scrap, iron and steel plates, leather, cork manufactures, shell fish and milk.

Another 13,5 percent of exports is in *Backward sectors*, characterised by a decreasing market share and slow growing world demand. Within this category manufactured zinc, fruits and crude fertilisers are the main exports. Finally the *Lost opportunities*, characterised by a decreasing market share but a fast growing world demand, which represent almost 3 percent of Algerian exports. Among the most important products we find hydrocarbon derivates and pharmaceutical products.

The share of exports of both Rising Stars and Waning Stars may be considered as a good indicator of *competitiveness*, given that it reflects the percentage of total exports in which Algeria gains market share. In the year 2003 both categories accounted for 81,4 percent of total exports. The critical aspects is that Algeria is specialised in sectors whose world demand is less dynamic, the waning stars section.

On the other hand, the share of exports of both Rising Stars and Lost Opportunities may be considered an indicator of the *quality of the product composition* of exports, given that it reflects the percentage of the total exports consisting of dynamic products. The share of those exports is only 23 percent in 2003, confirming the difficulties to shift its specialisation in line with the fast growing world demand.

These patterns show that up to now the structural transformation and trade liberalisation reforms have not taken full advantage from the opportunities offered by the international markets. In 2003 only one fifth of Algerian non-oil exports have been directed to more dynamic markets, while a still large proportion consolidates its penetration in low growing markets.

In conclusion, the export-led nature of the Algerian development model will require further changes in the pattern of specialisation. More dynamic products with higher technological content and local value added, more attention to tradable services, more dynamic markets should be the issues of the transition policy. The extent to which Algeria can enhance its share in world trade, however, depends on the capacity of its manufacturing and agricultural sectors to adjust to changing composition of world trade and gain a wider share in the fast growing demand sectors, the rising stars. The competition requires both price and non-price advantages.

5.7 Price and Income Elasticities and consequences on balance of payments, sustainability and degree of exposure to foreign trade

Unless Algeria is progressing in diversifying its exports, it will continue to be exposed to the variation of oil prices and to USD foreign exchange. Traditional primary commodities, like crude oil and natural gas have a rigid demand and diversification can operate only with access to new markets. But the variations of oil prices are out of control by the exporters, both Sonatrach and its foreign partners. The negative effects cannot be avoided, while non-traditional products with higher value added and knowledge content may enjoy higher income elasticity. The non-hydrocarbon specialisation of Algeria does not meet these criteria: its is still limited as a share of total export and it its confined to few resource and labour intensive products. The shift out of these sectors will foster more market participation, although at a cost of a more deep concern on competitiveness issues and on technical or economic requirements for accessing European or other foreign markets, since their foreign demand is more price sensitive.

For this reason, besides supporting the transformation of its industrial structure, Algeria may pay more attention to the distortions caused by the high protection of its customs tariffs and proceed faster in its elimination implementing the EU association agreement, yet under ratification of the Parliament, and finalising the WTO accession. In stating clearly these objectives, the government should work with the civil society on a broad and shared vision of the long-term economic and social goals, in order to avoid obstructive behaviours that have paralysed the economy for years.

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WTO (2002), Working Party on the Accession of Algeria, "Accession of Algeria - Information on Import Licensing Procedures" Addendum Doc. No. WT/ACC/DZA/17 of 22 April 2002

WTO (2002), Working Party on the Accession of Algeria, "Accession of Algeria – SPS and TBT Issues" Doc. No. WT/ACC/DZA/19 of 22 April 2002

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ANNEX TABLE A.1

Algeria - Multilateral, Regional, and Bilateral Trade Agreements on Trade in Goods (and Investment)

Agreement	Content	Date of Signature	Date of entry into force
1. Multilateral Agreements			
WTO accession country	Trade in Goods; Trade in Services; Tariffs, Non Tariff Barriers; TRIPS	Algeria's working party was established on 17 June 1987	
2. Regional Agreements			
GAFTA	Reduction of Tariffs and Non Tariff restrictions; Trade in goods. The transitional period to create a Pan Arab Free Trade Area ends in 2005 (Initially 2007)	2002	2002
Algeria - EU Association Agreement	Trade in agricultural and industrial products; Right of establishment and services; Payments and capital movements; Competition; IPRs. Economic Cooperation in: Industry; Agriculture; Investment; Standards and measurement; Transportation; Telecommunication and energy; Science and technology; Environment and tourism; Statistics; Fight against illegal drugs.	22 April 2002	Not yet
Arab Maghreb Union (Algeria, Tunisia, Morocco, Mauritania, Libya)	Trade in goods and Trade in services, customs, services, certificates of origin, government purchases, financial dealings, preventive measures, intellectual property, standards and specifications, dumping and mechanisms to resolve conflicts.	Signed in 1989	
Algeria – EFTA Joint Declaration on Cooperation	Cooperation in the fields of: Trade in industrial, agricultural and fish and marine products; Public procurement; IPRs; Competition; State aid, Services and investment.	12 December 2002	
3. Bilateral Agreements			
Algeria Iraq	Commercial Agreement	17 march 1982	19 March 1983
	Free trade zone	30 October 2001	6 March 2002
Algeria – Poland	Commercial agreement	26 January 1963	5 March 1963
	Economic Cooperation	21 August 1973	30 January 1974
	Commercial agreement	11 September 1986	8 September 1987
Algeria – Bulgaria	Commercial agreement	22 February 1963	
	Economic and Financial coop.	21 July 1970	2 November 1970
Algeria – Switzerland	Commercial agreement	5 July 1963	12 September 1963
Algerian – Cuba	Commercial agreement	24 November 1963	27 November 1963
		21 March 2001	3 March 2003
Algeria – Albania	Commercial agreement	4 April 1964	
	Commercial agreement	13 July 1981	11 December 1982
Algeria – Niger	Commercial Exchange Agreement	3 June 1964	23 April 1964
	Commercial and tariffs convention	19 February 1976	20 April 1976
		16 March 1998	
Algeria - Czechoslovakia	Economic Cooperation agreement	14 May 1964	23 April 1965
		27 March 1972	7 June 1972
Algeria – Syrian Arab Republic	Commercial agreement	29 July 1964	25 November 1965
		26 March 1979	13 June 1981
	Commercial agreement	14 September 1997	22 August 2000
Algeria – Germany	Commercial agreement	21 December 1966	
Algeria – Cameroon	Commercial agreement	11 March 1967	
		10 October 1974	6 December 1974
Algeria – Turkey	Commercial agreement	27 July 1967	15 August 1967
		9 May 1979	16 August 1980
	Economic, Tech. and Scientific Coop	20 October 1983	4 February 1984
Algeria – Lebanon	Commercial agreement	20 April 1967	16 November 1967
Algeria – Sudan	Commercial agreement	30 October 1967	16 November 1967
	Economic, Cultural and Tech convention	7 March 1988	21 February 1989
	Commercial agreement	17 July 2001	17 March 2003
Algeria – Libya	Commercial, Eco. and Tech. coop agreement	1 February 1969	12 May 1969
	Commercial and tariff Convention	26 March 1973	5 June 1973
Arab Jamahiriya- Lybia Pop. Soc.	Economic coop. convention	28 June 1988	23 May 1989
Algeria - Guinea	Commercial agreement	11 November 1964	29 July 1969
	Long term commercial agreement	12 July 1972	18 October 1972

Agreement	Content	Date of Signature	Date of entry into force
Algeria - Pakistan	Commercial agreement	12 September 1969	
Algeria - Romania	Commercial agreement	15 March 1965	
	Economic Coop.	29 March 1968	9 September 1968
	Long term commercial agreement	23 September 1976	13 June 1977
	Commercial agreement	28 June 1994	26 September 1995
Algeria -Canada	Commercial Agreement	16 November 1970	
Algeria – Hungary	Economic Cooperation	3 August 1970	16 November 1970
	Economic cooperation agreement	7 November 1975	20 February 1976
	Long term Commercial Agreement	7 November 1975	25 May 1976
Algeria – Dem. Rep. Of Vietnam	Commercial agreement	9 January 1970	1 December 1970
	Commercial, Economic and Technical coop.	5 April 1974	28 December 1974
Algeria – Rep. Of Ghana	Commercial cooperation	9 September 1972	18 October 1972
Algeria - Spain	Economic and Financial Coop.	28 June 1972	18 October 1972
	General agreement on economic coop.	3 July 1985	12 November 1985
Algeria – Islamic Rep. of Mauritania	Commercial and tariffs convention	20 January 1972	13 November 1972
	Commercial and tariffs convention	12 November 1973	4 February 1974
Algeria – Senegal	Economic and Technical Coop.	9 September 1972	5 January 1973
	Commercial and tariffs convention	11 July 1974	21 August 1974
	Commercial agreement	7 October 1981	28 May 1983
Algeria – Burundi	Economic and Technical Coop	21 April 1973	5 June 1973
	Commercial Agreement	15 December 1982	25 June 1983
Algeria – Morocco	Commercial and tariff Convention	17 March 1973	3 April 1973
Algeria – Congo	Economic and Technical Coop	8 July 1972	20 March 1974
Algeria – Nigeria Fed Rep.	Commercial agreement	8 September 1973	20 March 1974
	Economic Cooperation	14 January 2002	3 March 2003
Algeria – Peru	Commercial agreement	15 August 1973	20 March 1974
Algeria – Liberia Rep.	Commercial agreement	8 September 1973	20 March 1974
Algeria - Tunisia	Commercial and tariff Convention	17 February 1973	3 April 1973
	Commercial and tariff Convention	9 January 1981	7 November 1981
	Additional protocol on Commercial and T. conv.	15 May 1991	7 March 1992
Algeria – Austria	Commercial agreement	2 July 1974	28 December 1974
Algeria – Guinea Bissau Rep.	Commercial agreement	3 September 1975	30 December 1975
Algeria – Yugoslavia Fed Rep.	Commercial agreement	13 December 1975	25 March 1976
Algeria - India	Commercial agreement	10 February 1976	25 May 1976
Algeria – Popular Rep of Benin	Commercial agreement	15 April 1976	16 July 1976
Algeria – Togo	Commercial agreement	28 April 1976	27 July 1976
Algeria – Egypt	Long term Commercial agreement	2 May 1976	27 July 1976
	Commercial agreement	15 October 1991	1 August 1992
	Economic and Tech coop. convention	15 October 1991	19 July 1993
Algeria – Pop. Rep. Bangladesh	Commercial agreement	14 October 1976	6 May 1978
Algeria - Portugal	Commercial agreement	15 October 1976	6 May 1978
	Economic and Technical Coop	15 May 1981	27 August 1983
Algeria – URSS	Commercial agreement	1963	14 November 1963
	Commercial agreement	17 November 1979	6 September 1980
	Long term coop. program on economic, commercial, tech and scientific fields	27 march 1986	26 August 1986
Algeria – Iraq	Commercial agreement	17 March 1982	
	Free Trade Zone	30 October 2001	6 March 2002
Algeria - France	Protocol on economic coop.	21 June 1982	7 August 1982
Algeria - Brazil	Commercial agreement	3 June 1981	11 December 1982
	Economic Coop. agreement	20 September 1987	9 February 1988
Algeria - Greece	Economic, Tech. and Scientific Coop	13 May 1982	11 December 1982
Algeria - Finland	Economic, Tech. and Scientific Coop	19 January 1982	11 December 1982
Algeria - Gabon	Commercial agreement	23 June 1981	18 December 1982
Algeria - Zambia	Commercial agreement	17 June 1981	28 May 1983
Algeria - Angola	Economic, Tech. and Scientific Coop	15 April 1983	13 August 1983
Algeria - Luxembourg	Economic coop. agreement	28 April 1983	14 June 1988
Algeria- Socialist Rep. Vietnam	Commercial agreement	26 May 1983	27 August 1983
Algeria - Nicaragua	Commercial agreement	21 May 1983	26 November 1983
Algeria – Cote d'Ivore	Commercial agreement	28 April 1978	9 April 1983
	Economic, Tech. and Scientific Coop	13 May 1981	9 April 1983
	Commercial agreement	27 November 1996	22 August 2000
Algeria - Rwanda	Commercial agreement	15 November 1983	25 February 1984
Algeria - Argentina	Commercial agreement	12 April 1983	3 March 1984
Algeria – Ethiopia Soc.	Economic, Tech. and Cultural Agreement	22 February 1984	21 April 1984
Algeria – Rep. of Seychelles	Economic, Tech. and Scientific Coop	14 May 1984	8 September 1984
Algeria – Iran	Commercial agreement	25 April 1983	27 October 1984
Algeria – Columbia	Commercial agreement	17 July 1981	25 June 1985
		10 May 1997	29 December 1997
Algeria - UAE	Economic, Tech. and Scientific Coop	19 December 1984	20 August 1985

