Available online at https://www.asjp.cerist.dz/en/PresentationRevue/85

Economic Researcher Review

ISSN: 2335-1748, EISSN: 2588-235X VOL 09,N^{O} 02 (2021), PP 150-167

The Algerian approach to south-south economic cooperation and the challenge of export diversification: an alternative or complementary strategy for north-south cooperation

المقاربة الجزائرية في التعاون الاقتصادي جنوب– جنوب وتحدي تنويع الصادرات: استراتيجية بديلة أم مكملة للتعاون بين شمال– جنوب؟

Mohammed YAGOUBI [1]

[1]Blida 2 University Ali LOUNICI (Algeria), mmed.yagoubi@gmail.com

Received:12/03/2021 Accepted:09/11/2021 Published: 12/30/2021

Abstract: This study aims to show the role of south-south cooperation, as an applicable strategy, in achieving the objectives of the Algerian policy for the development of non-hydrocarbon exports. In this context, we studied in the first axis the theoretical framework of south-south cooperation, then in the second axis, we gave a historical overview of Algerian economic relations with the countries of the south, and in the third axis, our study focused on the strengths and weaknesses of the Algerian economy in the non-hydrocarbon exports field, while in the last axis, we studied the competitiveness of Algerian exports in the southern and northern markets. Finally, we found that north-south cooperation remains more important for the diversification of Algerian exports compared to south-south cooperation, but this latter can give opportunities to Algerian exporting companies to increase the market share of their products in foreign markets.

Keywords: South-South cooperation; Algerian cooperation with Southern countries; Algerian non-hydrocarbon exports; diversification of Algerian exports.

JEL Classification Codes: F02, F15.

الملخص : تهدف هذه الدراسة إلى إبراز دور التعاون جنوب– جنوب، كاستراتيجية قابلة للتطبيق، في تحقيق أهداف السياسة الجزائرية لتنمية الصادرات باستثناء خارج المحروقات. في هذا السياق ، درسنا في المحور الأول الإطار النظري للتعاون بين جنوب– جنوب، ثم في المحور الثاني قدمنا لمحة تاريخية عن العلاقات الاقتصادية الجزائرية مع بلدان الجنوب، وفي المحور الثالث، دراستنا ركزت على نقاط القوة والضعف في الاقتصاد الجزائري في مجال الصادرات خارج المحروقات، في المحور الأخير ، درسنا القدرة التنافسية للصادرات الجزائرية في أسواق الجنوب وأسواق الشمال. وفي الأخير ، توصلنا إلى أن التعاون شمال– جنوب لا يزال أكثر أهمية لتنويع الصادرات الجزائرية مقارنةً بالتعاون بين جنوب– جنوب ، لكن هذا الأخير يمكن أن يتيح فرصًا للشركات الجزائرية المصدرة لزيادة حصة السوق لمنتجاتها في الأسواق الأجنبية.

الكلمات المفتاحية: التعاون جنوب– جنوب؛ التعاون الجزائري مع بلدان الجنوب؛ الصادرات الجزائرية خارج المحروقات ؛ تنويع الصادرات الجزائرية.

تصنيفات JEL : F02، F15.

How to cite this article by the APA method:

Mohammed YAGOUBI (2021), ***The Algerian Approach To South-South Economic Cooperation And The Challenge Of Export Diversification: An Alternative Or Complementary Strategy For North-South Cooperation,*** *Economic Researcher Review*, Volume 09 (Issue.02), Algeria: University of Skikda, pp150-167

*Corresponding author: **Mohammed YAGOUBI**, Email:mmed.yagoubi@gmail.com*

1. INTRODUCTION

The development of international economic relations has always followed the development of the needs of different countries, which have put in place cooperation mechanisms between them, matching each phase of their economic history. These mechanisms were dominated, permanently, by the big countries of the world, because of that, the developed countries were always the engine and the leader in the structure of international relations. And for the developing countries, they were in a long period, and remain to our days, the follower in the mechanism of international cooperation called: "North-South cooperation" and the non-concerned in the mechanism of cooperation between developed countries themselves called "north-north cooperation". Adding to these two mechanisms, there is another mechanism called "South-South Cooperation", this latter represents the different strategies of cooperation between developing countries themselves, which is beginning to take its place among the known international cooperation mechanisms in the world.

South-South cooperation has been known since the independence of developing countries, as a tool for rapprochement between these countries. It was first carried out at the political level, starting from the unification of the positions of the developing countries regarding to the management of international relations, and in particular the conflict between the capitalist and socialist countries. After the sixties, the southern countries gave this mechanism an economic dimension, which is why this mechanism was adopted as a complementary solution to their economic problems, in parallel with its north-south relations.

Algeria, and as a developing country, is always seeking to improve its economic situation, and to increase the profits from its international economic relations. So, south-south cooperation represents a good opportunity for Algeria in its approach to diversifying exports and developing the performance of its economic operators among the world markets, especially with the natural, financial and social potentials available in the national economy.

Therefore, the question that arises is that of:

Could South-South cooperation replace North-South cooperation in the Algerian approach for the diversification of exports?

In order to be able to answer this question, we put forward the following hypothesis:

Because of South-South cooperation, Algeria can find opportunities to improve non-hydrocarbon exports better than those provided by North-South cooperation.

To respond to the problematic developed, and to confirm or refute the hypothesis, we adopted an analytical descriptive methodology based on bibliographic and statistical research. In this way our work revolves around four axes. The first relates to the theoretical framework of south-south cooperation, the second studies the historical development of Algerian relations with the countries of the south, and in the third axis, our study focused on the strengths and weaknesses of the Algerian economy in the field of non-hydrocarbon exports, while in the last axis, we studied the competitiveness of Algerian exports in the southern and northern markets.

The subject of this research was guided by many studies that dealt with the subject, relying mainly on reports and articles. In particular the study referenced: Mourad AHMIA, Coopération sud-sud: les perspectives pour l'Algérie et ses voisins, (Les partenaires de la France, 2006), in which the author has explained South-South cooperation in a few points as a main axis in the foreign policy of Algeria, through its adhesion to the group of 77, and its contribution in the foundation of the union of the Arab Maghreb. The author also concentrated in his study on the cooperation of Algeria with its neighbours in the Sahil such as Mali and Niger, where it contributed in strengthening its relations with the countries of this region and in setting up conditions for sustainable development, particularly at the political and security levels. But the author noted that trade between Algeria and these countries remains less than expected, despite some plans for rapprochement that have launched between them.

A second study can be cited, referenced: Nachida BOUZIDI: L'expérience Algérienne de coopération et d'intégration économiques régionales, (Fondation Friedrich Ebert- Alger, Mai 2010). In this study, the author determined the different impacts of the integration projects to which

Algeria was a member, and she focused her study on the Arab Free Trade Zone, where she found that during a year of adherence to this agreement Algeria did not have positive results for its balance of payment, which made it review its trade agreement with the Arab countries.

As a result, our research has come to supplement and give more structured details to what has been developed in previous studies, by focusing on the contribution of south-south cooperation in the diversification of Algerian export.

2. THEORETICAL FRAMEWORK OF SOUTH-SOUTH COOPERATION

South-South economic cooperation is a strategy for developing countries to integrate into the world economy and to benefit mutually from their economic advantages. This cooperation mechanism is distinguished by several characteristics different from those of North-South cooperation; consequently, many developing countries see it as a complement to their relations with developed countries.

