

RESEARCH ARTICLE

THE PARADOX OF ALGERIAN EXPORTS: WHY THE ALGERIAN SMES DID NOT SUCCEED IN EXPORTING?

Case study of the Algerian SMEs Exports to Arab Countries

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Abstract

This study aims to analyze the benefits of Algerian small and medium enterprises from exporting to foreign markets through foreign trade liberalization initiatives with several partners. The study focus on the Greater Arab Free Trade Area, by analyzing the developments of trade between Algeria with Arab countries Before and after joining the agreement, especially on the part of the ability of Algerian small and medium enterprises exports non-hydrocarbons products to Arab markets .

The results of the study show modest changes through which Algeria was unable to benefit from the agreement by increasing its non-hydrocarbons exports for structural reasons. The Small and medium enterprises were also unable to benefit from the advantages of the agreement for several reasons, including what is related to the nature of these enterprises ,such as their sectoral distribution and the inactivity of most of them in the export sectors, and other reasons including the obstacles associated with exporting to Arab markets.

Key Words: Free trade area, Arab countries, non-oil exports, small and medium enterprises

INTRODUCTION:

Algeria, like many Arab countries, is concluding a new generation of bilateral and regional free trade agreements, in addition to its endeavor to integrate into the global trading system, as it signed a partnership agreement with the European Union in order to establish a free trade zone between them. It is a member with four neighboring Arab countries in the Arab Maghreb Union. This is in addition to the many preferential trade agreements that bind Algeria with several Arab countries bilaterally. But joining Greater Arab Free Trade Area was the most important initiative taken by Algeria to liberalize trade at the regional level after the Association Agreement with the European Union.

Although Algeria joined efforts to liberalize trade with Arab countries, doubts about the feasibility of this step are still being reinforced by the low levels of Algerian trade with Arab countries, which do not exceed 5% of the total foreign trade, which is associated with the growth of Algerian imports from Arab countries with a decline in its exports to these countries. In light of this pattern of trade exchange, this research deals with the implications of the Greater Arab Free Trade Area on the development of Algeria's trade with the Arab countries after more than 10 years have passed since the full liberalization of trade with these countries, and tries to diagnose and analyze the most important results and measures that accompanied Algeria's accession to such an initiative. Especially in terms of the development of Algerian non-hydrocarbons exports, and its benefit from the liberalization of Arab markets, and the role that small and medium enterprises were likely to play in promoting non-hydrocarbons exports by supporting their competitiveness and their export in Arab markets.

The problematic of the search:

This paper is trying to answer emerges as follows:

- How has Algeria's accession to the Greater Arab free trade Area affected the possibilities and patterns of non-hydrocarbons exports to Arab countries, in light of the structure of export incentives of Algerian small and medium enterprises?

The hypothesis of research:

In order to explain the research problem, the study is based on the following hypothesis:

- Algerian SMEs lack an adequate structure of economic and institutional incentives to support competitiveness in Arab markets.

The methodology used:

In order to be able to answer the problem posed by the research, as well as test the hypothesis developed, we will use the descriptive analytical approach in addition to the use of various statistical tools and indicators that contribute to supporting the conclusions reached. This is what we see commensurate with the type of study and helps to display information according to the stages of its analysis to extract the results, and then to suggest appropriate recommendations.

The source of the data:

As for the source of the data, it was mainly collected from the detailed data on

trends and the structure of Algerian exports issued by the Algerian General Directorate of Customs.

The guide of Algerian exporters issued by the Algerian Agency for the Promotion of Foreign Trade was also used to find out the most important Algerian exporters to foreign markets and the importance of small and medium enterprises among them.

Study structure:

The study will be dealt with sequentially through the following elements:

1. The general framework of the Greater Arab Free Trade Area: We will discuss the legal framework for this agreement, as well as Algeria's accession to it.
2. The development of Algerian trade exchanges with Arab countries before joining the agreement, in order to analyze the possibilities involved in trade exchange with this group.
3. The development of Algerian trade exchanges with Arab countries after joining the agreement. This is to analyze the actual reality and the impact of the agreement on trade exchange with this group.
4. Finally, an analysis of the contribution of the Algerian small and medium-sized enterprises to export to Arab countries after joining the agreement and the ability of these institutions to benefit from these markets.

1-THE GENERAL FRAMEWORK OF THE GREATER ARAB FREE TRADE AREA:

In this paper, we will focus on the most comprehensive trade agreement that Algeria holds with the Arab countries, which is the Greater Arab free trade Area.

1.1-THE EXECUTIVE PROGRAM FOR ESTABLISHING THE GREATER ARAB FREE TRADE AREA:

The announcement of the Greater Arab free trade Area came in implementation of the decision issued by the Arab Summit Conference held in Cairo, during the month of June 1996, mandating the Economic and Social Council of the League of Arab States to accelerate the establishment of a free trade area between the Arab countries. Accordingly, the Economic and Social Council adopted Decision (N° 1317) on February 19, 1997 establishing a free trade area between Arab countries to be achieved in a gradual manner according to an executive and time program starting from the first of 1998 over a period of ten years, and then the period was reduced to seven years. The executive program was drawn up in accordance with the provisions of the Agreement on Facilitating and Developing Trade between the Arab Countries concluded between the Arab countries in 1981, and in line with the provisions of the WTO agreements and its general rules governing international trade established in 1994. The "executive program" for the establishment a Free trade area includes the rules, executive mechanisms, and a timetable for reducing customs duties and taxes of similar effect imposed on all Arab goods of national origin exchanged between the Arab countries who are member in the Greater Arab free trade Area (League of Arab States, Economic and Social Council, 1997).

1.1-1 MEMBERSHIP:

The Arab countries that are members of the "Agreement on Facilitating and Developing Trade Exchange between the Arab Countries" are eligible to join the Greater Arab Free Trade Area. As for non-member Arab countries, they must first join this agreement in order to become a party to it, and then commitment to implement the executive program of the agreement.

The number of Arab countries completing their membership in the Greater Arab Free Trade Area has reached 18 Arab countries so far: Jordan, the United Arab Emirates, Bahrain, Tunisia, Algeria, Saudi Arabia, Syria, Iraq, Oman, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, West, sunset. The numbers of Arab countries that deal with special treatment are three, namely Sudan, Palestine and Yemen. Therefore, the membership of the agreement currently includes eighteen countries, while four countries remain outside the agreement, namely: Djibouti, Somalia, Comoros and Mauritania.