Agreement	Content	Date of Signature	Date of entry into force
Algeria – Uruguay	Commercial agreement	5 February 1986	1 July 1986
Algeria – Venezuela	Commercial agreement	15 May 1985	6 January 1987
		31 January 2002	14 August 2003
Algeria – Yemen Dem and Rep	Commercial agreement	25 March 1985	7 June 1988
Algeria – Yemen Arab Rep.	Commercial agreement	24 June 1987	7 June 1988
		25 November 1999	13 November 2001
Algeria – Saudi Arabia	Economic, Cultural and Tech. Convention	23 November 1986	17 March 1987
Algeria – China	Economic and Technical Coop	26 October 1985	27 February 1990
	Commercial coop. Agreement	30 October 1999	7 October 2000
	Economic and Technical Coop	26 August 2002	25 March 2003
Algeria - Indonesia	Commercial agreement	9 November 1987	13 march 1990
Algeria - Chad	Commercial Agreement	8 October 1988	9 July 1990
Algeria - Jordan	Convention of commercial Coop	19 May 1997	8 August 1998
Algeria – Korea Rep.	Economic and Technical Coop	9 April 1997	5 February 2002
Algeria - Mali	Commercial and tariffs Convention	4 December 1981	21 May 1983
	Commercial and customs agreement	11July 1996	29 March 2001
UMA	Ratification of Commercial and tariffs convention	9 – 10 march 1991	29 February 1992
Algeria - Malaysia	Convention of coop. program on economic, tech,scientific and cultural fields	2 May 1995	12 November 1995
Algeria - Qatar	Commercial exchange agreement and economic and technical coop.	24 October 1996	11 October 1998
Algeria – South Africa	Commercial agreement	23 September 2000	29 March 2001
	Economic Coop. and partnership	24 September 2000	29 March 2001
Algeria – United States	Trade and Investment Free Agreement (TIFA)	13 July 2001	5 February 2002
4. Intellectual Property Rights			
WIPO Convention	Establishing the World Intellectual Property Organisation	Member since 16 April 1975	16 April 1975
UPOV Convention (1961), as revised at Geneva (1972, 1978 and 1991) **	Patents: international convention for the protection of new varieties of plants	Not yet	
Berne Convention (Berne 1886, last amendment in 1979)*	Copyright: protection of literary and artistic works	19 April 1998	19 April 1998
Paris Convention (Stockholm act 1967, amended in 1979)*	Copyright: protection of industrial Property	1 March 1966	1 March 1966 (latest act to which state is party Stockholm Act 20 April 1975)
WIPO Copyright Treaty WCT (Geneva 1996)*	Copyrights: as for the Berne Convention it provides protection of literary and artistic works and computer programmes and databases.	Not yet	
Rome Convention (1961)*	Copyrights: Protection of performers, producers of phonograms and broadcasting organisations	Not yet	
WIPO Performances and Phonograms Treaty WPPT* (Geneva 1996)	Copyrights: as for the Rome Convention it provides protection of literary and artistic works of performers, producers of phonograms and broadcasting organisations	Not yet	
Patent Cooperation Treaty PLT (Washington 1970, 1979, 1984, last modification October 2001)*	Patents: cooperation in the filing, searching, and examination, of applications for the protection of inventions	8 March 2000	8 March 2000
Budapest Treaty (1977 modified in 1980)*	Patents: International recognition of the deposit of microorganisms for the purposes of patent procedure	Not yet	
Madrid Agreement (Madrid 1891, last amendment in 1979)* l	Trademarks: International Registration of Marks	5 July 1972 (latest act to which state is party Lisbon Act 5 June 1972)	5 July 1972
Protocol relating to the Madrid Agreement (Madrid 1989 *	Trademarks: Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks	Not yet	
Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (WIPO 1999)	Trademarks: protection of well-known marks	Not yet	
Nice Agreement (1957 revised on 1977 and amended in 1979)*	Trademarks: International Classification of Goods and Services for the Purposes of the Registration of Marks	5 July 1972	5 July 1972
Locarno Agreement (1968 amended in 1975)	International classification for industrial design	8 October 1968	Not yet
Trademark Law Treaty (Geneva 1994)*	Trademarks	Not yet	

Agreement	*Content*	*Date of Signature*	*Date of entry into force*
TRIPS (Marrakech 14 April 1994)*	WTO agreement on trade related aspects of intellectual property rights	Not yet	
Nairobi Treaty	Protection of the Olympic Symbol	16 August 1984	
Hague Agreement (1925 last amendment 1999)	International registration of industrial design	Not yet	
Patent Law Treaty PLT (Geneva 2000)	Patents	2 June 2000	Not yet
Strasbourg Agreement (1971 amended in 1979)	International patent classification	Not yet	
5. Bilateral Investment Treaties			
UMA – Union du Maghreb Arab		23 July 1990	22 December 1990
Belgium		24 April 1991	5 October 1991
Czech Republic		22 September 2000	7 April 2002
Denmark		7 January 2003	30 December 2003
France		13 February 1993	2 January 1994
Germany		11 March 1996	7 October 2000
Greece		20 February 2000	23 July 2001
Indonesia		21 March 2000	22 June 2002
Italy		18 may 1991	5 October 1991
Jordan		1 August 1996	5 April 1997
Turkey		3 June 1998	
Romania		28 June 1994	30 December 1995
Korea Rep.		12 October 1999	23 July 2001
Spain		23 December 1994	17 January 1996
Mali		11 July 1996	16 February 1999
China		20 October 1996	25 November 2002
Vietnam		21 October 1996	
Qatar		24 October 1996	23 June 1997
Egypt		29 March 1997	11 October 1998
Syrian Arab Republic		14 September 1997	27 December 1998
Niger		16 March 1998	22 August 2000
Bulgaria		25 October 1998	7 April 2002
Mozambique		12 December 1998	23 July 2001
Cuba		22 September 1999	
Yemen		25 November 1999	23 July 2001
Malaysia		27 January 2000	23 July 2001
Argentina		4 October 2000	13 November 2001
South Africa		24 September 2000	23 July 2001
United Arab Emirates		24 April 2001	22 June 2002
Oman		9 April 2000	22 June 2002
Kuwait		30 September 2001	23 October 2003
Bahrain		11 June 2000	8 February 2003
Nigeria		14 January 2002	3 March 2003
Sudan		24 October 2001	17 March 2003
Bahrain		11 June 2000	8 February 2003
Great Jamahiriya Arab Libyan		6 August 2001	5 May 2003
Ethiopia		27 May 2002	17 March 2003
6. Double Taxation Treaties			
United Kingdom		27 May 1981	
France		2 October 1969	12 March 1970
		17 October 1999	7 April 2002
Tunisia		9 February 1985	11 June 1985
Libyan Arab Republic		19 June 1988	
Morocco		25 January 1990	13 October 1990
UMA – Union du Maghreb Arab		23 July 1990	22 December 1990
Belgium		15 December 1991	9 December 2002
Italy		3 February 1991	
Romania		28June 1994	15 July 1995
Turkey		2 August 1994	2 October 1994
Indonesia		28 April 1995	13 September 1997
Syrian Arab Republic		14 September 1997	29 March 2001
Jordan		16 September 1997	17 December 2000
South Africa		28 April 1998	4 May 2000
Bulgaria		25 October 1998	
Canada		28 February 1999	16 November 2000
Mali		31 January 1999	
Vietnam		5 December 1999	
Bahrain		11 June 2000	14 August 2003
Oman		9 April 2000	

Agreement	Content	Date of Signature	Date of entry into force
Poland		31 January 2000	
Ethiopia		26 May 2002	
Lebanon		29 August 2002	
Spain		7 October 2002	
Yemen		29 January 2002	
Oman		9 April 2000	8 February 2003
Egypt		17 February 2001	25 March 2003
Ukraine		14 December 2002	19 April 2004
United Arab Emirates		24 April 2001	7 April 2003

* Ratification request in annex VI of EU Association Agreement before the end of four year from the date to entry in force of the agreement

** Ratification request in annex VI of EU Association Agreement by the end of the fifth year after to entry in force of the agreement

Sources: UNCTAD (http://stats.unctad.org/fdi/treaties/dtts/Algeria.htm); UNITED NATIONS (http://www.algeria-un.org/default.asp?treaty=42)
WIPO (http://www.wipo.int/treaties/en/index.html); THE ARAB LEAGUE (http://www.arableagueonline.org/arableague/english/level2_en.jsp?level_id=273); WIPO (http://www.wipo.int/about-wipo/en/members/index.html);

ANNEX TABLE A.2

Geographical Distribution of Algerian Imports - 1995-2003

(Percentage change and million USD)