2-1. Definition of south-south cooperation

The importance of South-South cooperation in the world economy has increased significantly, especially in recent years, because of this it has been the subject of several studies by economists and global and regional institutions.

The outcome document of the United Nations High-Level Conference on South-South Cooperation, meeting at the United Nations Office at Nairobi from December 1 to 3, 2009, defines South-South cooperation as follows:

"South-South cooperation is a joint enterprise of peoples and countries of the South, born from shared experiences and sympathies, based on common objectives and on solidarity and governed, among other things, by the principles of sovereignty and national appropriation, in the absence of any condition. South-south cooperation should not be seen as a form of official development assistance. It is a partnership between equals based on solidarity. South-South cooperation involves all stakeholders, including non-governmental organizations, the private sector, civil society, academia and other stakeholders who help overcome development barriers and achieve the objectives set, taking into account national development strategies and plans." (**Nations unies,** 2012, p-p: 4-5)

This operational definition proclaimed by the Nairobi final document identifies in detail the main drivers, principles and actors of the South-South cooperation mechanism.

Thus, the Accra Program of Action (PAA) of the 3rd High Level Forum on Aid Effectiveness in 2008, states that: "South-South cooperation in the field of development aims to guarantee the principle of non-interference in the internal affairs of countries, equality between development partners and respect for their independence, national sovereignty, diversity of cultures, identity and local content. It plays an important role in international development cooperation and is a valuable complement to North-South cooperation." (**The reality of aid,** 2010, p2)

This definition provides a practical concept for South-South cooperation, where levels of development can be improved by focusing on fields of South-South partnership.

On the other hand, and according to the thematic operational group on south-south cooperation, this was defined as: "mutual cooperation between developing countries, oriented towards their autonomous development, and in which these countries conduct technical cooperation and economic while deepening their mutual collaboration." (**Agence japonaise de coopération internationale,** 2005, p5)

The Saharan Solidarity Space (SOLARID) affirms that south-south cooperation is recognized as an effective cooperation tool to strengthen efforts for sub regional and regional integration, and for the mobilization and optimization of the use of resources for the benefit of the least developed countries. This establishment adds that it also responds to an imperative of rationalization in the use of resources insofar as it contributes to improving consultation at sub-regional, regional and international levels, and better directing financial, human, organizational and technical resources, where they are needed. (**Espace de solidarité saharienne-SolArid,** 2005, p3)

This definition indicates that in the international process of economic integration, South-South cooperation gives the chance to achieve regional and sub-regional integrations, and to improve the benefits and resources of less developed countries.

We conclude that South-South cooperation is a complementary strategy to the various international cooperation programs; it also includes the various regional cooperation activities between developing countries in the fields of trade, investment, technology and others economic fields. These activities aim to make the best use of the resources and advantages of these countries to improve their economic development, within the framework of respect for sovereignty, independence and cultural and societal principles.

2-2. History of south-south cooperation

South-South cooperation has a long and remarkable history. It originated in the fifties of the 19th century, as part of the common struggle of the ex-colonies to achieve real independence and development. In 1955, the Bandung conference brought together 29 countries from Asia and Africa to promote economic and cultural cooperation on their continents "on the basis of mutual interest and respect for national sovereignty". This pioneering south-south conference paved the way for the establishment of the non-aligned movement in 1961 and the Group of 77 in 1964. (**The reality of aid,** 2010, p2)

Until the 1980s, south-south trade and economic cooperation represented more a political aspiration than an economic reality, since most of the countries of the south were at similar levels in terms of their degree of development, their productive structure, their export and import baskets, their investments and technological innovation; their comparative advantages were limited to their endowments of natural resources and cheap labour. (**UN LDC IV, OHRLLS,** 2011, p3)

The South has always been an important element in the world economy, but with its export basket focused on raw materials, while developed countries have always occupied a central place in international economic relations thanks to the exports of finished products and high-tech equipment. Moreover, economic relations between the countries of the South were mainly characterized by competition rather than complementarity, in addition to the fact that the trade and investment opportunities between the countries of the South are mainly concentrated in the raw materials sector. As a result, the interdependence of the South with developed countries in the areas of trade, investment, economic assistance and advanced technology and cooperation has always been achieved at a high pace.

And with the registration of some developing countries strong economic growth, such as Brazil, China, the Russian Federation and India, as well as other countries such as: South Africa, Chile, Egypt, Ghana, Malaysia, Qatar, Singapore, Thailand and Turkey, development trajectories in the south have been accelerated at a high pace in many economic domains. This is why some developing countries have become regional centres of economic dynamism, not only as beneficiaries, but also as contributors to South-South trade.

It should be noted in particular that the transnational corporations of the south have contributed to a large extent to commercial transactions and to the inflows of foreign direct investment in the least developed countries. Their numbers have increased significantly in the south, from 19 in 1990 to 58 in 2005. Banks in developing countries are becoming important sources of loans for low-income countries. According to the World Bank, borrowers in low-income countries received 17% of the total cross-border south-south syndicated loan in 2005, a slight increase from just 3% in the first half of the 1980s. Following this development, other economic and political trends appeared in the south, economists noted the appearance of a new geography of trade, the emerging markets causing the sharp increase in south-south transactions. The share of developing countries in world exports is now 43%, up from 20% in 1970. This trend has been accompanied by a remarkable increase in interregional trade. For example, the annual growth rate of African exports to Asia has increased, reaching a record 30% between 2003 and 2006. (**Nations Unies, Assemblée générale,** 2007, p-p: 4-5)

2-3. Principles of south-south cooperation

South-South cooperation is based on several points, which reflect the general principles of this mechanism at the international level.

M. Mourad AHMIA* affirms that south-south cooperation remains the primary responsibility of developing countries according to the following two fundamental principles: (**AHMIA,** 2006, p21)

- South-south cooperation is presented as a joint action of the countries of the south based on major unifying objectives for development, and based on partnership, solidarity, collective autonomy, as well as on respect for national sovereignty;
- South-south cooperation does not replace north-south cooperation, and should not be analyzed or evaluated on the basis and criteria of north-south relations.

The Ministerial Declaration of the Thirty-third Annual Conference of the Ministers of Foreign Affairs of the Group of 77 Member States and China, held in New York on September 25, 2009 summarized the general principles of south-south cooperation in the following points:

- South-south cooperation is a joint effort of the peoples and countries of the south, and must be pursued as an expression of south-south solidarity and a strategy for economic independence and autonomy of the south based on their common goals and solidarity;
- South-south cooperation and its daily agenda must be led by the countries of the south;
- South-south cooperation should not be seen as a replacement for north-south cooperation. The strengthening of south-south cooperation should not be a measure to cope with the decline in interest of developed countries to help developing countries;
- Cooperation between the countries of the south must not be analysed and evaluated according to the same standards as those used for north-south relations;
- Financial contributions from other developing countries should not be considered as official development assistance from these countries to other countries in the South. These are only expressions of solidarity and cooperation focused on shared experiences and sympathies;
- South-South cooperation is a development program, based on conditions and objectives that are specific to the historical and political context of developing countries and to their needs and expectations. South-South cooperation deserves its own distinct and independent promotion;
- South-South cooperation is based on a strong and authentic partnership and solidarity on a large scale;
- South-South cooperation is based on complete equality, respect and mutual benefit;
- South-South cooperation respects national sovereignty in the context of shared responsibility;
- South-South cooperation strives to strengthen multilateralism in promoting an action-oriented approach to development challenges;
- South-South cooperation promotes the exchange of best practices and mutual aid between developing countries in the common pursuit of their general development objectives (encompassing all aspects of international relations and not only in the traditional economic and technical fields);
- South-South cooperation is based on the collective self-sufficiency of developing countries;
- South-South cooperation aims to enable developing countries to play a more active role in international policy and decision-making processes, in support of their efforts to achieve sustainable development;

*- Algerian diplomat, executive secretary of the Organization of the Group of 77 at the United Nations, New York.