1.1-2 THE ADVANTAGES OFFERED BY THE AGREEMENT:

The concessions granted to Arab countries in the framework of the agreement can be divided into the following (League of Arab States (General Secretariat) and the General Union of Arab Chambers of Commerce, Industry and Agriculture (General Secretariat), 2007, pp. 3-4):

- **Full exemption from customs duties at 100%:** Industrial, agricultural and animal commodities and mineral and non-metallic raw materials exchanged within the agreement enjoy full exemption from duties and taxes of similar effect since the beginning of 2005. The provisions of the agreement's executive program do not apply to products and materials whose import Or circulation or use is prohibited in any of the countries for religious, health, security or environmental reasons or for the veterinary quarantine rules. The States Parties shall follow the harmonized system (HS) in the classification of commodities included in the program.
- **Proof of origin:** To be considered an Arab commodity for the purposes of the agreement, it is required that the rules of origin established by the Economic and Social Council be met, and that the percentage of value added resulting from its production in the State party not be less than 40% of the final value of the commodity delivered to the factory.
- **The special treatment** of the least developed countries.
- **Cancellation of taxes of similar effect:** The imported Arab goods are not subject to any supplementary taxes without specific and direct service.
- **Canceling non-tariffs restrictions:** It was decided to remove these restrictions immediately from the beginning of 1998. They include the following barriers and obstacles:
 - Technical restrictions: such as exaggeration of restrictions on specifications, weight, conformity certificates and technical intricacies of detection and inspection.
 - Administrative restrictions: such as preventing entry of Arab goods and complications related to certificates of origin, exaggeration of the customs reassessment (valuation), the length of transit, and the length of procedures for

examining samples and inspection.

- Financial restrictions: such as exceeding the transit fee of 4 per thousand agreed upon in the "Agreement for the Transit between Arab Countries", and the complications associated with opening bank credits.

- **National treatment:** The Arab commodities of the member states are treated like national goods in terms of rules of origin, specifications, standards, health and security protection requirements, and local fees and taxes.

- **International provisions:** International provisions and rules are taken into account in relation to the technical bases of preventive measures and countering cases of subsidy and dumping, and measures to address imbalances of payments resulting from the application of this program.

- **Adoption of transparency:** The states parties undertake to apply the principle of transparency and notify the Economic and Social Council of information, data, procedures and regulations for trade.

1.1- 3 IMPLEMENTATION AND FOLLOW-UP MECHANISMS:

The Economic and Social Council is the body supervising the implementation of the executive program of the agreement. The Council Conducting a semi-annual review of progress in implementing the executive program, and take appropriate decisions to confront any obstacles that hinder the implementation of the executive program.

The Economic and Social Council assists in the implementation of the executive program "the Implementation and Follow-up Committee", which is made up of representatives of member states. The committee submits periodic reports on the progress made in implementing the program to each session of the Economic and Social Council (the Council holds two regular sessions annually in February and September of each year).

On the other hand, focal points were appointed to perform coordination tasks between the official authorities within each country and the General Secretariat of the League of Arab States in all matters related to the Arab Free Trade area, as it provides information about the agreement and receives complaints regarding implementation issues. It is the one that coordinates with the private sector in its countries to deal with all the problems and obstacles facing inter-Arab trade within the framework of the agreement, as well as with regard to the media aspect of defining the agreement. The regulations for the dispute settlement mechanism that arises in the framework of the Arab Free Trade Area were also approved.

1.2-ALGERIA JOINS THE GREATER ARAB FREE TRADE AREA:

Algeria joined the Greater Arab Free Trade area in the beginning of 2009, after it deposited at the General Secretariat of the League of Arab States a note states this, and put the accompanying executive steps by informing the customs border points applying the total exemption to imported Arab goods (Algerian Ministry of Trade, 2009).

Algeria had ratified the Agreement on the Development and Facilitation of Trade Between the Arab Countries on August 3, 2004, and announced that it was in the process of completing its procedures for joining the Greater Arab Free Trade area since 2005 on the occasion of the Arab Summit in Algeria, but the matter was delayed until

the beginning of 2009 on the pretext that the matter was still under study by the country's highest authorities.

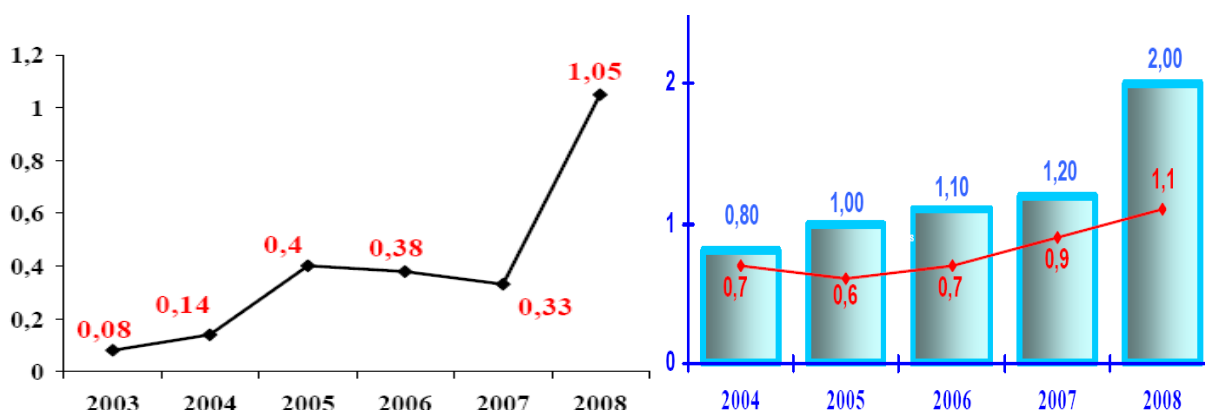
On the other hand, the rest of the Arab member in the agreement started granting the Algerian goods the preferential treatment applied in the framework of the agreement on March 2009, as agreed upon in the 83rd regular session of the Economic and Social Council held in February 2009 (League of Arab States, General Secretariat, 2009, p. 13).

And it appears that the judgment on Algeria joining the Arab Free Trade Area after more than 10 years has passed since it is meaningful to know what the future trends will yield as it is useful in analyzing the measures taken by Algeria since the beginning of 2010 by excluding a wide range of products imported from Arab countries, especially in terms of its impact on protecting national products.

2- ALGERIAN TRADE WITH THE ARAB COUNTRIES BEFORE JOINING THE GREATER ARAB FREE TRADE AREA (2004-2008):

The Algerian trade balance with the Arab countries recorded a surplus in favor of Algeria before joining the Greater Arab free trade area over a period of five years (2004-2008) and moved from \$ 0.14 billion to \$ 1.05 billion between 2004 and 2008. It was reinforced by the continuous rise of Algerian exports followed by a boom Oil prices.

Fig N°1: The developments of Algerian-Arab trade exchanges



Source: Prepared by researcher based on General Directorate of Algerian Customs, 2009, the guide of trade exchange between Algeria and the Arab countries 2008, Algeria, on the website: www.douane.gov.dz.