	1995-2003 %	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*
Total	100,0	9.581,1	8.687,9	8.400,1	8.797,1	8.856,3	9.003,2	9.733,9	11.691,6	12.829,2
North America	*14,3*	*1.705,5*	*1.253,4*	*1.393,6*	*1.474,5*	*1.155,4*	*1.394,9*	*1.291,4*	*1.542,8*	*1.012,9*
United States	10,3	1.292,8	907,0	910,3	965,3	769,6	1.045,0	1.031,7	1.197,6	708,6
Canada	4,0	412,7	346,4	483,4	509,3	385,8	349,9	259,6	345,2	304,3
Latin America	*3,2*	*297,3*	*330,3*	*181,8*	*174,0*	*332,0*	*248,0*	*362,5*	*380,3*	*568,8*
Eastern Europe	*4,6*	*233,5*	*184,6*	*333,5*	*266,6*	*448,5*	*564,6*	*574,7*	*711,3*	*831,2*
Western Europe	*65,7*	*6.257,5*	*5.983,6*	*5.363,0*	*5.806,5*	*5.731,9*	*5.792,4*	*6.581,2*	*7.503,4*	*8.519,8*
European Union - 15	*61,4*	*5.949,9*	*5.664,6*	*5.043,4*	*5.397,8*	*5.286,6*	*5.395,9*	*6.084,3*	*6.998,3*	*7.933,7*
Belgium	2,5	225,2	208,8	224,5	235,6	192,9	238,7	248,6	296,0	311,2
France	24,4	2.449,7	2.167,9	1.986,0	2.181,5	2.086,1	2.159,3	2.382,5	2.777,0	3.233,4
Germany	7,3	674,1	582,8	477,0	627,9	678,6	709,5	894,2	878,2	879,5
Italy	9,7	950,8	812,7	741,9	823,1	907,3	811,0	1.038,4	1.172,7	1.273,1
Netherlands	1,8	131,9	145,4	202,2	184,1	164,0	175,2	153,4	221,8	217,6
Portugal	0,3	27,9	19,5	24,2	29,5	16,8	33,2	48,6	45,6	46,9
Spain	7,0	841,9	1.086,9	596,6	532,7	507,5	546,0	522,3	641,3	742,4
United Kingdom	2,6	141,9	196,7	277,3	243,7	218,6	210,1	252,2	314,4	410,8
Greece	1,8	131,9	145,4	202,2	184,1	164,0	175,2	153,4	221,8	217,6
Sweden	1,0	74,4	51,9	99,9	102,2	75,4	55,6	67,0	100,9	248,5
Other European	*4,3*	*307,6*	*319,0*	*319,6*	*408,7*	*445,3*	*396,5*	*496,9*	*505,1*	*586,0*
Middle East	*1,1*	*63,6*	*83,5*	*304,2*	*188,7*	*23,5*	*30,5*	*48,1*	*74,5*	*76,7*
Africa	*1,8*	*241,4*	*181,5*	*98,7*	*140,5*	*120,0*	*162,4*	*144,5*	*239,9*	*312,8*
Asia and Pacific	*9,3*	*782,4*	*671,1*	*725,2*	*746,3*	*1.045,0*	*810,5*	*731,5*	*1.239,3*	*1.507,1*
Unspecified										

Source: ONS

ANNEX TABLE A.3

Geographical Distribution of Algerian Exports - 1995-2003

(Percentage change and million USD)

	1999-2003 %	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*
Total	100,0	9.523,5	13.145,2	13.518,0	9.830,3	12.262,5	21.307,7	18.522,7	18.327,0	24.139,2
North America	*19,6*	*1.812,9*	*2.501,8*	*2.626,2*	*1.828,3*	*2.179,9*	*4.204,5*	*3.336,1*	*3.519,2*	*6.293,2*
United States	15,8	1.587,7	2.021,5	2.167,5	1.479,3	1.775,0	3.424,8	2.672,7	2.591,6	4.899,6
Canada	3,8	225,2	480,2	458,7	349,0	404,9	779,7	663,4	927,6	1.393,6
Latin America	*5,8*	*230,0*	*672,2*	*728,4*	*615,3*	*1.085,2*	*1.640,9*	*1.161,6*	*1.004,9*	*1.183,5*
Eastern Europe	*1,1*	*251,2*	*709,9*	*91,7*	*71,3*	*19,5*	*24,2*	*1,6*	*5,8*	*6,1*
Western Europe	*69,5*	*6.652,3*	*8.681,1*	*9.411,9*	*7.051,2*	*8.619,8*	*15.089,7*	*13.215,1*	*12.978,3*	*15.550,7*
European Union - 15	*64,0*	*6.201,4*	*7.910,0*	*8.601,8*	*6.465,6*	*7.955,1*	*13.639,1*	*12.264,2*	*12.009,8*	*14.429,1*
Belgium	3,2	374,9	383,3	491,7	409,2	327,4	659,0	535,3	469,5	706,5
France	14,4	1.350,3	1.731,7	2.135,6	1.627,4	1.719,1	2.919,9	2.912,3	2.554,1	3.107,9
Germany	2,0	175,1	327,7	301,9	161,6	198,4	732,7	216,7	426,2	275,6
Italy	21,5	2.141,6	2.623,9	2.796,2	2.142,9	2.942,1	4.425,0	4.314,8	3.911,0	4.717,6
Netherlands	8,3	993,2	1.147,1	1.141,8	787,9	1.021,2	1.657,7	1.365,4	1.683,9	1.693,5
Portugal	1,3	145,4	155,8	72,6	59,8	154,0	249,5	308,8	335,0	541,4
Spain	10,2	638,7	1.005,2	1.216,7	933,7	1.329,0	2.329,1	2.301,6	2.247,3	2.993,0
United Kingdom	2,1	208,4	306,6	246,3	251,0	233,2	647,7	309,2	382,7	392,7
Greece	0,3	36,4	25,0	8,0	20,6	32,1	117,1	78,8	64,1	95,1
Sweden	0,1	4,6	6,5	5,3	0,0	15,8	32,6	11,2	13,7	13,1
Other European	*5,5*	*450,8*	*771,1*	*810,1*	*585,6*	*664,7*	*1.450,6*	*951,0*	*968,5*	*1.121,6*
Middle East	*0,3*	*16,6*	*13,2*	*12,1*	*11,1*	*25,6*	*19,6*	*21,9*	*162,4*	*308,4*
Africa	*1,3*	*193,5*	*219,3*	*150,0*	*100,8*	*154,1*	*243,6*	*262,4*	*229,6*	*248,0*
Asia and Pacific	*2,3*	*367,2*	*347,7*	*497,6*	*152,4*	*178,6*	*85,3*	*524,1*	*426,9*	*549,3*
Unspecified										

Source: ONS

ANNEX TABLE A.4

Net Trade Ratio, 1990, 2000 and 2003

Products	*1990*	*2000*	*2003*
0 - Food and live animals	-97,	-98,	-97,
00 - Live animals	-99,	-100,	-100
01 - Meat and meat preparations	-100,	-98,	-99,
02 - Dairy products and birds' eggs	-100,	-100,	-98,
03 - Fish, crustaceans, molluscs and aquatic invertebrates, and preparations thereof	-51,	-49,	-41,
04 - Cereals and cereal preparations	-100,	-100,	-99,
05 - Vegetables and fruit	-76,	-83,	-86
06 - Sugars, sugar preparations and honey	-100,	-100,	-100,
07 - Coffee, tea, cocoa, spices, and manufactures thereof	-97,	-99,	-99,
08 - Feeding stuff for animals (not including unmilled cereals)	-100,	-99,	-97,
09 - Miscellaneous edible products and preparations	-100,	-99,	-98,
1 - Beverages and tobacco	32,	-52,	-72,
11 - Beverages	98,	73,	-32,
12 - Tobacco and tobacco manufactures	-100,	-89,	-98,
2 - Crude materials, inedible, except fuels	-93,	-72,	-68,
21 - Hides, skins and furskins, raw	*-99,*	*1,*	*57,*
22 - Oil-seeds and oleaginous fruits	-100,	-100,	-100,
23 - Crude rubber (including synthetic and reclaimed)	-100,	-99,	-100,
24 - Cork and wood	-99,	-90,	-99,
25 - Pulp and waste paper	-100,	-93,	-83,
26 - Textile fibres	-100,	-100,	-100,
27 - Crude fertilizers	-47,	2,	-43,
28 - Metalliferous ores and metal scrap	*-37,*	*-14,*	*57,*
29 - Crude animal and vegetable materials, n.e.s.	-97,	-99,	-99,
3 - Mineral fuels, lubricants and related materials	97,	98,	99,
32 - Coal, coke and briquettes	-99,	-100,	-100,
33 - Petroleum, petroleum products and related materials	99,	98,	98,
34 - Gas, natural and manufactured	100,	100,	100,
35 - Electric current	0,	0,	100,
4 - Animal and vegetable oils, fats and waxes	-99,	-96,	-97,
41 - Animal oils and fats	-100,	-100,	-100,
42 - Fixed vegetable fats and oils, crude, refined or fractionated	-99,	-100,	-99,
43 - Animal or vegetable fats and oils, processed;	-100,	-79,	-86,
5 - Chemicals and related products, n.e.s.	-84,	-0,	-76,
51 - Organic chemicals	-61,	-16,	-47,
52 - Inorganic chemicals	-71	0	21,
53 - Dyeing, tanning and colouring materials	-17,	-99,	-99,
54 - Medicinal and pharmaceutical products	-99,	-99,	-99,

Products	*1990*	*2000*	*2003*
55 - Essential oils and resinoids and perfume materials; toilet, polishing and cleansing preparations	-88,	-82,	-59,
56 - Fertilizers	-43	-26	12,
57 - Plastics in primary forms	-92,	-84,	-100,
58 - Plastics in non-primary forms	-100,	-99,	-99,
59 - Chemical materials and products, n.e.s.	-90,	-99,	-99,
6 - Manufactured goods classified chiefly by material	-86,	-87,	-91,
61 – Leather, leather manufactures, n.e.s., and dressed furskins	-74	12	44,
62 – Rubber manufactures, n.e.s.	-99,	-99,	-98,
63 – Cork and wood manufactures (excluding furniture)	-71,	-71,	-88,
64 – Paper, paperboard and articles of paper pulp, of paper or of paperboard	-99,	-97,	-94,
65 – Textile yarn, fabrics, made-up articles, n.e.s., and related products	-58,	-99,	-95,
66 – Non-metallic mineral manufactures, n.e.s.	-99,	-99,	-98,
67 - Iron and steel	-82,	-80,	-93,
68 – Non-ferrous metals	-67,	-64,	-63,
69 – Manufactures of metals, n.e.s.	-96,	-97,	-95,
7 – Machinery and transport equipment	-95,	-97,	-99,
71 – Power-generating machinery and equipment	-97,	-97,	-95,
72 – Machinery specialized for particular industries	-91,	-97,	-99,
73 – Metalworking machinery	-99,	-94,	-97,
74 – General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	-94,	-97,	-99,
75 – Office machines and automatic data-processing machines	-100,	-98,	-99,
76 - Telecommunications and sound-recording and reproducing apparatus and equipment	-94,	-99,	-99,
77 - Electrical machinery, apparatus and appliances,	-93,	-99,	-99,
78 - Road vehicles (including air-cushion vehicles)	-96,	-99,	-99,
79 - Other transport equipment	-98,	-89,	-100,
8 - Miscellaneous manufactured articles	-91,	-93,	-97,
81 - Prefabricated buildings; sanitary, plumbing, heating and lighting	-49,	-95,	-89,
82 - Furniture	-99,	-95,	-96,
83 - Travel goods, handbags and similar containers	-47,	-99,	-100,
84 - Articles of apparel and clothing accessories	-95,	-96,	-99,
85 - Footwear	60,	-87,	-98,
87 - Professional, scientific and controlling instruments	-99,	-89,	-98,
88 - Photographic apparatus, equipment and supplies and optical goods	-99,	-99,	-99,
89 - Miscellaneous manufactured articles, n.e.s.	-89,	-95,	-96,
9 - Commodities and transactions not classified elsewhere in the SITC			
91 - Postal packages			
93 - Special transactions and commodities			
97 - Gold, non-monetary (excluding gold ores and concentrates)			

Source: Elaboration from UNCTAD, Statistics on-line.