- The modalities and mechanisms to promote south-south cooperation are based on bilateral, sub-regional, regional and inter-regional cooperation and integration as well as multilateral cooperation.

3. HISTORICAL SUMMARY OF ALGERIAN ECONOMIC COOPERATION WITH THE SOUTHERN COUNTRIES

Since its independence, Algeria has played a very important role in the process of promoting and encouraging economic relations between the countries of the South. In this context, Algeria has a strategic geographical location which gives it the possibility of making great benefits from its cooperation with the countries of the South, not only with the neighbouring Arab and African countries, but also with other countries of Asia and South America.

3-1. Algerian economic cooperation with Arab countries

Algerian-Arab cooperation takes place on two fronts, the Maghreb and the other countries of the Arab world:

- **Algerian-Maghreb cooperation:** The important initiative in this context was the commitment to the project of the Arab Maghreb Union, where Algeria has confirmed its willingness to cooperate in different economic fields (industry, agriculture, crafts, finance, ...), develop trade and harmonize economic policies by setting up a Maghreb Permanent Consultative Committee (CPCM), resulting from a meeting with its Maghreb neighbours (Morocco, Tunisia, Libya) from September 29 to October 1, 1964. But after this attempt, Algerian-Maghreb cooperation has always been confronted with political problems with Morocco, which are mainly based on the differences of opinion on the fate of Western Sahara, and also the problems between Libya and Tunisia. Even with the accession of Mauritania to the union project, CPCM did not obtain impressive results in the process of regional integration of the Maghreb.

The process of creating a Maghreb union was confirmed at the level of the Maghreb heads of state summit in June 1988 in Zéralda, and on February 17 and 18, 1989 in Marrakech, the five Maghreb heads of state signed the founding texts of the Arab Maghreb Union. (**BOUZIDI,** 2010, p7). But this creation appears as a response to the vulnerability of the regimes, in fact despite official speeches on identity and common destiny; the Maghreb leaders did not have the will to build a large common region. (**MARTINEZ,** 2006, p9)

And in the 90s, Algeria went through a heavy period in the security field, and faced a stifling economic crisis, which slowed its Maghreb rapprochement and put great obstacles to integration, and so far these obstacles are fuelled by the conflict with Morocco over the question of Western Sahara.

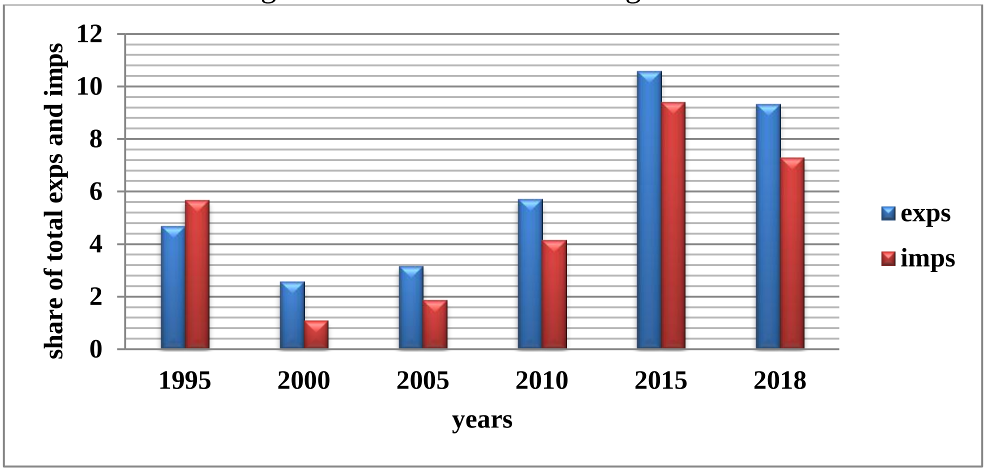
- **Algerian cooperation with other Arab countries:** Algerian Arab cooperation began after independence, through the development of relations and the conclusion of agreements touching different economic fields within the framework of Arab-Islamic affiliation. The main step in this process was the accession of Algeria to the Arab Free Trade Area in January 2009, with the aim of strengthening these economic and commercial relations with the Arab countries.

But the result was rather negative, because during a period of fifteen (15) months the trade balance of Algeria with the AFTA was largely in deficit, and Algeria uses the clause "negative list" and registered 1511 products (long list which obviously remains to be not accepted by the other member countries) for which it requests to be exempt from tariff dismantling agreements. (**BOUZIDI,** 2010, p-p: 16-17)

Faced to these problems, Algerian economic cooperation with the Arab countries remains at an unacceptable level, resulting in low values of trade. The share of Algerian-Arbe trade did not exceed the threshold of 6% during the period 1995-2010, but in 2015 the share of Algerian exports destined to the Arab world exceeded 10% of total exports, and the share of Algerian imports from

Arab economies exceeded 9% of total imports, while in 2018 these shares were reduced to 9.33% and 7.28% respectively, as shown in figure N^{0}01:

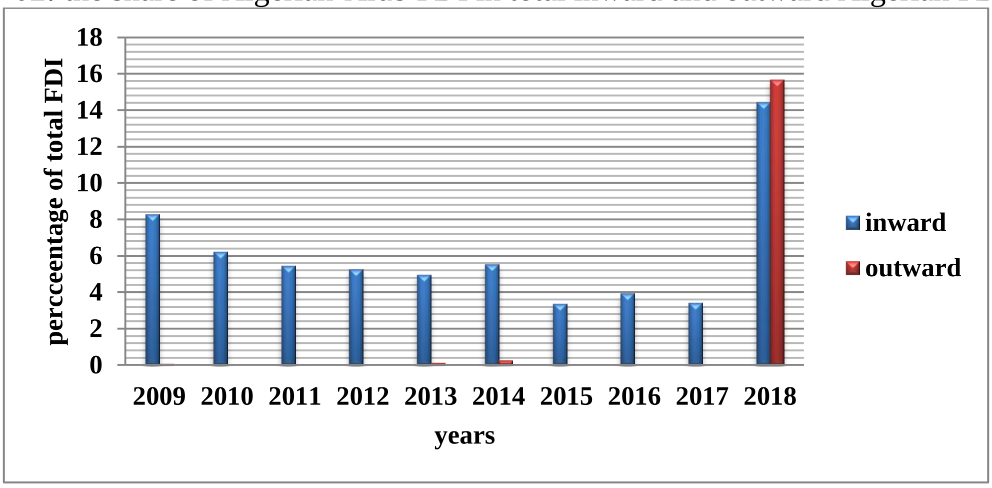
Figure N^{0}01: The share of Algerian-Arab trade in total Algerian trade



Source: UNCTAD database

Concerning financial exchanges, we note that the flows of Arab direct investments in Algeria and of Algerian direct investments in the Arab economies are very weak. As Figure 02 shows, the share of Arab foreign direct investment in Algeria did not exceed 8.5% of total foreign direct investment during the period 2009-2017, while in 2018 this share has significantly increased by reaching more than 14% of total inward foreign direct investment. Similarly, Algerian foreign direct investment in the Arab economies remained very low, as it did not exceed 0.25% of total outward foreign direct investment during the period 2009-2017, but in 2018 the share of these foreign direct investments represented more than 15% of total Algerian outward foreign direct investment. Despite this improvement in the share of Arab foreign direct investment in Algeria's foreign direct investment, which was achieved in 2018, these ratios are still very low and far from the expected levels.