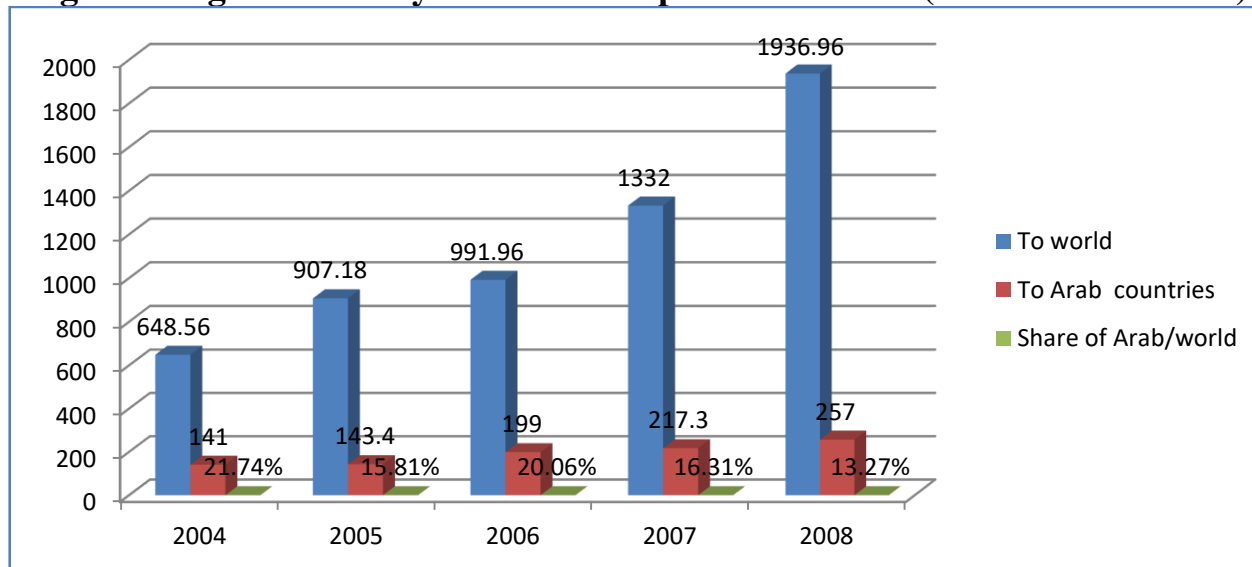
As the value of Algerian exports to the Arab countries increased from about \$ 0.8 billion in 2004 to about \$ 2.4 billion in 2008, at an average annual growth rate of 35% during the period 2004-2008, compared to a growth of 11% for imports that rose from about 700 million \$ in 2004 to 1.1 billion \$ in 2008 (**Fig N°1**).

With regard to the contribution of Algerian trade with the Arab countries to the total foreign trade of Algeria, very weak levels were recorded, as both Algerian exports and imports towards the Arab region did not exceed 3% of the total foreign trade of Algeria. However, the picture seems somewhat different if the ratio is calculated outside the hydrocarbon sector. Algerian non-hydrocarbon exports towards the Arab region accounted for a percentage ranging between 21.7% and 13.6% during the period

2004-2008, which is much greater than the total non-hydrocarbon exports which does not exceed 4%, which means that there is a wide possibility to increase Algerian non-hydrocarbon exports towards Arab markets, which may contribute to the diversification of the total export structure. (Fig N°2).

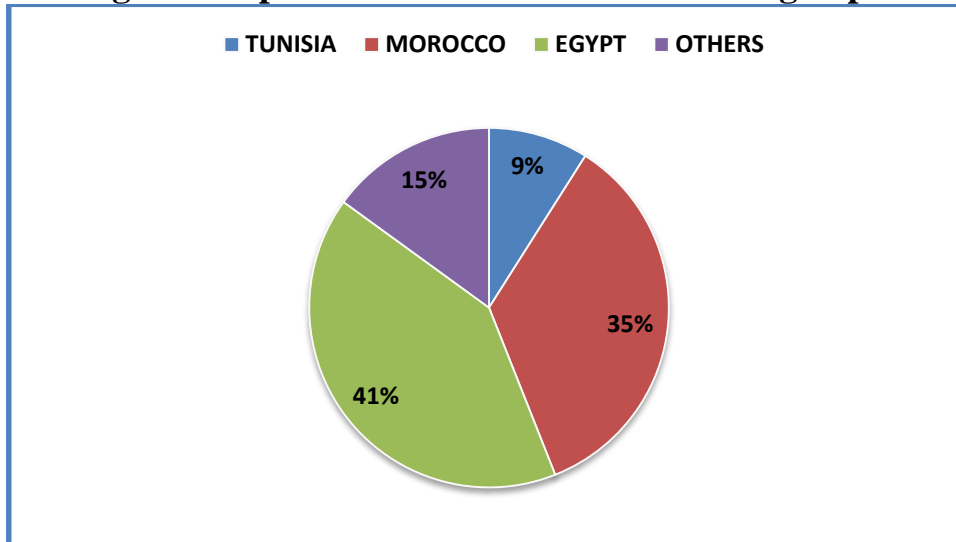
We note that the volume of Algerian non-hydrocarbons exports to Arab countries has witnessed a doubling during the five years that preceded joining the agreement from about 141 million dollars in 2004 to 257 million dollars in 2008 at an average annual growth rate of 16%.

Fig N°2: Algerian non-hydrocarbons exports 2004-2008 (Millions USD & %)

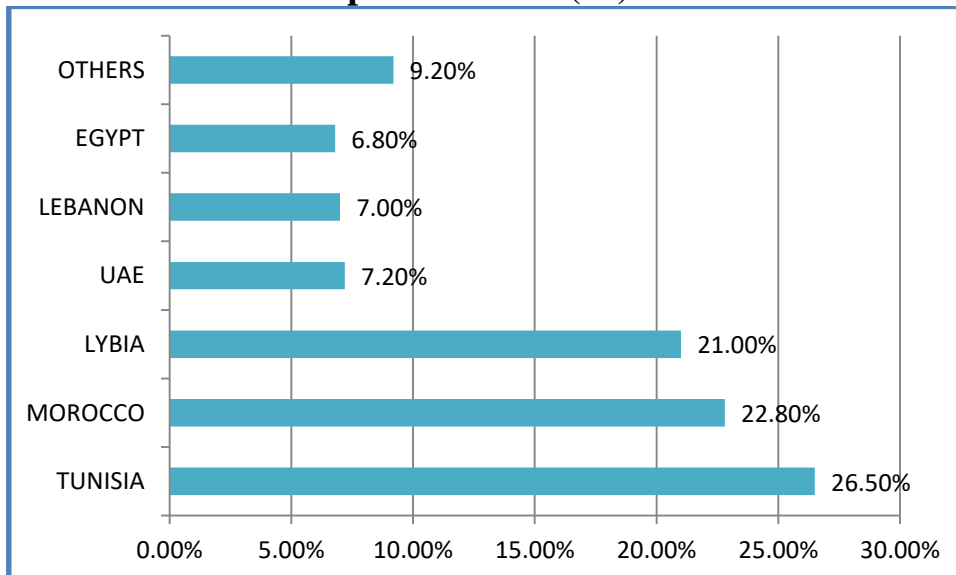


Source: Prepared by researcher based on General Directorate of Algerian Customs, 2009, the guide of trade exchange between Algeria and the Arab countries 2008, Algeria, on the website: www.douane.gov.dz.