Note: $NCA_i = \dfrac{X_i - M_i}{X_i + M_i}$

ANNEX TABLE A.5

Intra-Industry Trade: G-L index (SITC classification)
(Index; million $)

Sectors	1992	1997	2000	2002	2003	Import 2003	Export 2003
All products	18,00	13,34	14,00	15,01	13,60	13.532,5	24.611,5
IIT products						88,9	103,0
689 Non-fer base metals nes	0,00	0,00	0,00	0,60	1,00	0,4	0,4
511 Hydrocarbons nes, derivtives	0,57	0,24	0,20	0,36	0,95	11,2	12,3
897 Gold, silver ware, jewellery	0,05	0,20	0,05	0,00	0,94	0,8	1,0
562 Fertilizers, manufactured	0,65	0,19	0,70	0,83	0,87	34,1	43,9
554 Soap, cleansing, etc preps	0,08	0,30	0,32	0,55	0,82	26,9	18,9
512 Alcohols, phenols, etc	0,75	0,96	0,99	0,96	0,74	15,4	26,5
883 Developed cinema film	0,00	0,00	0,00	0,00	0,47	0,0	0,0
112 Alcoholic beverages	0,48	0,74	0,20	0,69	0,45	11,7	3,4
037 Fish etc prepd, prsrvd nes	0,00	0,00	0,00	0,21	0,43	1,1	0,3
211 Hides skins, exc furs, raw	0,43	0,13	0,83	0,90	0,43	1,3	4,8
671 Pig iron, etc	0,59	0,24	0,67	0,58	0,42	6,0	1,6
659 Floor coverings, etc	0,00	0,01	0,06	0,43	0,41	1,9	0,5

Source: Author's elaboration on UNCTAD, Foreign Trade Statistics, on-line

Note: $GL = \sum_{i=1}^{n} w_i GL_i = \sum_{i=1}^{n} \left(\frac{X_i + M_i}{\sum_{i=1}^{n}(X_i + M_i)} \right) GL_i = 1 - \frac{\sum_{i=1}^{n} |X_i - M_i|}{\sum_{i=1}^{n}(X_i + M_i)}$

ANNEX TABLE A.6

Algeria - MFN tariffs according to HS classification, 2004
(excluding DAP)

HS Code	Description	Simple Average	Range	Standard Deviation	Import 2003 (M$US)
01	Live animals	19,3	5 - 30	12,6	28,6
02	Meat and edible meat offal	30,0	30 - 30	0,0	88,3
03	Fish and crustaceans. molluscs and other aquatic invertebrates	29,3	5 - 30	4,3	15,5
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin. not elsewhere specified	26,3	5 - 30	9,0	520,4
05	Products of animal origin. not elsewhere specified or included	25,3	5 - 30	9,6	0,3
06	Live trees and other plants; bulbs. roots and the like; cut flowers and ornamental foliage	12,8	5 - 30	12,0	0,0
07	Edible vegetables and certain roots and tubers	24,8	5 - 30	9,3	155,5
08	Edible fruit and nuts; peel of citrus fruit or melons	30,0	30 - 30	0,0	99,4
09	Coffee. tea. maté and spices	29,2	5 - 30	4,4	112,1
10	Cereals	10,0	0 - 30	8,9	1123,1
11	Products of the milling industry; malt; starches; inulin; wheat gluten	30,0	0 - 30	0,0	14,1
12	Oil seeds and oleaginous fruits; miscellaneous grains. seeds and fruit; industrial or medicinal plants; straw and fodder	8,9	5 - 30	8,3	145,7
13	Lac; gums. resins and other vegetable saps and extracts	5,0	5 - 5	0,0	24,5
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	11,7	5 - 15	4,9	0,0
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	24,6	15 - 30	7,2	349,5
16	Preparations of meat. of fish or of crustaceans. molluscs or other aquatic invertebrates	30,0	10 - 30	0,0	1,5
17	Sugars and sugar confectionery	24,4	5 - 30	9,3	230,3
18	Cocoa, chocolate and products	20,9	5 - 30	9,2	21,1
19	Preparations of cereals. flour. starch or milk; pastrycooks' products	27,0	5 - 30	8,3	13,6
20	Preparations of vegetables. fruit. nuts or other parts of plants	27,9	15 - 30	5,2	7,9
21	Miscellaneous edible preparations	26,8	15 - 30	6,3	84,5
22	Beverages. spirits and vinegar	30,0	0 - 180	0,0	11,9
23	Residues and waste from the food industries; prepared animal fodder	27,4	15 - 30	5,8	0,0
24	Tobacco and manufactured tobacco substitutes	25,5	15 - 30	7,2	26,4
25	Salt; sulphur; earths and stone; plastering materials. lime and cement	10,6	5 - 15	5,0	198,4
26	Ores. slag and ash	5,0	5 - 5	0,0	15,7
27	Mineral fuels. mineral oils and products of their distillation; bituminous substances; mineral waxes	11,1	0 - 30	11,2	117,7
28	Inorganic chemicals; organic or inorganic compounds of precious metals. of rare-earth metals. of radioactive elements or of isotopes	15,1	15 - 30	1,1	75,8
29	Organic chemicals	15,0	15 - 15	0,0	108,9
30	Pharmaceutical products	6,4	0 - 30	6,2	765,0
31	Fertilisers	15,0	15 - 15	0,0	34,4
32	Tanning or dyeing extracts; tannins and their derivatives; dyes. pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	19,6	15 - 30	7,0	71,3
33	Essential oils and resinoids; perfumery. cosmetic or toilet preparations	23,7	15 - 30	7,5	47,5
34	Soap. organic surface-active agents. washing preparations. lubricating preparations. artificial waxes. prepared waxes. polishing or scouring preparations. candles and similar articles. modelling pastes. 'dental waxes' and dental preparations	23,5	0 - 30	9,4	26,9
35	Albuminoidal substances; modified starches; glues; enzymes	18,5	15 - 30	6,6	0,0
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	21,7	15 - 30	7,7	2,6
37	Photographic or cinematographic goods	15,0	15 - 15	0,0	25,5
38	Miscellaneous chemical products	16,2	15 - 30	4,0	160,5
39	Plastics and articles thereof	17,0	5 - 30	5,9	391,5
40	Rubber and articles thereof	16,9	0 - 30	5,4	173,9
41	Raw hides and skins (other than furskins) and leather	12,4	5 - 15	4,5	2,2
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut	30,0	30 - 30	0,0	17,7
43	Furskins and artificial fur; manufacturers thereof	30,0	30 - 30	0,0	0,0
44	Wood and articles of wood; wood charcoal	18,6	5 - 30	8,1	391,6
45	Cork and articles of cork	17,5	5 - 30	13,4	0,2
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	30,0	30 - 30	0,0	0,0
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	5,0	5 - 5	0,0	6,1
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	20,8	0 - 30	7,6	223,4
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	26,7	15 - 30	6,3	0,0

HS Code	Description	Simple Average	Range	Standard Deviation	Import 2003 (M$US)
50	Silk	15,5	5 - 30	10,9	3,2
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	15,4	5 - 30	11,3	41,5
52	Cotton	23,6	5 - 30	8,2	14,9
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	14,7	5 - 30	10,5	0,4
54	Man-made filaments	22,9	15 - 30	7,5	27,2
55	Man-made staple fibres	22,4	5 - 30	9,9	18,6
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	24,5	15 - 30	7,3	16,1
57	Carpets and other textile floor coverings	30,0	30 - 30	0,0	0,0
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	28,0	5 - 30	5,7	12,0
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	22,8	15 - 30	7,6	0,0
60	Knitted or crocheted fabrics	30,0	30 - 30	0,0	7,3
61	Articles of apparel and clothing accessories, knitted or crocheted	30,0	30 - 30	0,0	14,1
62	Articles of apparel and clothing accessories, not knitted or crocheted	30,0	30 - 30	0,0	33,5
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	28,5	15 - 30	4,6	14,8
64	Footwear, gaiters and the like; parts of such articles	24,4	15 - 30	7,4	19,6
65	Headgear and parts thereof	28,8	15 - 30	4,3	0,0
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	20,6	0 - 30	11,2	0,0
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	30,0	30 - 30	0,0	0,0
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	21,3	15 - 30	7,5	31,8
69	Ceramic products	24,5	15 - 30	7,3	59,7
70	Glass and glassware	20,1	5 - 30	7,6	71,0
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	21,4	0 - 30	8,2	2,1
72	Iron and steel	15,3	15 - 30	2,0	924,7
73	Articles of iron or steel	20,1	5 - 30	8,3	253,1
74	Copper and articles thereof	17,1	15 - 30	5,3	37,9
75	Nickel and articles thereof	17,4	15 - 30	5,6	0,3
76	Aluminium and articles thereof	18,3	5 - 30	6,7	62,4
77					0,0
78	Lead and articles thereof	15,0	15 - 15	0,0	3,6
79	Zinc and articles thereof	15,0	15 - 15	0,0	0,6
80	Tin and articles thereof	18,0	15 - 30	6,3	0,8
81	Other base metals; cermets; articles thereof	15,0	15 - 15	0,0	0,4
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	23,8	5 - 30	10,9	80,4
83	Miscellaneous articles of base metal	24,1	15 - 30	7,4	85,3
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	10,0	0 - 30	9,5	2682,5
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	19,7	5 - 30	10,5	1288,9
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signalling equipment of all kinds	5,0	5 - 5	0,0	111,2
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	15,8	0 - 30	10,7	1100,5
88	Aircraft, spacecraft, and parts thereof	3,8	0 - 30	10,2	0,0
89	Ships, boats and floating structures	9,0	0 - 30	13,7	0,0
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	14,5	0 - 30	12,5	347,6
91	Clocks and watches and parts thereof	30,0	30 - 30	0,0	4,4
92	Musical instruments; parts and accessories of such articles	30,0	30 - 30	0,0	87,0
93	Arms and ammunition; parts and accessories thereof	17,0	0 - 30	15,2	0,0
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	30,0	30 - 30	0,0	42,6
95	Toys, games and sports requisites; parts and accessories thereof	30,0	30 - 30	0,0	0,0
96	Miscellaneous manufactured articles	27,6	15 - 30	5,5	23,5
97	Works of art, collectors' pieces and antiques	0,0	0 - 0	0,0	0,9

Source: Author's elaboration on customs tariffs 2004; Algerian Customs Department; UNCTAD, …………………………..