Figure N^{0}02: the share of Algerian-Arab FDI in total inward and outward Algerian FDI



Source: IMF database

3-2. Algerian economic cooperation with African countries

Africa represents a geographic and historical dimension for Algeria, which is why the cooperation with its countries depends on the principles of sovereignty and collective interests.

Despite various attempts launched by African countries to strengthen economic cooperation among themselves, such as the African Union and the New Partnership for Africa's Development (NEPAD), economic relations on the African continent are still far from the expectations. As for Algeria, its African neighbourhood is expressed first of all by cooperation with the countries of the Sahel, where it contributes effectively to the achievement of political and social stability and to the improvement of the conditions necessary for the development of its economies. To achieve these objectives, Algeria has strengthened its partnership with neighbouring countries such as Mali, Niger and Chad in the fight against various problems such as terrorism, famine, desertification …etc.

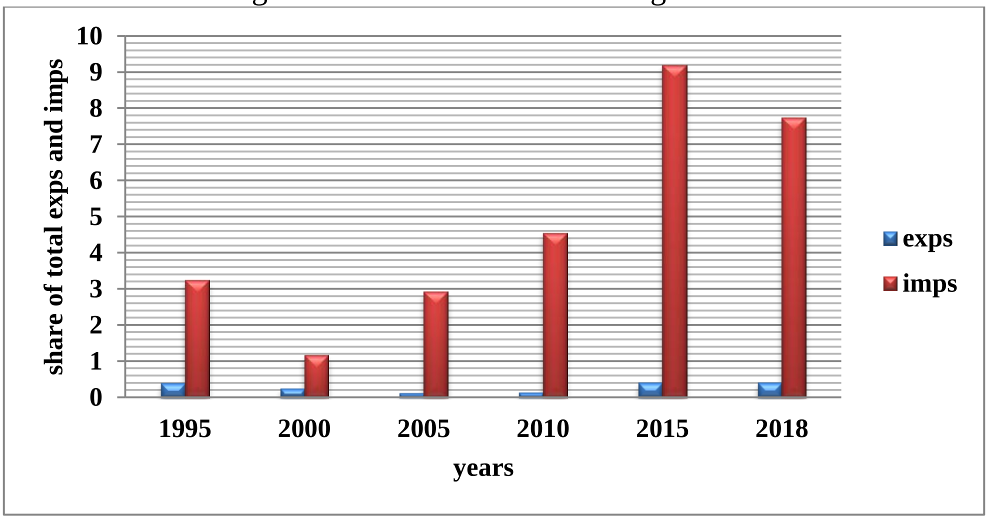
Algerian cooperation with the Sahel countries also affects various fields such as health, education, agriculture and tourism, but on the commercial level, trade between Algeria and these countries remains very modest.

However, it would be useful to note the major unifying economic projects launched by Algeria recently, namely: (**AHMIA,** 2006, p24)

- The Trans-Saharan road project which was launched to link Algeria and Nigeria with connections notably with Mali, Niger and Chad;
- The Trans-Saharan Gas Pipeline project, which will allow gas to flow from Nigeria to Europe via Niger and Algeria. The project also involves laying a fibre optic cable to facilitate communications;
- The intervention of the Algerian oil company SONATRACH for oil and gas prospecting in the north of Mali and Niger.

In terms of trade, Figure N^{0}02 shows that the share of Algerian-African trade is still very reduced, the ratio of Algerian exports to African economies has not exceeded 1% of total exports, and the share of imports remains less than 10% of total imports. So, we can say that the performance of Algerian-African economic cooperation is still very weak, and this because of the characteristics of the economic structures of these countries, including Algeria, which are underdeveloped and undiversified and still dependent on advanced economies, which did not improve the performance of Algerian economic cooperation with African countries.

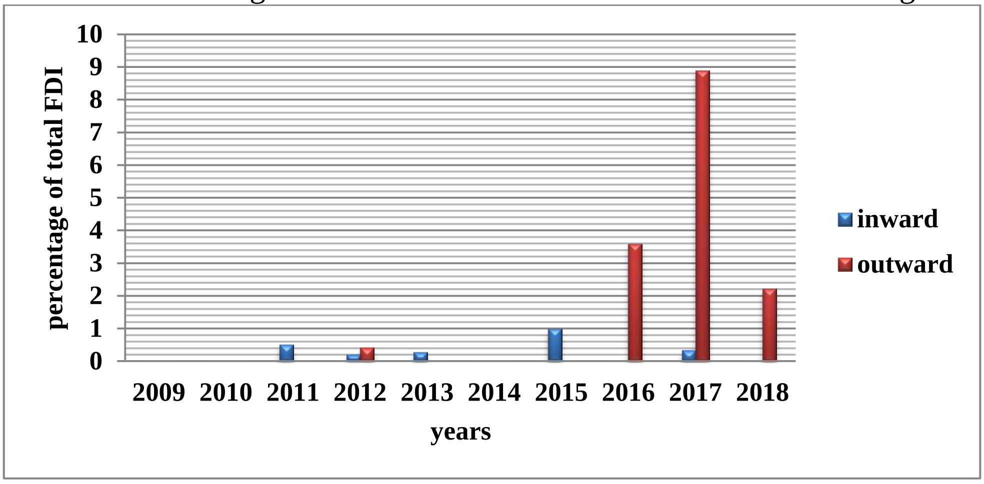
Figure N^{0}03: the share of Algerian-African trade in total Algerian trade



Source: UNCTAD database

Concerning the flows of African direct investments in Algeria and of Algerian direct investments in Africa, we note that its values are too diminished. Figure 04 shows that the share of African foreign direct investment in Algeria did not exceed 1% of total foreign direct investment during the period 2009-2018. Similarly, Algerian foreign direct investment in African economies has remained very low, because it did not exceed 0.5% of total foreign direct investment during the period 2009-2015, but during the years 2016, 2017 and 2018 the share of these investments increased considerably, reaching almost 9% in 2017 of the total of Algerian outward foreign direct investments. Despite this improvement in the share of Algerian foreign direct investment in Africa in recent years, its performance is still very weak and does not reflect the dimensions of south-south cooperation in Africa.