In terms of the destination of Algerian exports, we note that the pattern that prevailed during the period 2004-2008 was in favor of concentrating in a limited number of partners, where three countries, Egypt, Morocco and Tunisia, in this order, acquired 85.4% of the total Algerian exports to the Arab countries, bearing in mind that Egypt formed the first Arab customer for Algeria with 40.8%, followed by Morocco with 35%, then Tunisia with 9.6%. These countries constitute the most important customer for Algeria as an importer of hydrocarbon exports (oil and gas), where the latter represents 99% of Algeria's exports to Egypt and 83% to Morocco and 30.5% to Tunisia. So, by excluding these exports, Algeria's partners from the Arab countries become less concentrated, and if the geographical factor plays the biggest role in these exchanges, as the three Maghreb countries (Tunisia, Morocco and Libya) represented about 70% of the total Algerian non-hydrocarbons exports to the Arab countries.

Fig N°3: Total Algerian exports to Arab countries according to partners 2008 (%)

Source: Prepared by researcher based on the guide to trade exchange between Algeria and the Arab countries 2008, reference previously mentioned.

Fig N°4: Algerian non- hydrocarbons exports to Arab countries according to partners 2008(%)

Source: Prepared by researcher based on the guide to trade exchange between Algeria and the Arab countries 2008, reference previously mentioned.

3-THE DEVELOPMENT OF ALGERIAN EXPORTS TO ARAB COUNTRIES AFTER JOINING THE AGREEMENT (2009-2018):

Algerian-Arab trade exchange data from 2009 indicate a slightly different scene from the developments that took place prior to joining the agreement. And it is possible to analyze the trends of Algerian exports to Arab countries in this framework immediately after joining the agreement in 2009, then during the period 2010-2018 where Algeria adopted a set of lists to exclude a group of products from exemption within the agreement.

3.1- ALGERIAN EXPORTS TO ARAB COUNTRIES IN 2009

Algerian exports to Arab countries witnessed a significant decrease in 2009 compared to the period 2004-2008, where it witnessed a decline of -41%, reaching 1.42 billion dollars in 2009 compared to 2.42 billion dollars in 2008. This decline is due to the significant decline in exports Total Algerian in 2009, which reached -43%, due to

the drop in oil prices. And since the exports to the Arab countries witnessed a decrease less than the total exports, the share of Algeria's exports to the Arab countries in its total exports improved slightly to 3.15% in 2009 compared to 3.06% in 2008.

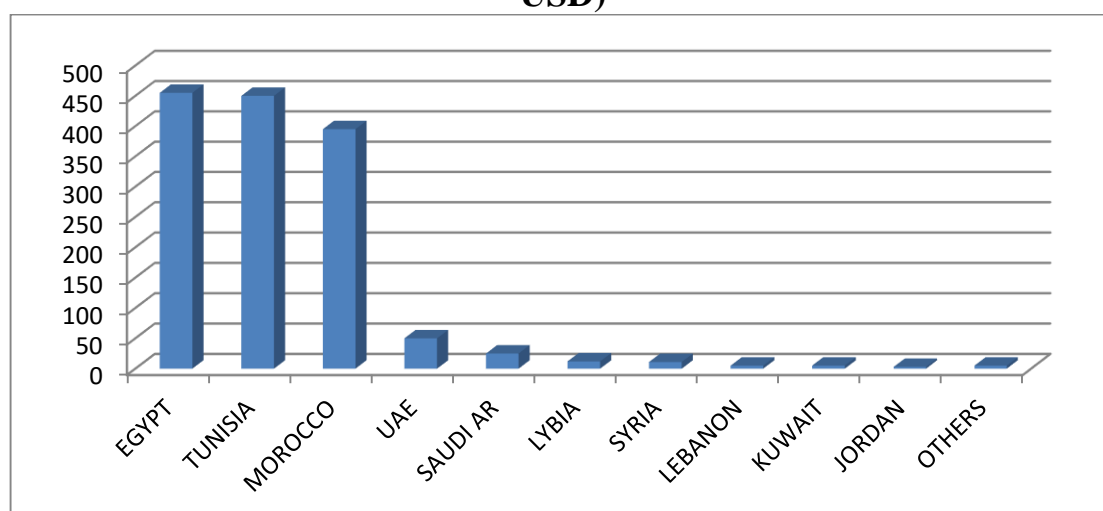
We note that the significant decrease in Algerian exports to the Arab countries was in exports to the countries of the Maghreb, where it reached - 47.29% compared to - 29.23% for exports to the rest of the Arab countries. This explains the fact that the two most important clients of Algeria in the Maghreb are Tunisia and Morocco, which depend significantly on the Algerian exports of oil and gas, and since the last two witnessed a significant decline during 2009 compared to 2008, Algerian exports witnessed this noticeable decline. This led to a decrease in the share of the Maghreb countries in the Algerian exports against a significant increase in the share of other Arab countries to about 40% of the total Algerian exports to the Arab countries, which is one of the things that may be given priority during the coming stages in order to diversify the geographical markets of the Arab countries in relation to Algerian exports.

Table 1: Algerian exports to Arab countries in 2009 (Millions USD & %)

Export	2009		2008		change 2008-2009
	Value	share	Value	share	
Total export	298 79	100%	194 45	100%	43.01-%
Export to Arab countries	423 2	3.15%	421 1	3.06%	41.36-%
Export to Maghrib countries	626 1	1.9%	857	2.05%	47.29-%
share of Maghrib countries	67.1%		60.3%		10.04-%
Export to other Arab countries	797	1.25	564	1.01	29.23-%
Share of other Arab countries	32.9%		39.7%		20.6%

Source: Prepared by researcher based on General Directorate of Algerian Customs (2010). Foreign trade data for Algeria in 2009, on the website: www.douane.gov.dz.

Fig N°5: Direction of Total Algerian export to Arab countries in 2009(Millions USD)



Source: Prepared by researcher based on the Uncomtrade commodity trade statistical database, available at: <http://comtrade.un.org>.

With regard to the structure of exports to the region, we also notice a significant decrease in Algerian non-hydrocarbon exports to the Arab countries, which was very reliable in order to benefit from the advantages that the agreement creates in order to raise the diversification of Algerian exports. It decreased by - 46%, which is slightly higher than the decrease in the total Algerian exports outside of hydrocarbons, which in itself remains insignificant, which amounted to -44.97%, which led to the decline in the share of the Arab countries in the total non-hydrocarbon exports from 13.6% to 13.1% between 2008 and 2009.