ANNEX TABLE A.7

MFN tariffs structure, Harmonised System, 2004

HS Section/Description	Number of Tariff Lines	Tariff Rates by Section			
		Minimum	Maximum	Average a/	Standard Deviation
1 Live Animals Products	248	5	30	27,1	7,9
2 Vegetable Products	313	0	30	21,1	11,5
3 Animal/Vegetable Fats	70	5	30	21,8	9,2
4 Processed Foods/Tobacco	219	5	30	27,2	6,5
5 Mineral Products	220	0	30	9,8	8,6
6 Chemical/Industrial Products	886	0	30	15,3	5,6
7 Plastics/Rubber	274	0	30	12,9	8,5
8 Animal Hides/Skins	82	5	30	21,8	9,3
9 Wood/Wood Articles	108	5	30	19,1	8,7
10 Paper/Cellulose Material	162	0	30	19,4	9,2
11 Textiles	884	5	30	25,3	8,3
12 Footwear/Misc. Articles	68	0	30	25,4	7,4
13 Stone/Glassware	162	5	30	21,2	7,9
14 Precious/Semiprecious Materials	79	0	30	21,4	8,2
15 Base Metals	646	5	30	17,7	7,6
16 Machinery/Electrical Equip.	938	0	30	13,0	10,9
17 Motor Vehicles/Vessels	205	0	30	12,3	11,1
18 Precision Instruments	275	0	30	19,3	12,6
19 Arms/Munitions	23	0	30	17,0	15,2
20 Misc. Manufactured Articles	138	15	30	29,1	3,5
21 Art/Antiques	7	0	0	0,0	0,0
Overall	6001	0	30	18,7	10,3

Source: Author own calculation on Customs Authority

Note: a/ simple average of the Most Favoured Nation (MFN) applied tariff (viz., excludes ad valorem, specific and other portions of MFN tariff).

ANNEX TABLE A.8

Algerian Agricultural Trade: (1+4 SITC classification)
(million $; percentages)

Sectors	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*[(1)]
Agricultural Exports (0+4)	99,8	114,2	31,5	28,5	24,5	25,6	22,5	27,0	39,3
0- Food and Live Animals	99,8	114,2	31,5	27,8	20,1	21,9	22,2	24,2	35,1
Fruits and Nuts	78,9	66,4	22,2	19,5	15,5	14,9	10,8	16,7	16,7
Dairy Products and Eggs	1,8	1,7	0,0	1,5	0,0	0,0	0,0	0,4	5,4
Vegetables	1,9	22,8	3,6	3,6	1,4	1,9	5,7	0,4	2,9
Fodder	3,3	0,6	0,6	0,3	0,1	0,1	0,1	0,1	1,8
Cereals and Cereal Preparations	7,4	18,5	2,4	0,0	0,0	0,0	0,1	0,2	0,4
Coffee, tea, cacao	0,7	0,0	0,1	0,2	0,0	0,1	0,0	0,0	0,1
Meat	0,1	0,2	0,1	0,2	0,2	0,1	0,0	0,1	0,0
Sugar	1,1	0,5	0,3	0,0	0,1	0,0	0,2	0,3	0,0
Live Animals	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4- Animal and Vegetable Oils, Fats	0,0	0,0	0,1	0,7	4,4	3,7	0,3	2,8	4,3
Vegetable Fats or Oils and Their Fractions	0,0	0,0	0,1	0,7	1,8	0,0	0,1	0,5	0,6
Vegetable Fats or Oils Hydrogenated	0,0	0,0	0,0	0,0	2,6	3,7	0,3	2,3	3,7
Agricultural Imports (0+4)	3.052,7	2.781,7	2.717,3	2.751,2	2.452,6	2.533,4	2.560,7	3.050,6	2.971,7
0- Food and Live Animals	2.700,8	2.501,0	2.502,3	2.438,3	2.222,1	2.358,8	2.351,8	2.779,6	2.636,0
Cereals and Cereal Preparations	1.252,8	1.115,3	1.270,9	1.025,9	908,4	1.085,9	1.006,1	1.339,1	1.139,4
Dairy Products and Eggs	476,9	400,6	442,7	481,8	437,9	429,6	534,7	506,8	520,4
Sugar	324,5	267,5	216,4	279,4	223,4	222,2	298,5	276,0	230,3
Vegetables	163,9	174,5	152,3	142,4	183,2	185,5	145,4	170,4	155,5
Coffee, tea, cacao	203,2	174,4	141,3	196,9	170,9	147,6	90,1	107,5	133,3
Fodder	59,7	67,1	90,8	65,8	72,4	88,5	108,1	114,9	117,8
Fruits and Nuts	47,6	17,7	13,4	6,6	9,8	8,8	40,4	100,7	107,3
Meat	62,9	48,7	16,5	56,1	41,6	35,5	10,4	36,7	88,7
Live Animals	15,8	19,0	16,1	31,3	31,9	16,8	7,6	8,9	28,6
4- Animal and Vegetable Oils, Fats	351,8	280,8	214,9	312,9	230,5	174,55	208,8	271,0	335,8
Vegetable Fats or Oils and Their Fractions	342,9	254,2	194,4	286,6	199,7	145,9	175,7	230,4	285,9
Vegetable Fats or Oils Hydrogenated	8,9	26,6	20,5	26,3	30,8	28,6	33,2	40,5	49,9
Agricultural Trade Deficit									
0- Food and Live Animals	-2.601,0	-2.386,8	-2.470,9	-2.410,5	-2.202,0	-2.336,9	-2.329,6	-2.755,4	-2.600,9
4- Animal and Vegetable Oils, Fats	-351,8	-280,7	-214,9	-312,3	-226,1	-170,8	-208,5	-268,2	-331,5

Source: Elaboration from CBJ, Department of Statistics.

Note:

1 Preliminary

ANNEX TABLE A.9

Algerian External Relations - 1997-2003

(Percentage change and million USD)

	1997	1998	1999	2000	2001	2002	2003(1)	1998	1999	2000	2001	2002	2003(
	Million USD							%					
Imports, f.o.b.	8.130,0	8.630,0	8.960,0	9.350,0	9.480,0	12.010,0	13.320,0	6,2	3,8	4,4	1,4	26,7	10,9
Exports, f.o.b.	13.820,0	10.140,0	12.320,0	21.650,0	19.090,0	18.710,0	24.460,0	-26,6	21,5	75,7	-11,8	-2,0	30,7
Trade Balance	5.690,0	1.510,0	3.360,0	12.300,0	9.610,0	6.700,0	11.140,0	-73,5	122,5	266,1	-21,9	-30,3	66,3
Current Account	3.450,0	-910,0	20,0	9.140,0	7.060,0	4.360,0	8.900,0	-126,4	-102,2	45.600,0	-22,8	-38,2	104,1
-Non Factor Services	-1.080,0	-1.480,0	-1.840,0	-1.450,0	-1.530,0	-1.180,0	-1.350,0	37,0	24,3	-21,2	5,5	-22,9	14,4
-Factor service	-2.220,0	-2.000,0	-2.290,0	-2.500,0	-1.690,0	-2.230,0	-2.640,0	-9,9	14,5	9,2	-32,4	32,0	18,4
Current Transfers	1.060,0	1.060,0	790,0	790,0	670,0	1.070,0	1.750,0	0,0	-25,5	0,0	-15,2	59,7	63,6
Capital Account	-2.290,0	-830,0	-2.400,0	-1.570,0	-870,0	-710,0	-1.310,0	-63,8	189,2	-34,6	-44,6	-18,4	84,5

Source: ONS, Department of Statistics.