Figure N°04: the share of Algerian-African FDI in total inward and outward Algerian FDI



Source: IMF database

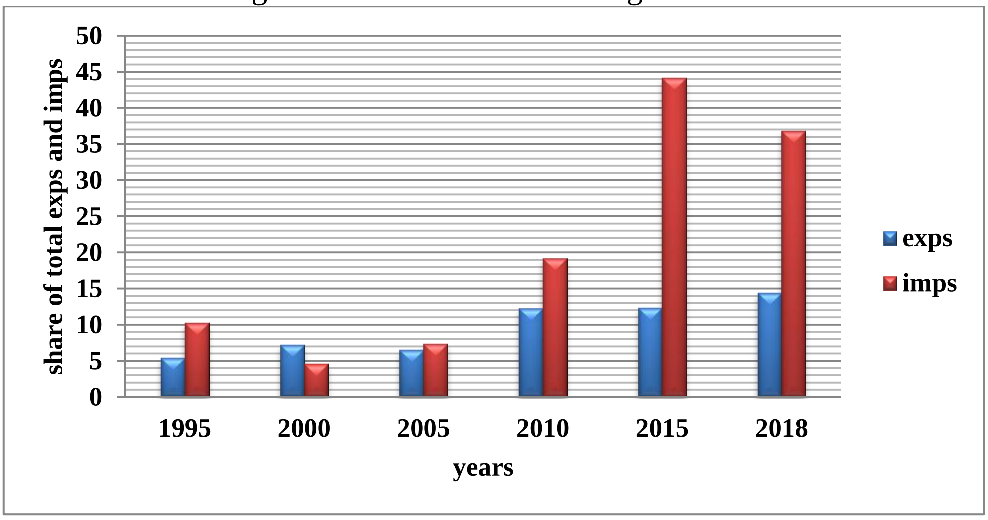
3-3. Algerian economic cooperation with other southern countries

Since its independence, Algeria has never stopped working for the development of its economic links with the developing countries of Asia and South America, through cooperation agreements and partnerships that have touched various economic fields, and also through international arrangements for promoting south-south cooperation such as the global system of trade preferences between developing countries (GSTP).

This commitment on the part of Algeria has enabled it to obtain economic partners in the Third World after its independence such as Pakistan and Vietnam in Asia, Cuba, Mexico and Peru in South America. And after the increase of economic poles in the developing world, like Brazil, China and Turkey, Algeria has developed its economic relations with these countries in a remarkable way. In this context, Algeria was the first African exporter to Brazil and Turkey, and it is ranked among the first partners of China in Africa in vast fields of activity.

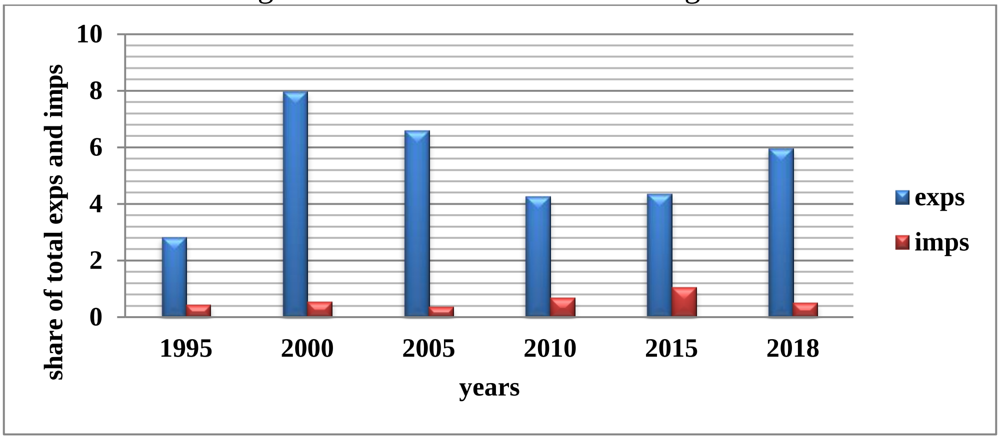
In this context, as shown in Figures 05 and 06, trade with Asian countries has increased sharply in recent years, achieving a share that exceeds 19% for exports and 36% on average for imports since 2018. On the contrary, the share of Algerian trade with the countries of Central and South America remains very reduced, in particular the share of imports which did not exceed 1% during the period 1995-2018.

Figure N°05: the share of Algerian-Asian trade in total Algerian trade



Source: UNCTAD database

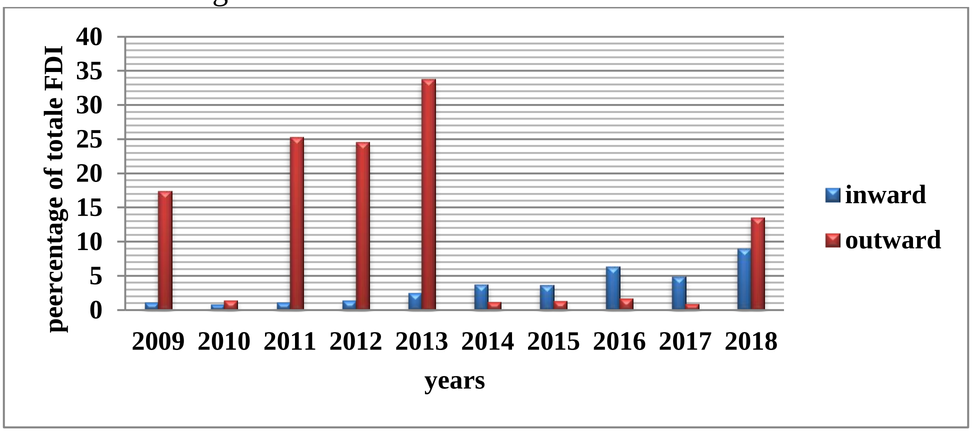
Figure N^{0}06: the share of Algerian-American trade in total Algerian trade



Source: UNCTAD database

Concerning financial exchanges, we can see in Figure N^{0}07 that the flows of investments coming from the American and Asian developing economies knew a continuous increase during the period 2009-2018, which improved its share in total inward FDIs from about 1% to 9%. On the contrary, the share of Algerian direct investment flows towards the American and Asian economies in total outward FDIs knew significant disturbances during this period, because it touched a ration of more than 13% in years like 2009, 2013 and 2018, and it does not exceed the level of 2% in other years like 2010, 2014 and 2017.

Figure N^{0}07: the share of FDI exchanges between Algeria and the other countries of the south in total inward and outward Algerian FDI



Source: IMF database

Therefore, we can say that Algerian trade and financial exchanges with the American and Asian developing countries are increased compared to the Arab and African countries, and this can be explained by the emergence of economic poles in Central America and the South America like Brazil, Argentina and Mexico, and Asia like China, South Korea and Turkey, which increased their international demand, and in particular the demand for raw materials, as well as their supply of various competitive products.

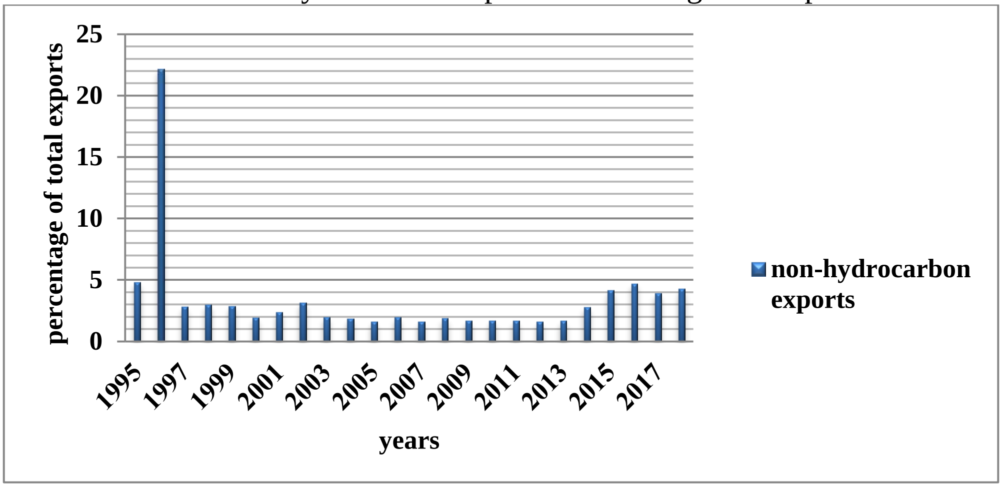
4. NON-HYDROCARBON ALGERIAN EXPORTS: POTENTIALS AND OBSTACLES

Algeria has great opportunities to improve the structure of exports by exploiting the advantages and capacities of the non-hydrocarbon sectors. But this process is not easy, as many obstacles hinder the national policy of diversifying exports to achieve its ultimate goal.