Table 2: Algerian non- hydrocarbons exports to Arab countries in 2009(Millions USD & %)

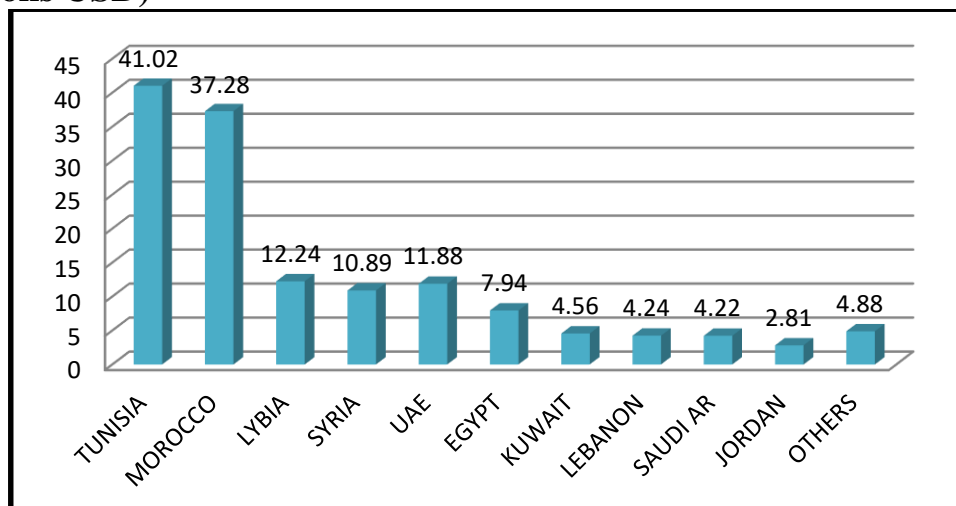
Export	2009		2008		Change 2008-2009
	Value	Share	Value	Share	
Algerian non- hydrocarbons exports	1077	2.38%	1937	100%	44.97-%
non-hydrocarbons exports to Arab countries	141.99	13.18%	263.84	13.6%	46.18-%
Agriculture and food products	23.52	16.57%	30.35	11.5%	22.51-%
Industrial products	118.47	83.43%	233.49	88.5%	49.26-%

Source: General Directorate of Algerian Customs (2010). Foreign trade data for Algeria in 2009, on the website: www.douane.gov.dz.

The largest drop in Algerian non - hydrocarbon export to Arab countries was in industrial products, which decreased by -49.26% between 2008 and 2009, knowing that they constitute 83% of the total Algerian exports outside of hydrocarbons to the region. Compared to a decrease of -22.51% for food products, whose share in total exports to the region increased from 11.5% to 16.5% in 2009.

In terms of the direction of the Algerian non-hydrocarbons exports to the region, Tunisia, Morocco, Libya, Syria, the United Arab Emirates, Egypt and Kuwait dominated Algerian non-hydrocarbons exports to the Arab countries by 80% during 2009, noting that Tunisia constitutes On its own, 3.85% of the total Algerian non-hydrocarbons exports (41.01 million dollars, the sixth customer for Algeria) after both Tunisia and Morocco represented 6.5% of the total Algerian non-hydrocarbons exports in 2008 and ranked seventh and eighth, respectively, as one of the most important clients of Algeria, while this percentage fell to 3.85% in 2009 and Morocco disappeared from the top ten as one of the most important clients of Algeria in 2009. It is worth noting that the share of Kuwait and Syria increased to 7.6 and 3.1% respectively in 2009 while it was They represent only 0.3 and 0.7% in 2008. On the other hand, we note a significant decline in the share of Lebanon's imports from Algeria from 7% in 2008 to 3% in 2009.

Fig N°6: Direction of Algerian non- hydrocarbons exports to Arab countries in 2009(Millions USD)



Source: Prepared by researcher based on the Uncomtrade commodity trade statistical database, available at: <http://comtrade.un.org>.

3.2- ALGERIAN EXPORTS TO ARAB COUNTRIES DURING THE PERIOD 2010-2018

Trade data with Arab countries during the period 2010-2018 show that the measures taken by Algeria, whether in the field of foreign trade or within the framework of the greater Arab free trade area had no effect on Algerian exports to Arab countries as much as they had a clear impact on total exports (Table 3).

As the Algerian exports to the Arab countries increased, followed by an improvement in oil prices during the year 2010 after knowing a deterioration under the impact of the repercussions of the global financial crisis of 2008, reaching 3.03 billion dollars in 2012 compared to 1.98 billion dollars in 2010 with an average growth rate of 29%, and In contrast to the pattern and trend of imports from Arab countries, the Maghreb countries acquired a share ranging from 65 to 77% of these exports with a growth rate of 34% during this period, compared to an average share of 30% for the rest of the Arab countries.

The good performance of Algerian exports during the period 2010-2014 was also reflected in raising the share of regional markets from these exports, which were not more than 2.5% on average during the period 2004-2008, to reach more than 6% on average during the period 2010-2014.

However, the beginning of the decline in oil prices at the end of the year 2014, led to a sharp decline in the total Algerian exports, and considering that oil and gas are controlling these exports by more than 95%, and as they are also the most important exports directed to the Arab Maghreb countries (Tunisia and Morocco in particular), Algerian exports declined To Arab countries, but less than the total exports (Table 3). As the average growth of total Algerian exports was -14.2% compared to a decline of -9% for Algerian exports to Arab countries during the period 2010-2018.

Table 3: Algerian exports to the Arab countries 2010-2018 (Billions USD & %)

Period	2010		2014		2018		2010-2018		Change 2010-2018 (%)
	value	Share	value	Share	value	Share	value	Share	
Total export	57.05	100%	60.03	100%	41.79	100%	53.58	100%	%-14.29
Total export to Arab countries	1.98	3.5%	3.70	5.9%	2.05	5.2%	2.54	5.4%	%-9
Total export to Maghrib countries	1.28	65.0%	3.06	62.0%	1.27	62.0%	1.83	72.0%	%-16.3
Total export to other Arab countries	0.70	35.0%	0.64	38.0%	0.78	38.0%	0.708	28.0%	%-2

Source: Prepared by researcher based on General Directorate of Algerian Customs, data of foreign trade for Algeria for the years 2010-2018, on the website: www.douane.gov.dz

We note very well that the pattern of Algerian exports to the Arab countries has not changed, with the Maghreb countries still controlling the largest share by more than 70 %, which is higher than the rate recorded in 2009 and during the period 2004-2008. This stalemate can be explained by the continued control of hydrocarbons exports on the structure of Algerian exports, whether aggregate or towards Arab countries on the one hand. On the one hand, it is evident that Algeria is unable to raise its non-hydrocarbons exports to Arab markets, which, despite their importance, do not seem to have done well in the framework of the Greater Arab free area.

Here, the performance of Algerian non- hydrocarbons exports to Arab countries stands out as reliable markets to increase the penetration and diversification of Algerian exports in general, especially since the member states in the Greater Arab free area constitute a market that exceeds 400 million people, and the average per capita income is high in Several countries, especially the Gulf ones.