ANNEX TABLE A.10

Revealed Comparative Advantage of Algeria

Sectors	RCA average 1997-2003	RCA 2003	Export 2003 (percentage)
Availability of primary products	4,99	5,35	98,61
001 Live animals for food	0,00	0,00	0,00
011 Meat, fresh, chilled, frozen	0,00	0,00	0,00
012 Meat dried, salted, smoked	0,00	0,00	0,00
014 Meat prepd, prsrvd nes, etc	0,00	0,00	0,00
022 Milk and cream	0,02	0,10	0,02
023 Butter	0,00	0,00	0,00
024 Cheese and curd	0,01	0,01	0,00
025 Eggs, yolks, fresh, prsrvd	0,00	0,00	0,00
034 Fish, fresh, chilled, frozen	0,01	0,01	0,00
035 Fish salted, dried, smoked	0,00	0,00	0,00
036 Shell fish fresh, frozen	0,08	0,11	0,02
037 Fish etc prepd, prsrvd nes	0,00	0,01	0,00
041 Wheat etc, unmilled	0,00	0,00	0,00
042 Rice	0,00	0,00	0,00
043 Barley, unmilled	0,00	0,00	0,00
044 Maize (corn), unmilled	0,00	0,00	0,00
045 Cereals nes, unmilled	0,00	0,00	0,00
046 Wheat etc, meal or flour	0,00	0,00	0,00
047 Other cereal meals, flour	0,00	0,00	0,00
048 Cereal etc preparations	0,01	0,01	0,00
054 Vegtb etc fresh, simply prsrvd	0,03	0,03	0,01
056 Vegtb etc prsrvd, preprd	0,03	0,01	0,00
057 Fruit, nuts, fresh, dried	0,19	0,14	0,07
058 Fruit prsrvd, preprd	0,00	0,00	0,00
061 Sugar and honey	0,00	0,00	0,00
062 Sugar preps non-chocolate	0,00	0,00	0,00
071 Coffee and substitutes	0,00	0,00	0,00
072 Cocoa	0,00	0,00	0,00
073 Chocolate and products	0,00	0,00	0,00
074 Tea and mate	0,00	0,00	0,00
075 Spices	0,00	0,00	0,00
081 Feeding stuff for animals	0,01	0,02	0,01
091 Margarine and shortening	0,00	0,01	0,00
098 Edible products, preps nes	0,01	0,01	0,00
121 Tobacco, unmanufactd, refuse	0,00	0,00	0,00
122 Tobacco, manufactured	0,01	0,00	0,00
211 Hides skins, exc furs, raw	0,21	0,25	0,02
212 Furskins, raw	0,00	0,00	0,00
222 Seeds for soft fixed oils	0,00	0,00	0,00
223 Seeds for other fixed oils	0,00	0,00	0,00
232 Natural rubber, gums	0,00	0,00	0,00
233 Rubber, synthetic, reclaimed	0,00	0,00	0,00
244 Cork, natural, raw, waste	7,15	0,51	0,00
245 Fuel wood nes, charcoal	0,00	0,00	0,00
246 Pulpwood, chips, woodwaste	0,00	0,00	0,00
247 Other wood rough, squared	0,00	0,00	0,00
248 Wood, shaped, rail sleepers	0,00	0,00	0,00
251 Pulp and waste paper	0,00	0,01	0,00
261 Silk	0,00	0,00	0,00
263 Cotton	0,00	0,00	0,00
264 Jute, other textile bast fibres	0,00	0,00	0,00
265 Vegetb fibre, exc cotton, jute	0,00	0,00	0,00
266 Synthetic fibres for spinning	0,00	0,00	0,00
267 Other man-made fibres	0,00	0,00	0,00
268 Wool (exc tops), animal hair	0,00	0,00	0,00
269 Waste of textile fabrics	0,00	0,00	0,00
271 Fertilizers, crude	4,63	2,24	0,04
273 Stone, sand and gravel	0,02	0,02	0,00
274 Sulphur, unroastd iron pyrites	0,00	0,00	0,00
277 Natural abrasives nes	0,00	0,00	0,00
278 Other crude minerals	0,15	0,04	0,01
281 Iron ore and concentrates	0,00	0,00	0,00
282 Iron and steel scrap	0,39	0,62	0,11
286 Uranium, thorium ores, conc		0,00	0,00
287 Base metals ores, conc nes	0,00	0,00	0,00
288 Non-ferrous metal scrap nes	0,58	0,96	0,13
289 Prec metal ores, waste nes	0,00	0,00	0,00
291 Crude animal materials nes	0,00	0,00	0,00
292 Crude vegetb materials nes	0,00	0,00	0,00
322 Coal, lignite and peat	0,00	0,00	0,00
323 Briquettes, coke and semi-coke	0,00	0,00	0,00
333 Crude petroleum	10,45	14,33	46,10
334 Petroleum products, refined	6,26	4,79	10,39
335 Residual petroleum prdts nes	5,66	5,02	0,78
341 Gas, natural and manufactured	35,39	31,86	40,77
351 Electric current	0,04	0,01	0,00
411 Animal oils and fats	0,00	0,00	0,00
423 Fixed vegetable oils, soft	0,01	0,01	0,00
424 Other fixed vegetable oils	0,01	0,00	0,00
431 Procesd animl and veg oil, etc	0,17	0,21	0,02
681 Silver, platinum, etc	0,01	0,00	0,00
682 Copper	0,01	0,01	0,01
683 Nickel	0,00	0,00	0,00
684 Aluminium	0,00	0,01	0,01
685 Lead	0,21	0,04	0,00
686 Zinc	1,51	1,16	0,08
687 Tin	0,00	0,00	0,00
688 Uranium, thorium, alloys			0,00
689 Non-fer base metals nes	0,01	0,03	0,00
Labour intensity and resources	0,01	0,01	0,17
111 Non alcoholic beverages nes	0,04	0,09	0,01
112 Alcoholic beverages	0,05	0,03	0,01
611 Leather	0,28	0,24	0,06
612 Leather, etc, manufactures	0,00	0,00	0,00
613 Fur skins tanned, dressed	0,00	0,00	0,00
633 Cork manufactures	1,70	1,80	0,04
634 Veneers, plywood, etc	0,00	0,00	0,00
635 Wood manufactures nes	0,00	0,00	0,00
641 Paper and paperboard	0,01	0,01	0,01
642 Paper and paperboard, cut	0,02	0,04	0,02
651 Textile yarn	0,00	0,00	0,00
652 Cotton fabrics, woven	0,01	0,01	0,00
653 Woven man-made fib fabric	0,00	0,00	0,00
654 Other woven textile fabric	0,00	0,00	0,00
655 Knitted, etc, fabric	0,00	0,00	0,00
656 Lace, ribbon, tulle, etc	0,00	0,00	0,00
657 Spec textile fabrics, products	0,00	0,00	0,00
658 Textile articles nes	0,01	0,02	0,00
659 Floor coverings, etc	0,01	0,01	0,00
661 Lime, cement and building prdts	0,00	0,00	0,00
662 Clay, refractory building prdts	0,03	0,02	0,00
663 Mineral manufactures nes	0,00	0,00	0,00
664 Glass	0,00	0,00	0,00
665 Glassware	0,01	0,02	0,00
666 Pottery	0,00	0,00	0,00
667 Pearl, prec, semi-prec stones	0,00	0,00	0,00
821 Furniture and parts thereof	0,00	0,00	0,00
831 Travel goods, handbags, etc	0,00	0,00	0,00
842 Men's outwear non-knit	0,00	0,00	0,00
843 Women's outwear non-knit	0,00	0,00	0,00
844 Under garments non-knit	0,00	0,00	0,00

Sectors	RCA average 1997-2003	RCA 2003	Export 2003 (percentage)
845 Outer garments knit nonelastic	0,00	0,00	0,00
846 Under garments knitted	0,00	0,00	0,00
847 Textile clothing accessoris nes	0,00	0,00	0,00
848 Headgear, non-textile clothing	0,00	0,00	0,00
851 Footwear	0,00	0,00	0,00
894 Toys, sporting goods, etc	0,00	0,00	0,00
Labour and low level of technology	0,07	0,03	0,18
671 Pig iron, etc	0,42	0,04	0,01
672 Iron, steel primary forms	0,31	0,02	0,01
673 Iron, steel shapes, etc	0,00	0,00	0,00
674 Iron, steel univ, plate, sheet	0,14	0,12	0,11
675 Iron, steel hoop, strip			0,00
676 Railway rails etc, iron, steel	0,00	0,00	0,00
677 Iron, steel wire, exc w rod	0,00	0,00	0,00
678 Iron, steel tubes, pipes, etc	0,06	0,03	0,01
679 Iron, steel castings unworked	0,01	0,00	0,00
691 Structures and parts nes	0,00	0,01	0,00
692 Metal tanks, boxes, etc	0,08	0,16	0,02
693 Wire products, non-electric	0,00	0,01	0,00
694 Stell, copper nails, nuts, etc	0,01	0,00	0,00
695 Tools	0,03	0,02	0,01
696 Cutlery	0,03	0,06	0,01
697 Base metal household equip	0,00	0,00	0,00
699 Base metal manufactures nes	0,00	0,00	0,00
785 Cycles, etc, motorized or not	0,00	0,00	0,00
786 Trailers, non-motor vehicl nes	0,05	0,00	0,00
791 Railway vehicles	0,00	0,00	0,00
812 Plumbg, heatg, lightg equip	0,01	0,01	0,00
Labour and medium level of technology	0,01	0,00	0,09
621 Materials of rubber	0,00	0,00	0,00
625 Rubber tyres,tubes, etc	0,00	0,01	0,00
628 Rubber articles nes	0,00	0,00	0,00
711 Steam boilers and auxil parts	0,00	0,00	0,00
712 Steam engines, turbines	0,01	0,01	0,00
713 Intern combust piston engines	0,00	0,00	0,00
714 Engines and motors nes	0,01	0,05	0,04
716 Rotating electric plant	0,00	0,00	0,00
718 Oth power generating machinery	0,03	0,00	0,00
721 Agricult machinry exc tractor	0,10	0,01	0,00
722 Tractors non-road	0,29	0,00	0,00
723 Civil engineering equip, etc	0,03	0,02	0,01
724 Textile, leather machinery	0,00	0,00	0,00
725 Paper etc mill machinery	0,00	0,00	0,00
726 Print and bookbind machy, parts	0,00	0,00	0,00
727 Food machinery, non-demestic	0,00	0,00	0,00
728 Oth machy for spec industries	0,00	0,00	0,00
736 Metal working machy, tools	0,00	0,00	0,00
737 Metal working machinery nes	0,01	0,01	0,00
741 Heating, cooling equipment	0,00	0,00	0,00
742 Pumps for liquids, etc	0,01	0,00	0,00
743 Pumps nes, centrifuges, etc	0,01	0,00	0,00
744 Mechanical handling equipment	0,01	0,00	0,00
745 Non-electr machy, tools nes	0,03	0,00	0,00
749 Non-electr machy parts, acces	0,01	0,00	0,00
771 Electric power machinery nes	0,00	0,00	0,00
772 Switchgear etc, parts nes	0,00	0,00	0,00
773 Electricity distributing equip	0,03	0,01	0,01
774 Electro-medical, xray equip	0,00	0,00	0,00
775 Household type equip nes	0,00	0,00	0,00

Sectors	RCA average 1997-2003	RCA 2003	Export 2003 (percentage)
778 Electrical machinery nes	0,00	0,00	0,00
781 Passengr motor vehicl, exc bus	0,00	0,00	0,00
782 Lorries, spec motor vehicl nes	0,01	0,00	0,00
783 Road motor vehicles nes	0,13	0,03	0,01
784 Motor vehicl parts, acces nes	0,00	0,00	0,00
893 Articles of plastic nes	0,00	0,00	0,00
labour and high level of technology	0,03	0,03	0,90
511 Hydrocarbons nes, derivtives	0,52	0,13	0,05
512 Alcohols, phenols, etc	0,35	0,46	0,11
513 Carboxylic acids, etc	0,00	0,00	0,00
514 Nitrogen-function compounds	0,00	0,00	0,00
515 Organo-inorgan compounds, etc	0,00	0,00	0,00
516 Other organic chemicals	0,04	0,00	0,00
522 Inorg chem elmnt, oxides, etc	0,98	1,89	0,47
523 Other inorganic chemicals	0,01	0,01	0,00
524 Radioactive etc materials	0,00	0,00	0,00
531 Synth dye, natrl indigo, lakes	0,00	0,00	0,00
532 Dyes nes, tanning products	0,00	0,00	0,00
533 Pigments, paints, varnishes etc	0,00	0,00	0,00
541 Medicinal, pharmaceutical prdts	0,00	0,00	0,00
551 Essential oils, perfume, etc	0,07	0,00	0,00
553 Perfumery, cosmetics, etc	0,00	0,00	0,00
554 Soap, cleansing, etc preps	0,20	0,30	0,08
562 Fertilizers, manufactured	0,47	0,76	0,18
572 Explosives, pyrotechnic prdts	0,03	0,00	0,00
582 Prdts of condensation, etc	0,00	0,00	0,00
583 Polymerization, etc, prdts	0,00	0,00	0,00
584 Cellulose, derivatives, etc	0,00	0,01	0,00
585 Plastic materials nes	0,00	0,00	0,00
591 Pesticides, disinfectants	0,00	0,00	0,00
592 Starch, inulin, gluten, etc	0,00	0,00	0,00
598 Miscel chemical prdts nes	0,00	0,00	0,00
751 Office machines	0,00	0,00	0,00
752 Automatic data processing equip	0,00	0,00	0,00
759 Office, adp machy parts, acces	0,00	0,00	0,00
761 Television receivers	0,00	0,00	0,00
762 Radio-broadcast receivers	0,00	0,00	0,00
763 Sound recorders, phonographs	0,00	0,00	0,00
764 Telecom equip, parts, acces	0,00	0,00	0,00
776 Transistors, valves, etc	0,00	0,00	0,00
792 Aircraft, etc	0,01	0,00	0,00
793 Ships, boats, etc	0,00	0,00	0,00
871 Optical instruments	0,00	0,00	0,00
872 Medical instruments nes	0,01	0,00	0,00
873 Meters and counters nes	0,00	0,00	0,00
874 Measuring, controlg instruments	0,02	0,01	0,01
881 Photogr apparatus, equip nes	0,00	0,00	0,00
882 Photogr and cinema supplies	0,00	0,00	0,00
883 Developed cinema film	0,01	0,02	0,00
884 Optical goods nes	0,00	0,00	0,00
885 Watches and clocks	0,00	0,00	0,00
Not defined	0,01	0,01	0,02
892 Printed matter	0,02	0,02	0,01
895 Office supplies nes	0,00	0,00	0,00
896 Works of art, etc	0,00	0,00	0,00
897 Gold, silver ware, jewellery	0,00	0,01	0,00
898 Musical instruments and parts	0,00	0,00	0,00
899 Other manufactured goods	0,02	0,00	0,00
941 Zoo animals, pets, etc	0,00	0,00	0,00