4-1. Algerian potentials to export out of hydrocarbons

Although the Algerian balance of payments is still in surplus, the national economy remains dominated by hydrocarbon sector, with 2 to 5% of non-hydrocarbon products exported. As shown in graph N^{0}08, the share of Algerian non-hydrocarbon exports have never exceeded 5% of total exports during the period 1995-2018, except in 1996 when these exports represented more than 22% of total exports. In addition, it should be noted that between 2007 and 2013 this share achieved the lesser of its values, due to the increase in oil prices during this period.

Figure N⁰08: the share of non-hydrocarbon exports in total Algerian exports



Source: UNCTAD database

Despite this situation, Algeria has a strong export potentials in non-hydrocarbons sectors, such as agricultural products (citrus fruits, vegetables, dates, sea fishing products, etc.), food products (pasta, drinks, etc.), industrial products (raw hides, the leather industry, plastic transformation products, etc.), and other sectors such as household appliance products, tourism products,… etc.

The improvement of non-hydrocarbon exports is a necessity for Algeria, especially with the emergence of new economic poles in the developing world, and changes in the conditions of international competition. In view of this situation, Algeria should give particular attention to the non-hydrocarbon sectors, as additional support for the development of the national economy.

4-2. Country Efforts

In its approach to encourage non-hydrocarbon exports, the Algerian state has taken several measures that provide the necessary assistance to operators and national companies, so that they can improve the competitiveness of their products in international markets. Among these provisions, we can cite the following:

- **Special Fund for Export Promotion (SFEP):** Since its establishment in 1996, SFEP has implemented two export support categories (out of the five categories initially planned): (**TAKARLI,** 2008, p5)

- covering part of the international transport costs of the exported goods;

- the assumption, on the occasion of participation in fairs abroad, of part of the costs of transporting samples, rental and fitting of stands and advertising costs.

For the reimbursement of transport costs, these reimbursement rates are 25% for the transport of exported goods and 35% to 65% for the costs of participation in fairs abroad.

- **ALGEX:** it was created in 1996 under the name PROMEX (the export promotion agency), and in 2004 this agency was transformed into the Foreign Trade Promotion Agency. This agency is an instrument in the hands of the ministry of commerce which aims to implement government policies for promotion and support, not only exports, but also Algerian imports.

- **CAGEX:** the export insurance and guarantee company was created in 1996, as a public company which deals with the problems of exporters in terms of payment, such as the risk of default by buyers, commercial risks, political risks, etc. This agency offers several aid tools, in particular with regard to supporting exporters in operations to access and penetrate international markets.

- **The green corridor:** virtual in nature, it constitutes a facilitation which has been granted since September 2006 for the export of dates, and consists of the easing of the customs clearance of the goods, which only undergoes a documentary check, which translates by fluidity generating a considerable reduction in shipping times. This facilitation should eventually be extended to other exports of perishable products: fresh agricultural products and fishery products. **(TAKARLI,** 2008, p7)
- **Preferential agreements:** these accords concluded by Algeria, are considered as a real lever for the development of non-hydrocarbons exports. These include in particular the Algerian-Jordanian bilateral agreement since 2000, the benefit of the generalized system of preference granted by the United States since 2004, the association agreement with the European Union since 2005, and the Arab Free Exchange Area Agreement since 2009.

4-3. Obstacles to the development of non-hydrocarbon exports

Despite the mechanisms and tools that have been put in place by Algeria, exporters of non-hydrocarbon products still suffer from several handicaps, which can be summarized in the following points:

- The lack of a real government vision for the development of non-hydrocarbon exports;
- The rigidity of public banks in supporting national companies in general, and exporting companies in particular;
- The lack of financial advantages for exporting companies, particularly in terms of the interest rate on credits;
- The suffering of major problems in the services attached to export operations, such as maritime transport, port management and customs procedures, financial transitions and currency exchange;
- The lack of competitiveness in the non-hydrocarbon sectors, which makes access to international markets very difficult;
- The friability of the national productive base, and the lack of several factors of production in the local market, notably technology, which increases the costs of production and the prices of national goods.

5. THE FACTORS OF COMPETITIVENESS OF ALGERIAN EXPORTS IN THE SOUTH AND NORTH MARKETS

The diversification of exports remains the most important objective of the Algerian authorities, in this regard; Algeria is still working, through its economic policies, to vary the basket of exported products, and to develop the structure of the economy. In this context, Algeria is still trying to strengthen its commercial relations with traditional partners (developed countries) and new partners who have started to take a place in Algerian external economic relations.

5-1. the diversity of Algerian exports

In recent years, Algeria has tried to restore its trade relations with its southern partners, after a period of divergence because of the political and economic situation of the 1990s. This commitment had its impact on the share of the south in the total trade and also the structural diversity of Algerian exports .

The following table shows the geographic diversity of Algerian exports during the period 1995-2018:

Table N^{0}01: the geographic diversity of Algerian exports (percentage of total exports)

		1995	2000	2005	2010	2015	2018
Developing economies	**Total :**	**10,76**	**16,73**	**15,72**	**20,12**	**23,58**	**26,51**
	Africa	2,50	1,44	2,23	3,22	6,13	5,19
	America	2,84	8,15	6,97	4,63	4,88	6,95
	Asia	5,43	7,14	6,52	12,27	12,36	14,37
Economies in transition		**1,51**	**0,25**	**0,02**	**0,01**	**0,11**	**0,14**
Developed economies	**Total :**	**83,80**	**83,02**	**84,24**	**79,86**	**76,29**	**73,31**
	America	19,06	19,08	27,96	29,44	8,20	14,27
	Asia	0,71	0,11	0,01	0,22	1,71	0,63
	Europe	64,02	63,83	56,20	50,15	66,37	57,88

Source: UNCTAD database

Through this table we note that the orientation of Algerian exports is much more towards developed markets, in particular the European market which absorbed almost 60% in average of Algerian exports during the period 1995-2018, which allowed to consider it as the strategic market for Algerian products. In addition, we note that the share of developed countries in Algerian exports was reduced from 83.80% in 1995 to 73.31% in 2018, and this in parallel with the increase in the share of developing countries from 10.76% to 26.51%, especially Asian countries, which makes these countries as very attractive customers for Algeria.

Concerning the structural diversity, table N^{0}02 shows that Algerian exports are concentrated in hydrocarbons by more than 95%, with a share that does not exceed 3% of chemicals, and shares of less than 1.5% for other product groups. So the geographic concentration of Algerian exports can be explained by the structural concentration in hydrocarbons, where developed countries, and even emerging countries, import much more oil and gas from Algeria.