Table 4: Algerian non-hydrocarbons exports to Arab countries 2010-2018 (Millions USD & %)

Period	2010		2018		2010-2018		Change 2010-2018 (%)
	value	Share	value	Share	value	Share	
Total non-hydrocarbons exports	963	2%	1360	4%	1410	3%	10%
Total non-hydrocarbons to Arab countries	324	16%	234	11%	287	10%	20%
Share of non-hydrocarbons	33.64%		17.20%		20.35%		-

Source: Prepared by researcher based on General Directorate of Algerian Customs, data of foreign trade for Algeria for the years 2010-2018, on the website: www.douane.gov.dz.

Despite the modest value of Algerian non-hydrocarbons exports to Arab countries, which reached an average of \$ 287 million during the period 2010-2018, they grew at a high rate, which averaged 20% during this period. It also constituted about 10% of the total exports to the Arab countries, which is higher than the total exports outside of hydrocarbons, which do not exceed 3% of the total Algerian exports. And to show how important the region's markets are for Algerian non-hydrocarbons exports, it turns out that they represent 20% of total Algerian non-hydrocarbons exports, indicating that there are possibilities for expansion. Although this percentage has not changed compared to the period before joining the agreement (2004-2008).

In terms of the structure and directions of total non-hydrocarbons exports during the period 2010-2018 to the region, according to the data collected in (Table 5), we also notice a significant increase in Algerian agricultural and food exports to the Arab countries to reach about \$ 203 million, from a level that was not It exceeds \$ 30 million during the period before 2009. While industrial products maintained the same share at \$ 84 million, compared to an average of \$ 83 million during the period before joining, and here emerges the problem of weak competitiveness of Algerian industrial exports and their inability to compete in foreign markets despite Although many Arab markets may be suitable as the markets of the Arab least developed countries compared to the markets of the Gulf countries, but given their small size and weak income levels, they do not seem attractive to Algerian exports.

With regard to the directions of Algerian non-hydrocarbons exports to the region, we note the decline in the control of the Maghreb countries (both Tunisia, Morocco, Libya and excluding non-member in the region like Mauritania) over the destination of Algerian non-hydrocarbons exports from a share of 70% on average before joining the agreement to 37% As an average during the period 2010-2018, this is an indication of an increase in the diversity of markets and the emergence of new markets for these exports, such as the Jordanian, Lebanese, Syrian and some Gulf markets, with an emphasis on the modesties of the volume of these exports to these countries, but it is a possible indication of Possibilities for expansion in these markets.

The share of the markets of the Arab Mashreq countries (Jordan, Syria, Lebanon, Egypt, Iraq and Sudan) from Algerian non-hydrocarbons exports increased to 33%, after it was not more than 14%. While the Gulf markets maintained about the same share of about 10% (it represented 9.2%).

Table 5: Structure and trends of Algerian exports to Arab countries as an average of 2010-2018 (thousand dollars)

Countries	Total export	hydrocarbons exports	non-hydrocarbons exports	Agriculture products	Food products	Industrial products	Other products
Tunisia	856,988	810,284	46,704	2,886	10,011	33,413	391
Morocco	599,633	570,821	28,812	3	4,427	24,287	93
Egypt	469,496	438,625	30,871	84	17,246	13,538	0.4
Jordan	119,0	81,892	37,157	14	34,819	2,322	0.2

	49						
Mauritania	55,951	..	55,951	..	54,910	1,032	9
Kuwait	50,611	49,204	1,407	..	1,365	41	..
UAE	43,089	25,160	17,929	199	13,702	3,975	51
Lebanon	42,282	23,712	18,570	135	18,301	133	..
Lybia	31,574	..	31,574	..	28,519	3,054	..
Sudan	11,412	11,401	10	..	4	6	..
Syria	7,580	1	6,580	..	7,384	194	..
Saudi Arabia	7,305	8	7,296	92	5,729	1,474	0.1
Qater	3,198	..	3,198	0.4	3,054	143	..
Iraq	507	..	507	..	419	88	..
Yemen	146	..	146	..	146	..	..
Bahrain	142	..	142	..	29	113	..
Oman	109	..	109	0.4	80	26	2
Somalia	27	..	27	..	27	..	..
DJibouti	1	..	1	1	..	..	..
Palastine	..	..	..	..	..	..	..

Source: Prepared by researcher based on the Uncomtrade commodity trade statistical database, available at: (consulted on: 05/15/2020). [Http://comtrade.un.org](http://comtrade.un.org)

4- ALGERIAN SMEs EXPORTS TO ARAB COUNTRIES AFTER JOINING THE AGREEMENT 2009-2018

Small and medium enterprises in various economies have proven to be the primary factor of economic integration and diversification, just as they can be the main source of wealth, creating jobs and promoting exports to various international markets, given these small entities adapting to changing conditions and external pressures through their ability to mobilize local resources and expertise And its dependence on creativity and proximity (Arab Planning Institute, 2019, p. 29).

In the United States of America, for example, exports of small and medium enterprises constitute 11% of GDP and support 10 million jobs, at a time when the number of American companies exporting does not exceed 1%. After the global financial crisis, the United States of America adopted the National Export Initiative aimed at enhancing export financing, mobilizing government departments to participate in activities to promote the export sector, developing export tools for small and medium enterprises, and reducing trade barriers, including control imposed by the United States On exports of high-tech products, opening up new foreign markets. Small and medium enterprises are the largest source of untapped export potential and job creation, it is estimated that 120 million non-agricultural private sector workers work in small and medium enterprises. The national export initiative requires expanding the range of exports by 15 % annually, compared to the average export

growth rate of 13.6% during the period 2000-2008. As of 1995, the United States took 13 years to double its commodity exports (United Nations Conference on Trade and Development, 2010, p. 15).

Many international data indicate that small and medium enterprises contribute about 25% to 35% of the global exports of manufactured materials, and the Organization for Economic Cooperation and Development estimates that the average contribution of small and medium industries to exports of the organization's countries is about 26% of total exports. And the Italian SMEs industries ranked first, with about 53%, followed by Denmark and Switzerland with 46% and 40%, respectively, then Sweden with 30%, France and the Netherlands with 26%. In Japan, the contribution of small and medium industries exceeds 31.5%, and the contribution of small and medium industries Exports in some Asian countries is very high, reaching 60% in China, 56% in Taiwan and 40% in South Korea (Nepal Faisal Attia, 2016, p. 82).

In Algeria, despite the efforts of many institutions aimed to develop exports, and for preparing a strategy to promote national exports, they do not refer to special treatment and direct support for SMEs. According to official statistics, the number of SMEs active in Algeria increased by the end of 2018 by 7.2% compared to the same period of 2017 to 1,171,945 enterprises (+78,755 enterprises), and they represent 58% of the registered economic entities until the end of 2018, as The number of registered entities is estimated at 2,013,374 enterprises. Referring to the details of these data, the small and medium enterprises consist of 1,171,701 private establishments compared to 244 public establishments that are active.

The majority of Algerian SMEs concentrate in the services sectors (54.41%), construction and public works (28.54%), manufacturing industries (15.48%), then agriculture (1.12%), hydrocarbons, energy, mines, and related services (0.46%)(National Statistics Office, 2019).