Source: UNCTAD, ……………………………

Note: $RCA_i = \dfrac{X_i}{X_{it}} / \dfrac{X_{iw}}{X_{wT}}$

ANNEX TABLE A.11

Algerian export and World imports Growth, 1992-2003

	Annual Growth of World Imports	*Annual Growth of Algerian Exports*
	1992-2003	*1992-2003*
All products	5,97	7,41
43 - Animal or vegetable fats and oils, processed;	4,6	47,6
09 - Miscellaneous edible products and preparations	7,4	41,2
53 - Dyeing, tanning and colouring materials	4,5	38,3
64 - Paper, paperboard and articles of paper pulp, of paper or of paperboard	4,5	37,7
82 - Furniture	7,6	37,2
02 - Dairy products and birds' eggs	1,9	36,8
61 - Leather, leather manufactures, n.e.s., and dressed furskins	4,3	33,8
55 - Essential oils and resinoids and perfume materials; toilet, polishing and cleansing preparations	8,0	29,9
21 - Hides, skins and furskins, raw	1,4	27,9
75 - Office machines and automatic data-processing machines	8,3	20,2
56 - Fertilizers (other than those of group 272)	2,1	19,4
87 - Professional, scientific and controlling instruments	8,2	18,8
28 - Metalliferous ores and metal scrap	4,7	17,5
58 - Plastics in non-primary forms	6,7	15,9
24 - Cork and wood	1,9	15,0
54 - Medicinal and pharmaceutical products	13,4	12,7
52 - Inorganic chemicals	3,0	12,2
71 - Power-generating machinery and equipment	6,6	10,1
34 - Gas, natural and manufactured	11,1	9,6
68 - Non-ferrous metals	5,1	7,0
33 - Petroleum, petroleum products and related materials	6,8	6,5
25 - Pulp and waste paper	3,2	6,3
63 - Cork and wood manufactures (excluding furniture)	5,1	4,7
69 - Manufactures of metals, n.e.s.	5,5	4,6
62 - Rubber manufactures, n.e.s.	5,5	3,8

	Annual Growth of World Imports	*Annual Growth of Algerian Exports*
	1992-2003	*1992-2003*
51 - Organic chemicals	7,7	3,5
03 - Fish, crustaceans, molluscs and aquatic invertebrates, and preparations thereof	3,3	2,8
01 - Meat and meat preparations	2,1	2,4
89 - Miscellaneous manufactured articles, n.e.s.	5,2	1,6
04 - Cereals and cereal preparations	0,9	1,0
11 - Beverages	5,2	-0,8
73 - Metalworking machinery	2,7	-1,6
65 - Textile yarn, fabrics, made-up articles, n.e.s., and related products	2,1	-1,8
84 - Articles of apparel and clothing accessories	4,5	-1,8
81 - Prefabricated buildings; sanitary, plumbing, heating and lighting	6,7	-2,0
66 - Non-metallic mineral manufactures, n.e.s.	4,8	-2,9
26 - Textile fibres	0,0	-4,0
67 - Iron and steel	4,3	-4,1
27 - Crude fertilizers	2,0	-4,8
08 - Feeding stuff for animals (not including unmilled cereals)	2,6	-7,9
29 - Crude animal and vegetable materials, n.e.s.	2,5	-8,0
78 - Road vehicles (including air-cushion vehicles)	6,0	-10,0
05 - Vegetables and fruit	3,4	-10,2
72 - Machinery specialized for particular industries	3,6	-15,7
77 - Electrical machinery, apparatus and appliances,	9,5	-16,4
59 - Chemical materials and products, n.e.s.	5,6	-17,8
76 - Telecommunications and sound-recording and reproducing apparatus and equipment	8,8	-18,8
74 - General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	4,8	-22,9
41 - Animal oils and fats	2,0	-30,2
85 - Footwear	3,6	-34,1
35 - Electric current	10,8	-36,6

Source: UNCTAD, …………………………..

ANNEX TABLE A.12

Comparative Advantage of Algeria for the 220 most dynamic products in the World markets and source of advantages
(average 1997-2003)

Rank	Products	Comparative Advantage 1997-2003	Source of Advantage
1	585 Plastic materials nes	-1,00	e
2	884 Optical goods nes	-1,00	e
3	541 Medicinal, pharmaceutical prdts	-0,99	e
4	763 Sound recorders, phonographs	-1,00	e
5	515 Organo-inorgan compounds, etc	-1,00	e
6	718 Oth power generating machinery	-0,89	d
7	872 Medical instruments nes	-0,97	e
8	681 Silver, platinum, etc	-0,82	a
9	899 Other manufactured goods	-0,89	f
10	244 Cork, natural, raw, waste	1,00	a
11	111 Non alcoholic beverages nes	0,50	b
12	551 Essential oils, perfume, etc	-0,81	e
13	871 Optical instruments	-1,00	e
14	723 Civil engineering equip, etc	-0,98	d
15	351 Electric current	1,00	a
16	764 Telecom equip, parts, acces	-1,00	e
17	761 Television receivers	-1,00	e
18	582 Prdts of condensation, etc	-0,99	e
19	265 Vegetb fibre, exc cotton, jute	-1,00	a
20	658 Textile articles nes	-0,95	b
21	697 Base metal household equip	-0,99	c
22	831 Travel goods, handbags, etc	-1,00	b
23	282 Iron and steel scrap	0,99	a
24	553 Perfumery, cosmetics, etc	-0,98	e
25	323 Briquettes, coke and semi-coke	-1,00	a
26	774 Electro-medical, xray equip	-1,00	d
27	894 Toys, sporting goods, etc	-1,00	b
28	056 Vegtb etc prsrvd, preprd	-0,90	a
29	511 Hydrocarbons nes, derivtives	0,65	e
30	775 Household type equip nes	-0,98	d
31	786 Trailers, non-motor vehicl nes	-0,79	c
32	696 Cutlery	-0,89	c
33	812 Plumbg, heatg, lightg equip	-0,91	c
34	341 Gas, natural and manufactured	1,00	a
35	791 Railway vehicles	-1,00	c
36	098 Edible products, preps nes	-0,99	a
37	781 Passengr motor vehicl, exc bus	-1,00	d
38	621 Materials of rubber	-0,98	d
39	776 Transistors, valves, etc	-0,99	e
40	714 Engines and motors nes	-0,97	d
41	759 Office, adp machy parts, acces	-0,99	e
42	667 Pearl, prec, semi-prec stones	-1,00	b
43	554 Soap, cleansing, etc preps	-0,49	e
44	431 Procesd animl and veg oil, etc	-0,90	a
45	716 Rotating electric plant	-0,99	d
46	821 Furniture and parts thereof	-0,95	b
47	642 Paper and paperboard, cut	-0,86	b
48	892 Printed matter	-0,87	f
49	848 Headgear, non-textile clothing	-1,00	b
50	772 Switchgear etc, parts nes	-0,99	d
51	628 Rubber articles nes	-0,99	d
52	874 Measuring, controlg instruments	-0,95	e
53	743 Pumps nes, centrifuges, etc	-0,99	d
54	245 Fuel wood nes, charcoal	-1,00	a
55	713 Intern combust piston engines	-0,99	d

Rank	Products	Comparative Advantage 1997-2003	Source of Advantage
56	793 Ships, boats, etc	-0,97	e
57	598 Miscel chemical prdts nes	-0,99	e
58	883 Developed cinema film	-0,54	e
59	533 Pigments, paints, varnishes etc	-1,00	e
60	699 Base metal manufactures nes	-0,99	c
61	897 Gold, silver ware, jewellery	-0,76	f
62	785 Cycles, etc, motorized or not	-0,99	c
63	655 Knitted, etc, fabric	-1,00	b
64	784 Motor vehicl parts, acces nes	-0,98	d
65	513 Carboxylic acids, etc	-1,00	e
66	583 Polymerization, etc, prdts	-1,00	e
67	334 Petroleum products, refined	0,94	a
68	847 Textile clothing accessoris nes	-0,99	b
69	572 Explosives, pyrotechnic prdts	-0,87	e
70	683 Nickel	-0,98	a
71	778 Electrical machinery nes	-0,98	d
72	212 Furskins, raw	0,97	a
73	742 Pumps for liquids, etc	-0,99	d
74	694 Stell, copper nails, nuts, etc	-0,97	c
75	845 Outer garments knit nonelastic	-0,95	b
76	749 Non-electr machy parts, acces	-0,99	d
77	292 Crude vegetb materials nes	-1,00	a
78	635 Wood manufactures nes	-1,00	b
79	072 Cocoa	-1,00	a
80	524 Radioactive etc materials	-0,98	e
81	112 Alcoholic beverages	-0,24	b
83	873 Meters and counters nes	-1,00	e
84	289 Prec metal ores, waste nes	-1,00	a
85	773 Electricity distributing equip	-0,93	d
86	516 Other organic chemicals	-0,75	e
87	592 Starch, inulin, gluten, etc	-0,99	e
88	843 Women's outwear non-knit	-0,97	b
89	783 Road motor vehicles nes	-0,88	d
90	514 Nitrogen-function compounds	-1,00	e
91	048 Cereal etc preparations	-0,93	a
92	665 Glassware	-0,99	b
93	656 Lace, ribbon, tulle, etc	-1,00	b
94	745 Non-electr machy, tools nes	-0,96	d
95	584 Cellulose, derivatives, etc	-1,00	e
96	752 Automatic data processing equip	-0,99	e
97	012 Meat dried, salted, smoked	-0,98	a
98	885 Watches and clocks	-1,00	e
99	893 Articles of plastic nes	-0,99	d
100	771 Electric power machinery nes	-1,00	d
101	054 Vegtb etc fresh, simply prsrvd	-0,97	a
102	335 Residual petroleum prdts nes	0,88	a
103	846 Under garments knitted	-1,00	b
104	792 Aircraft, etc	-0,95	e
105	233 Rubber, synthetic, reclaimed	-1,00	a
106	674 Iron, steel univ, plate, sheet	-0,59	c
107	652 Cotton fabrics, woven	-0,89	b
108	222 Seeds for soft fixed oils	-1,00	a
109	058 Fruit prsrvd, preprd	-0,96	a
110	073 Chocolate and products	-0,98	a
111	024 Cheese and curd	-0,99	a