Table N^{0}02: the structural diversity of Algerian exports (percentage of total exports)

Years / Product groups	1995	2000	2005	2010	2015	2018
Food and live animals	1,07	0,10	0,13	0,49	0,65	0,98
Beverages and tobacco	0,11	0,05	0,01	0,05	0,03	0,03
Crude materials, inedible, except fuels	0,43	0,21	0,40	0,17	0,31	0,25
Mineral fuels, lubricants and related materials	95,22	98,09	98,40	98,31	95,84	95,74
Animal and vegetable oils, fats and waxes	-	0,02	0,02	0,02	0,00	0,04
Chemicals and related products	1,22	0,74	0,66	0,55	2,93	2,55
Manufactured goods	1,45	0,54	0,31	0,36	0,17	0,19
Machinery and transport equipment	0,38	0,21	0,06	0,02	0,05	0,21
Miscellaneous manufactured articles	0,13	0,07	0,02	0,02	0,01	0,02
Commodities and transactions	0,00	-	0,00	0,01	0,00	0,00

Source: UNCTAD database

5-2. the market share of Algerian products in the southern and northern markets

Algeria has a strategic geographic location, as a link between the African continent, the European continent and the Asian continent, which gives it an opportunity to improve the performance of its foreign trade, especially at the exportation level. In this context, Algerian exporters have three strategic markets, two markets located in the south, which are the West African market and the Arab market, and the other is the European market which is located in the north.

Table N⁰03: the share of Algerian products in the West African market (percentage of world exports to West African countries)

Years / Product groups	1995	2000	2005	2010	2015	2018
Total all products	0,15	0,15	0,28	0,13	0,21	0,18
Food and live animals	0,01	0,02	0,03	0	0	0
Beverages and tobacco	0	0	0	0	0	0
Crude materials, inedible, except fuels	0	0,18	0,03	0	0	0
Mineral fuels, lubricants and related materials	1,93	1,39	2,52	1,53	1,99	1,39
Animal and vegetable oils, fats and waxes	0	0	0	0	0	0
Chemicals and related products	0	0	0	0	0,03	0
Manufactured goods	0	0	0,01	0,01	0	0
Machinery and transport equipment	0	0	0,11	0,01	0	0
Miscellaneous manufactured articles	0,01	0,01	0	0	0	0
Commodities and transactions	0	0	0,01	0	0	0

Source: UNCTAD database

Regarding the West African market, Table N⁰03 shows that the share of Algerian products does not exceed 0.3%, which is too reduced ratio compared to the interest of this market for Algerian exporters. For the product groups, we note that the share of most of them has never exceeded the 0.11% threshold, except the share of the group of mineral fuels, lubricants and related products which has reached 2.52% of this market.

Similarly, as can be seen from table N⁰04, the share of Algerian products in the Arab market did not exceed 0.20% during the period 1995-2018, which remains a very low ratio for a market which represents a geographic and religious dimension for Algeria. In addition, we note that the group of mineral fuels, lubricants and related products represents the most increased share among the shares of other groups in the Arab market, with more than 3.3% on average during the period 1995-2018. And concerning the other groups, we note that the shares of Crude materials, inedible, except fuels; oils, animal and vegetable oils, fats and waxes; and chemicals and related products reached in 2018 more than 0.10% of the Arab market . Despite this, these ratios remain very low, and never reflect the expected level of Algerian-Arbe trade relations.

Table N⁰04: the share of Algerian products in the Arab market (percentage of world exports to Arab countries)

Years / Product groups	1995	2000	2005	2010	2015	2018
Total all products	0,16	0,15	0,15	0,09	0,16	0,19
Food and live animals	0,03	0,02	0,02	0,01	0,00	0,01
Beverages and tobacco	0,15	0,40	0,09	0,00	0,00	0,00
Crude materials, inedible, except fuels	0,04	0,10	0,11	0,10	0,08	0,11
Mineral fuels, lubricants and related materials	3,47	4,71	3,66	2,34	2,49	3,42
Animal and vegetable oils, fats and waxes	0,00	0,00	0,00	0,00	0,20	0,21
Chemicals and related products	0,04	0,05	0,14	0,06	0,17	0,12
Manufactured goods	0,10	0,06	0,09	0,07	0,06	0,09
Machinery and transport equipment	0,02	0,01	0,01	0,01	0,07	0,03
Miscellaneous manufactured articles	0,01	0,01	0,01	0,01	0,01	0,01
Commodities and transactions	0,00	0,00	0,00	0,00	0,00	0,00

Source: UNCTAD database

Concerning the European market, table N^{0}05 shows that the share of Algerian exports is higher compared to the two previous markets, this share has known a strong increase from 0.29% in 1995 to 0.53% in 2018. At the product group level, we note that Algerian exports to the European market are very concentrated in the hydrocarbons group, where we find that its share reached 6.46% of this market, while the shares of the other product groups never exceeded 0.12% of the European market. So, we can say that the share of Algerian products in the European market remains very low, and does not represent the place of the European economy in Algerian international trade relations.

Table N^{0}05: the share of Algerian products in the European market (percentage of world exports to European countries)

Years / Product groups	1995	2000	2005	2010	2015	2018
Total all products	0,29	0,32	0,38	0,26	0,33	0,53
Food and live animals	0,05	0,06	0,01	0,01	0,01	0,01
Beverages and tobacco	0,03	0,05	0,01	0,02	0,01	0,04
Crude materials, inedible, except fuels	0,04	0,05	0,04	0,04	0,03	0,03
Mineral fuels, lubricants and related materials	4,32	3,84	5,03	4,84	5,34	6,46
Animal and vegetable oils, fats and waxes	0,00	0,00	0,00	0,00	0,00	0,00
Chemicals and related products	0,05	0,12	0,06	0,04	0,04	0,04
Manufactured goods	0,03	0,04	0,02	0,02	0,02	0,02
Machinery and transport equipment	0,00	0,00	0,00	0,00	0,00	0,00
Miscellaneous manufactured articles	0,00	0,04	0,00	0,00	0,00	0,00
Commodities and transactions	0,00	0,00	0,00	0,00	0,00	0,00

Source: UNCTAD database

Through this analysis, we can see that the European market remains the most attractive market for Algerian exports, because it received a large share of domestic products, while Algerian exports represent only marginal shares in the African and Arab markets. In addition, it was found that the competitiveness of Algerian products in the three markets studied was only realized in the hydrocarbon sector, especially in the European market.

5-3. the customs advantages on the southern and northern markets

Customs barriers play a very important role in the diversification of exports, which is why exporters prefer to export to countries that apply reduced customs taxes compared to other countries, in order to benefit from commercial advantages. In this context, several countries are still working to reduce taxes on trade through economic integration projects, or even customs preference agreements, especially for export. Similarly, Algeria has opportunities to benefit from customs advantages in nearby markets, especially the southern markets, to support its policy of export diversification.

Table N^{0}06 shows the level of tariffs applied in 2018 on imports of non-agricultural and non-petroleum products in selected West African economies. We note that the level of taxes applied by these countries exceeds 6% in all product groups, and 15% on miscellaneous manufactured articles, while the chemical group is subject to lower tariff levels than the levels applied to the other product groups. The table also shows that Nigeria applies lower taxes on all product groups except the machinery and transport equipment group where Ghana puts a lower tariff compared to other economies.