It is evident that SMEs are concentrated mainly in the non-export sectors (82%), while sectors that can have export opportunities abroad represent only 17% of small and medium enterprises. The picture appears to be worse when analyzing the figures for the exporting institutions and the size of their exports to foreign markets (Table 6).

Table 6: Number and percentage of Algerian enterprises exported until the end of 2018

Total economic enterprises	Total big enterprises	Total SMEs
2.013.374	841.429	1.171.945
Total exporting enterprises	big exporting enterprises	exporting SMEs
704	32	672

Source: Prepared by researcher based on:

The data of the Algerian Agency for the Promotion of Foreign Trade, available at:

- <http://www.algex.dz/index.php/95-publications/222-repertoire-des-exportateurs-algeriens>(consulted on 15/05/2020).

- Office National des Statistiques, 2019, Les répertoires des agents économique et sociaux N°885, sur le site: http://www.ons.dz/IMG/pdf/R.PMS1_2019.pdf (consulted on 15/05/2020).

Regarding the total exports, the Algerian exporting institutions represent only 0.03% of the total economic enterprises, which are 704 exporting enterprises by the end of 2018, of which 32 are big enterprises, the most important of which is the SONATRACH, which control of 96% of the total Algerian exports and 30% of the non-hydrocarbons exports (Chemical products). The rest of 703 enterprises share (3.8% of total exports and 70% of non-hydrocarbons exports). While the number of SMEs exported by the end of 2018 was only 672, and although they represent 95% of the Algerian exporting enterprises, they only represent 0.06% of the total registered SMEs, and this percentage is the weakest when compared with some Arab countries, as shown in table 7.

From the data of (Table 7), it appears that Algeria and Iraq, as they depend mainly on hydrocarbon exports, possess the smallest number of exporting enterprises, big or small and medium, whereas the rest of the more diversified Arab countries, most of their small and medium enterprises directed towards export. The percentage in Lebanon, Tunisia and Jordan (50% or more). This trend explains the ability of these countries to integrate their small and medium enterprises into global value chains and the increasing number of free trade agreements that these countries conclude with various trading partners.

Table 7: Exporting enterprises in some Arab countries * according to the size of the enterprise (%)

country	Size of enterprises	Exporting enterprises	Non-Exporting enterprises
Algeria	SMEs	0.06	99.94
	Big	0.004	99.99
Iraq	SMEs	2.4	97.6
	Big	0.5	99.5
Jordan	SMEs	49.3	51.7
	Big	53.7	46.3
Lebanon	SMEs	58	42
	Big	43.3	56.7
Morocco	SMEs	22.6	77.4
	Big	22.8	77.2
Tunisia	SMEs	56.4	53.6
	Big	66.3	33.7
Egypt	SMEs	11.8	89.2
	Big	35.7	64.3
	SMEs	13.6	86.4

Source: For Algeria, calculated from the data of Table 6. And for comparison countries:

Arab Planning Institute, 2019, Fourth Arab Development Report: Small and Medium Enterprises in Arab Economies: A New Role for Promoting Sustainable Development, Kuwait, 2020. P: 30.

Returning to the analysis of the situation of the Algerian small and medium exporting enterprises, especially the non-hydrocarbons, in addition to the modest volume of Algerian exports, small and medium enterprises only account of a small share of these exports, and big enterprises control the largest share of non-hydrocarbon exports by more than 60% As shown in table 8.

With regard to the contribution of Algerian institutions in exporting to Arab markets, it seems that the scene does not differ much from what is prevailing, whether in terms of total exports or non-hydrocarbons exports

And due to the lack of detailed data on the exporting enterprises and the volume of their exports to Arab countries during the years covering the period of Algeria's accession since 2009 with the exception of 2018, when 21 small and medium enterprises participated in the annual survey prepared by the General Union of Chambers of Commerce, Industry and Agriculture of the Arab countries on The restrictions faced by the Arab s exporting enterprises to the Greater Arab free area. It is worth noting that this survey is annual, which takes place since 1998 (Union Arab), and therefore the participation of Algerian enterprises in the survey can be considered an indication of increased interest in these markets. Therefore, these enterprises will be taken as a sample to analyze the ability of Algerian small and medium enterprises to benefit from the liberalization of trade with Arab countries.

It should be remembered that 90% of Algerian exports to Arab countries are fuel, and therefore it can be said that 90% of these exports are controlled by one company, SONATRACH.

Table 8: Some Algerian enterprises Exports non-hydrocarbons products on 2010 and 2018 (million USD and %)

enterprises	Size	Exported products	Year (value and share)			
			2010		2018	
			Value	share	value	Share
SONATRACH	Big	Oil products	558,44	27,11%	836,01	28,58%
FERTIAL	Big	Organic fertilizers	260,12	12,63%	378,93	12,95%
CEVITAL	Big	Sugar and vegetable oils	242,51	11,77%	227,14	7,76%
FERPHOS	Big	Phosphate	68,11	3,31%	128,35	4,39%
ALZINC	Big	Chemical products	66,05	3,21%	39,5	1,35%
HELIOS	Big	Helium	36,16	1,76%	27,7	0,95%
MGF	Big	glass	26,93	1,31%	15,57	0,53%
FRUITAL	Big	Soft drinks	20,52	1,00%	22,6	0,77%
HADDOUD SALIM	SMEs	dates	2,92	0,14%	2,1	0,07%
SUDACO	SMEs	dates	1,17	0,06%	0,07	0,00%
ALMADAR FOR PAPER	SMEs	Remnants of paper and paperboard	00	0,00%	13,74	0,47%

Source: Prepared by researcher based on the data of the Algerian Agency for the Promotion of Foreign Trade, available at <http://www.algex.dz/index.php> (consulted on 15/05/2020).

With regard to non-hydrocarbons exports distributed among a limited number of enterprises, large enterprises control the largest share of them, as CEVITAL's exports alone account for 53% of the total Algerian non-hydrocarbons exports to Arab countries (It should be noted that CEVITAL's exports to Arab countries represent 50% of The company's total exports compared to (Table 8 and 9).

We note that the big enterprises control the largest share of non-hydrocarbons exports to Arab countries by more than 70%, and this explains the ability of these enterprises to respond more quickly to export opportunities abroad due to their marketing capabilities and export experience abroad.

Small and medium enterprises remain the weakest link in the export chain, as it can be concluded that they represent the remaining small share, and this weakness can be attributed to several factors, some of which are related to the nature of these enterprises and some that are related to the nature of the Arab markets itself. And the causes of this weakness can be identified through a combination of interconnected factors, including the actual practices faced by exporters at the borders and the procedures and policies behind them, which still raise the cost of exports to Arab countries, and if there was a clear change in terms of reducing official trade protection (By abolishing customs duties), non-tariff barriers as tools of protection and regulation in the field of trade are increasingly becoming a major concern regarding access to the markets in the Arab countries (Othmane, 2012, p. 213).