Rank	Products	Comparative Advantage 1997-2003	Source of Advantage
112	741 Heating, cooling equipment	-1,00	d
113	034 Fish, fresh, chilled, frozen	-0,83	a
114	664 Glass	-1,00	b
115	611 Leather	0,77	b
116	695 Tools	-0,94	c
117	895 Office supplies nes	-0,99	f
118	691 Structures and parts nes	-1,00	c
119	679 Iron, steel castings unworked	-0,97	c
120	641 Paper and paperboard	-0,98	b
121	721 Agricult machinry exc tractor	-0,73	d
122	662 Clay, refractory building prdts	-0,96	b
123	633 Cork manufactures	0,97	b
124	251 Pulp and waste paper	-0,96	a
125	267 Other man-made fibres	-1,00	a
126	684 Aluminium	-0,98	a
127	881 Photogr apparatus, equip nes	-1,00	e
128	898 Musical instruments and parts	-1,00	
129	277 Natural abrasives nes	-0,96	a
130	782 Lorries, spec motor vehicl nes	-0,98	d
131	672 Iron, steel primary forms	-0,20	c
132	941 Zoo animals, pets, etc	-1,00	
133	025 Eggs, yolks, fresh, prsrvd	-1,00	a
134	671 Pig iron, etc	0,31	c
135	851 Footwear	-0,94	b
136	273 Stone, sand and gravel	-0,91	a
137	062 Sugar preps non-chocolate	-1,00	a
138	625 Rubber tyres,tubes, etc	-1,00	d
139	057 Fruit, nuts, fresh, dried	-0,35	a
140	612 Leather, etc, manufactures	-0,99	b
141	728 Oth machy for spec industries	-1,00	d
142	532 Dyes nes, tanning products	-1,00	e
143	591 Pesticides, disinfectants	-1,00	e
144	424 Other fixed vegetable oils	-0,98	a
145	011 Meat, fresh, chilled, frozen	-1,00	a
146	512 Alcohols, phenols, etc	0,04	e
147	663 Mineral manufactures nes	-1,00	b
148	014 Meat prepd, prsrvd nes, etc	-1,00	a
149	692 Metal tanks, boxes, etc	-0,92	c
150	037 Fish etc prepd, prsrvd nes	-0,97	a
151	657 Spec textile fabrics, products	-1,00	b
152	693 Wire products, non-electric	-0,99	c
153	022 Milk and cream	-1,00	a
154	281 Iron ore and concentrates	-1,00	a
155	677 Iron, steel wire, exc w rod	-1,00	c
156	035 Fish salted, dried, smoked	-1,00	a
157	523 Other inorganic chemicals	-0,98	e
158	727 Food machinery, non-demestic	-1,00	d
159	661 Lime, cement and building prdts	-1,00	b
160	278 Other crude minerals	-0,70	a
161	232 Natural rubber, gums	-1,00	a
162	842 Men's outwear non-knit	-0,98	b
163	676 Railway rails etc, iron, steel	-1,00	c
164	044 Maize (corn), unmilled	-1,00	a
165	762 Radio-broadcast receivers	-1,00	e
166	291 Crude animal materials nes	-0,83	a
167	288 Non-ferrous metal scrap nes	0,98	a
168	522 Inorg chem elmnt, oxides, etc	0,45	e
169	322 Coal, lignite and peat	-1,00	a
170	081 Feeding stuff for animals	-0,99	a
171	246 Pulpwood, chips, woodwaste	-1,00	a
172	736 Metal working machy, tools	-0,97	d
173	651 Textile yarn	-0,98	b
174	091 Margarine and shortening	-1,00	a
175	562 Fertilizers, manufactured	-0,18	e
176	634 Veneers, plywood, etc	-1,00	b
177	882 Photogr and cinema supplies	-1,00	e
178	673 Iron, steel shapes, etc	-1,00	c
179	423 Fixed vegetable oils, soft	-1,00	a
180	712 Steam engines, turbines	-0,98	d
181	001 Live animals for food	-1,00	a
182	722 Tractors non-road	0,40	d
183	724 Textile, leather machinery	-1,00	d
184	726 Print and bookbind machy, parts	-1,00	d
185	287 Base metals ores, conc nes	-0,91	a
186	689 Non-fer base metals nes	-0,62	a
187	333 Crude petroleum	1,00	a
188	075 Spices	-1,00	a
189	737 Metal working machinery nes	-0,96	d
190	411 Animal oils and fats	-1,00	a
191	248 Wood, shaped, rail sleepers	-1,00	a
192	274 Sulphur, unroastd iron pyrites	-1,00	a
193	678 Iron, steel tubes, pipes, etc	-0,96	c
194	036 Shell fish fresh, frozen	0,76	a
195	682 Copper	-0,96	a
196	666 Pottery	-0,99	b
197	223 Seeds for other fixed oils	-1,00	a
198	653 Woven man-made fib fabric	-0,99	b
199	744 Mechanical handling equipment	-0,97	d
200	269 Waste of textile fabrics	-1,00	a
201	211 Hides skins, exc furs, raw	0,21	a
202	045 Cereals nes, unmilled	-1,00	a
203	725 Paper etc mill machinery	-1,00	d
204	654 Other woven textile fabric	-0,99	b
205	023 Butter	-1,00	a
206	047 Other cereal meals, flour	-1,00	a
207	531 Synth dye, natrl indigo, lakes	-1,00	e
208	686 Zinc	0,95	a
209	685 Lead	-0,62	a
210	659 Floor coverings, etc	-0,80	b
211	247 Other wood rough, squared	-0,99	a
212	041 Wheat etc, unmilled	-1,00	a
213	951 War firearms, ammunition	-1,00	f
214	043 Barley, unmilled	-1,00	a
215	061 Sugar and honey	-1,00	a
216	042 Rice	-1,00	a
217	687 Tin	-1,00	a
218	122 Tobacco, manufactured	-0,60	a
219	844 Under garments non-knit	-0,91	b
220	613 Fur skins tanned, dressed	-0,86	b
221	266 Synthetic fibres for spinning	-1,00	a
222	271 Fertilizers, crude	0,98	a
223	751 Office machines	-1,00	e
224	711 Steam boilers and auxil parts	-1,00	d

Source: UNCTAD, …………………………..

Note: sources of comparative advantages: A: possession of primary products; B: intensity of labour and resources; C: low level of labour skills and technology; D: medium level of labour skills and technology; E: high level of labour skills and technology; F: not defined.

ANNEX TABLE A.13

Algerian Competitiveness Matrix, 2003

Sector	Share in export
Rising Stars	88,0
333 Crude petroleum	46,1
341 Gas, natural and manufactured	40,8
335 Residual petroleum prdts nes	0,8
282 Iron and steel scrap	0,1
512 Alcohols, phenols, etc	0,1
554 Soap, cleansing, etc preps	0,1
642 Paper and paperboard, cut	0,0
723 Civil engineering equip, etc	0,0
111 Non alcoholic beverages nes	0,0
684 Aluminium	0,0
672 Iron, steel primary forms	0,0
874 Measuring, controlg instruments	0,0
773 Electricity distributing equip	0,0
658 Textile articles nes	0,0
812 Plumbg, heatg, lightg equip	0,0
821 Furniture and parts thereof	0,0
772 Switchgear etc, parts nes	0,0
716 Rotating electric plant	0,0
713 Intern combust piston engines	0,0
752 Automatic data processing equip	0,0
621 Materials of rubber	0,0
718 Oth power generating machinery	0,0
743 Pumps nes, centrifuges, etc	0,0
771 Electric power machinery nes	0,0
628 Rubber articles nes	0,0
872 Medical instruments nes	0,0
635 Wood manufactures nes	0,0
873 Meters and counters nes	0,0
Lost opportunities	0,1
511 Hydrocarbons nes, derivtives	0,05
541 Medicinal, pharmaceutical prdts	0,00
098 Edible products, preps nes	0,00
598 Miscel chemical prdts nes	0,00
778 Electrical machinery nes	0,00
351 Electric current	0,00
699 Base metal manufactures nes	0,00
784 Motor vehicl parts, acces nes	0,00
776 Transistors, valves, etc	0,00
582 Prdts of condensation, etc	0,00
899 Other manufactured goods	0,00
694 Stell, copper nails, nuts, etc	0,00
553 Perfumery, cosmetics, etc	0,00
697 Base metal household equip	0,00
533 Pigments, paints, varnishes etc	0,00
761 Television receivers	0,00
072 Cocoa	0,00
551 Essential oils, perfume, etc	0,00
884 Optical goods nes	0,00
Backward Sectors	10,7
334 Petroleum products, refined	10,4
686 Zinc	0,1
057 Fruit, nuts, fresh, dried	0,1
271 Fertilizers, crude	0,0

Sector	Share in export
211 Hides skins, exc furs, raw	0,0
112 Alcoholic beverages	0,0
678 Iron, steel tubes, pipes, etc	0,0
054 Vegtb etc fresh, simply prsrvd	0,0
671 Pig iron, etc	0,0
251 Pulp and waste paper	0,0
244 Cork, natural, raw, waste	0,0
048 Cereal etc preparations	0,0
024 Cheese and curd	0,0
685 Lead	0,0
736 Metal working machy, tools	0,0
056 Vegtb etc prsrvd, preprd	0,0
745 Non-electr machy, tools nes	0,0
058 Fruit prsrvd, preprd	0,0
287 Base metals ores, conc nes	0,0
851 Footwear	0,0
661 Lime, cement and building prdts	0,0
583 Polymerization, etc, prdts	0,0
845 Outer garments knit nonelastic	0,0
Waning Stars	1,2
522 Inorg chem elmnt, oxides, etc	0,5
562 Fertilizers, manufactured	0,2
288 Non-ferrous metal scrap nes	0,1
674 Iron, steel univ, plate, sheet	0,1
611 Leather	0,1
633 Cork manufactures	0,0
714 Engines and motors nes	0,0
036 Shell fish fresh, frozen	0,0
022 Milk and cream	0,0
692 Metal tanks, boxes, etc	0,0
431 Procesd animl and veg oil, etc	0,0
641 Paper and paperboard	0,0
892 Printed matter	0,0
783 Road motor vehicles nes	0,0
695 Tools	0,0
081 Feeding stuff for animals	0,0
682 Copper	0,0
696 Cutlery	0,0
278 Other crude minerals	0,0
749 Non-electr machy parts, acces	0,0
897 Gold, silver ware, jewellery	0,0
893 Articles of plastic nes	0,0
652 Cotton fabrics, woven	0,0
662 Clay, refractory building prdts	0,0
665 Glassware	0,0
728 Oth machy for spec industries	0,0
625 Rubber tyres,tubes, etc	0,0
034 Fish, fresh, chilled, frozen	0,0
423 Fixed vegetable oils, soft	0,0
721 Agricult machinry exc tractor	0,0
659 Floor coverings, etc	0,0
737 Metal working machinery nes	0,0
689 Non-fer base metals nes	0,0
523 Other inorganic chemicals	0,0
651 Textile yarn	0,0
691 Structures and parts nes	0,0
037 Fish etc prepd, prsrvd nes	0,0
273 Stone, sand and gravel	0,0
724 Textile, leather machinery	0,0
122 Tobacco, manufactured	0,0
742 Pumps for liquids, etc	0,0
782 Lorries, spec motor vehicl nes	0,0

Source: UNCTAD, …………………………..