Table N^{0}06: Import tariff rates in some West African economies in 2018

economy / Product groups	Mali	Senegal	Nigeria	Ivory Coast	Ghana
Manufactured goods, ores and metals	12,39	12,18	11,48	12,08	11,65
Ores and metals	8,84	8,43	7,31	7,94	7,69

Manufactured goods	12,49	12,31	11,69	12,24	11,83
Chemical products	7,94	7,37	6,72	7,36	6,9
Machinery and transport equipment	8,54	8,41	8,56	8,39	7,71
Other manufactured goods	16,06	15,83	15,31	15,82	15,56

Source: UNCTAD database

Concerning the Arab market, we see after the data in table $N^0$06 that the level of import taxes is lowered compared to the West African market, where we find that certain products are subject to taxes less than 5%, and even 1.32% on the chemicals products in Jordan. Likewise, as is the case in the West African market, the level of tariffs applied on imports of chemicals products from Arab countries is less than the levels applied to other product groups. In addition, it should be noted that the two major Gulf economies apply tariffs under than 5% on all product groups, while the other Arab economies studied apply somewhat high tariffs, in particular on their imports of other manufactured goods.

Table $N^0$07: Import tariff rates in some Arab economies in 2018

economy / product groups	Morocco	Egypt	Jordan	United Arab Emirates	Saudi Arabia
Manufactured goods, ores and metals	9,05	12,63	9,4	4,66	4,66
Ores and metals	4,92	4,67	6,72	4,75	4,8
Manufactured goods	9,26	13,05	9,51	4,65	4,66
Chemical products	5,79	5,78	1,32	4,49	4,52
Machinery and transport equipment	5,27	8,62	8,11	4,25	4,25
Other manufactured goods	12,31	17,89	13,24	4,89	4,89

Source: UNCTAD database

For the European market, as shown in Table $N^0$07, we note that the level of tariffs applied does not exceed 5% for all product groups, so it is lower than the level applied in the Arab and West African markets. Ores and metals products, and machinery and transport equipment are subject to a tax which does not exceed 1.58% and 2.15% respectively, so we see that these two groups have a customs advantages in the European market.

Table $N^0$08: Import tariff rates in the European Union in 2018

economy / product groups	European Union
Manufactured goods, ores and metals	3,86
Ores and metals	1,58
Manufactured goods	4,01
Chemical products	4,69
Machinery and transport equipment	2,15
Other manufactured goods	4,55

Source: UNCTAD database

After this analysis, we can say that the European market remains the market which gives more customs advantages for Algerian exports, because its economies apply import taxes lower than the taxes applied by the Arab economies, and especially by the economies of West Africa. In addition, we have found that the chemicals products group has a customs advantage compared to other product groups in the Arab and West African markets, while in the European market the ores and metals group has more customs advantages compared to other product groups.

6. CONCLUSION:

The diversification of the Algerian economy and of exports in particular, is an ultimate objective of the various national governments, and it is also the main objective of macroeconomic policies. In this context, Algeria has many possibilities which can be used to achieve this objective. For this reason, our interest in this study has focused on the South-South cooperation portal, as an available mechanism for Algerian exporting companies, so that their products can more easily penetrate international markets.

❖ **Study findings:**

After studying the different dimensions of this subject, we can indicate the results achieved in the following points:

- South-South cooperation is one of the international economic cooperation mechanisms available to the economies of the South, based on mutual benefit and respect for geographic sovereignty, and this to benefit the less developed countries in many domains such as trade, investment and technology. As a result, most developing economies have worked to activate their cooperation with their southern partners, and take advantage of its missed benefits in the North-South cooperation mechanism;
- Algerian commitments to cooperation with the countries of the south have been started since independence, through the strengthening of economic links, participation in institutions and agreements with neighbouring countries and other countries in the developing world. In this context, these initiatives have supported Algerian commercial and financial transactions with the various countries of the south, which have known considerable increases, in particular with the Asian economies which have had an interesting share of Algerian international trade and financial exchanges in recent years;
- Algerian non hydrocarbons exports remain marginal, and represent only a share of 2% to 5% of total exports. And concerning the competitiveness of the Algerian product in the regional markets we found that its market share does not exceed 0.6% as the most increased share registered in the European market, and in addition to that these exports are concentrated in a way almost total in hydrocarbons. And even with the measures put in place by the government to find solutions to this problem, the obstacles are always very heavy to remove them;
- Despite the increase in trade between Algeria and the countries of the south, the developed countries, and more specifically the European countries, remain the most attractive market for Algerian exports. This is demonstrated by the large dominance of the European economy on the international trade of the Algerian economy, with a share which exceeds 60% of total Algerian exports, and also with the European customs policy which gives very important customs advantages to Algerian products exported compared to the West African and Arab markets.

So it is concluded that Algerian south-south cooperation does not completely replace its north-south cooperation, but it can provide opportunities to achieve the optimization of international trade relations (The hypothesis has been rejected).

❖ **Policy recommendations:**

This study shows that the Algerian economy faces great challenges to improve its international commercial situation by exploiting the opportunities offered by southern economies and eliminating the threats existing in northern economies. In this context we can give the following policy recommendations:

- Algeria has great potential to export non hydrocarbons products, and investment in other economic sectors can increase the rate of diversity of the Algerian economy, so the government must give more interest to these sectors, and exploit as much of the available economic factors as possible;

- The South offers Algeria great opportunities to develop the national economy, such as market access, balanced partnership and preferential agreements. Algeria will then be able to improve the profitability of these economic relations, by strengthening cooperation with developing countries;
- Export operations still suffer from several obstacles, which result from the structure of the Algerian economy, such as the lack of support from the government, the underdevelopment of the financial and banking sector, the obstacles in the ports and customs offices, etc. So the Algerian authorities must work to eliminate these problems, and improve the conditions of export.

7. BIBLIOGRAPHY LIST:

Agence japonaise de coopération internationale (2005), *la coopération sud-sud,* Directives thématiques, janvier 2005.

Ati TAKARLI (2008), *les exportations hors-hydrocarbures algériennes,* Communication présentée à l'occasion de la tenue de la convention France Maghreb, paris les 5 et 6 février 2008.

UNCTAD database: https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=fr

IMF database: https://www.imf.org/en/Data

Espace de solidarité saharienne-SolArid (2005), *Programme de coopération sud-sud entre pays sahariens pour la mise en œuvre de la CCD,* Version 07.10.05, 2005 .

Luis MARTINEZ (2006), *L'Algérie, l'union du Maghreb arabe et l'intégration régionale,* EuroMesso, Octobre 2006 .

Mourad AHMIA (2006), *Coopération sud-sud : les perspectives pour l'Algérie et ses voisins,* Les partenaires de la France, 2006 .

Nachida BOUZIDI (2010), *L'expérience Algérienne de coopération et d'intégration économique régionale,* Fondation Friedrich Ebert- Alger, Mai 2010.

Nations unies (2012), *plan cadre contenant des directives opérationnelles sur l'appui des nations unies à la coopération sud-sud et à la coopération triangulaire,* Comité de haut niveau pour la coopération sud-sud, dix-septième session, New York, 22-25 mai 2012, point 3 de l'ordre du jour.

Nations Unies, Assemblée générale (2007), *Etat de la coopération sud-sud,* Rapport du secrétaire général. Soixante-deuxième session, point 61 c) de l'ordre du jour provisoire, activités opérationnelles de développement : coopération sud-sud en vue du développement. Distr. Générale, 23 août 2007 .

The reality of aid (2010), *la coopération sud-sud : un défi pour le système de l'aide,* Rapport spécial sur la coopération sud-sud -2010, IBON Books, 2010.

UN LDC IV, OHRLLS (2011), *L'exploitation de la contribution positive de la coopération sud-sud pour favoriser le développement de pays les moins avancés,* Document d'information, New Delhi, 18-19 février 2011.