Table 9: Some Algerian enterprises exporting non-hydrocarbons products to Arab countries in 2018 (million USD and %)

enterprises	Size	Exported products	Value	Share
Total non-hydrocarbons exports to Arab countries			234,20	100%
CEVITAL	Big	Sugar and sugar products	125,00	53,48%
MGF	Big	glass	17,29	7,38%
SONATRACH	Big	Oil products	14,46	6,18%
CONDOR	Big	Electronic Devices	7,71	3,29%
FRUITAL	Big	Soft drinks	1,48	0,64%
SAIDAL	Big	Medicines and pharmacy products	1,41	0,60%
EURL AGROBIO SAMILITASSDIR	SMEs	Vegetables and fruits	5,61	2,40%
ALMADAR FOR PAPER	SMEs	Remnants of paper and paperboard	3,07	1,31%

Source: Prepared by researcher based on:

The data of the Algerian Agency for the Promotion of Foreign Trade, available at: <http://www.algex.dz/index.php> (consulted on 05/15/2020).

General Union of Chambers of Commerce, Industry and Agriculture of the Arab Countries, 2019, Annual Report 25, Beirut, P.O. 46.

The procedures for clearing transactions in customs and corruption, as well as the bad services provided by the public sector and the lack of financing are among the most important elements contributing to additional costs in trade. There are also a large number of documents and signatures required for commercial transactions. And these policies are considered particularly harmful because the small size of these countries' markets prevents the emergence of efficient and competitive companies in the regional markets. And the weakness of the cross-border infrastructure is another reason for the low quality of logistics that negatively affects trade in goods and services towards Arab countries. Moreover, the high costs of transportation and the weakness of its networks is a factor that harms the ability of small and medium enterprises to access the Arab markets.

Another combination of factors and challenges facing the ability of the Algerian small and medium enterprises to export, the most prominent of which is the deterioration of the investment climate, especially from the point of view of the exporting enterprises. And considering that the local markets provide a significant profitability for these enterprises, which makes them not considering exporting, driven by lack of knowledge and fear of risk going to foreign markets, making these enterprises Anti-Export Biased, especially towards regional markets. This is confirmed by the figures shown before, as most enterprises are active in the non-export sectors (services, public works and construction), and these sectors are usually linked to public investment, and thus provide these enterprises a profitable rewards that discourages them from thinking about production and export.

CONCLUSION:

It seems that there is a gap between the commercial reality represented by the rapid change of trade flows between Algeria and the Arab countries, and the transformation of Algeria's trade policies by joining the greater Arab for free area, and the developments that have already occurred show a set of new facts in the geography of trade between Algeria And the rest of the Arab countries, as well as the trade policy trends of Algeria that seem to be subject to sudden decisions, its changes are difficult to predict in some cases, so accordingly, some of the following results can be obtained:

- Algeria's delay in joining the greater Arab free trade area was not in its favor, as it came four years after the completion of the agreement (from 2005 to 2009), which missed Algeria's gradual adjustment process that the rest of the Arab countries benefited through the gradual reduction of fees Customs duties for seven years.
- Algeria's accession to the agreement was based on a decision taken by the Algerian authorities, after a wait of nearly five years from the date of ratification of the Agreement on Development and Facilitation of Trade between Arab Countries in 2004, and not outcome of a negotiating track with the member states. Which did not made available to Algeria Take a set of measures accompanying the accession process, such as negotiating a special schedule for customs reductions instead of applying a full exemption directly.
- Algeria represented a good market for the products of the rest of the Arab countries, which knew how to benefit from Algeria's accession to the agreement earlier. On the other hand, Algerian exports did not benefit from the same treatment only after more

than two months have passed formally from Algeria's joining the agreement. The topic was not covered except during the 83rd session of the Economic and Social Council of the League of Arab States during February 2009, in addition to the lack of awareness of the Algerian exporters on the Arab markets as they did not constitute a relative importance of Algerian products and their rapid response to creating export opportunities to these markets, especially in terms of non-hydrocarbons products, which still have some advantages in some Arab markets

- The hydrocarbon exports lead to the emergence of a strong concentration in the Algerian exports towards the Arab countries, but its exclusion may reflect the image and the Algerian trade structure appears more integrated than it is similar with the Arab economies, and a matrix can be formed to guide the promising areas for the expansion of inter-trade, should this is combined With the occurrence of real trade liberalization of intra-regional trade, as well as raising the competitiveness of Algerian exports and diversifying them on the basis of high-value-added products.

- It is not likely that there will be a diversion of trade in the commodities currently traded with the fact that oil and gas is the main commodities traded within the region, and with regard to trade with the more diversified Arab economies that have an important industrial component, a great deal of trade takes place within the region on the basis of this Diversity. And the structure of Algerian trade towards Arab countries has not changed much from this pattern.

- Several Algerian products have competitive advantages in several Arab markets, such as agricultural products in Gulf markets, and some industrial products in the markets of several Arab countries, such as the least developed countries such as Mauritania and Sudan, but the development of exports to these markets is linked to overcoming several obstacles As the high cost of commercial transport and the absence of direct shipping and air lines between these markets and Algeria.

- The potential gains of the Algerian small and medium enterprises from the Greater Arab Free Trade Area in terms of faster growth depend mainly on the ability of these enterprises - especially from the private sector - to respond to the opportunities that may be opened by regional markets, through the transition from production to narrow National markets to production for regional market ,benefiting from the expansion of their domestic investment, especially in the sectors of commercial goods. Trade liberalization is also supposed to give major enterprises an opportunity to expand their exports to these countries. This new model of trade integration relies on a better investment climate, especially in the field of manufacturing industries and high value-added production chains, allowing for increased enterprise competitiveness and providing incentives for export.

To ensure the success of the Greater Arab free area, Algeria must take a number of policies and measures that enhance the credibility of its trade policy away from unilateral and unforeseen measures, since any measures like these may have greater negative implications than the accession decision itself. Among the things that are recommended to be given more importance during the next stage:

- Algeria has become a member of a regional trading system that links it with partners from Arab countries, which imposes on it a set of mutual obligations and any decision that may be taken unilaterally, such as excluding a wide range of products from exemption or taking some non-customs restrictions on trade, which may lead To a

similar procedure from the rest of the partners, which affects the credibility of the established trade policy, and discourages any advantages that may result from joining the agreement.

- Algeria should review its executive position by raising all issues it deems related and imposing additional burdens on it, and this is through active participation in the bodies that supervise and follow up the agreement as well as negotiations related to its completion and development, such as negotiations related to completing the rules of origin, as well as Treatment of free zone products that are found in all Arab countries, and negotiations aimed at launching an Arab customs union.

- The necessity of greater involvement of exporters in any decision or measures proposed or taken in this field, in order to enable them to keep abreast of developments related to the agreement and give them an opportunity to take advantage of the agreement .

- Rehabilitation of Algerian exporters in the non-hydrocarbon sectors through the media and their participation in fairs that introduce them to Arab markets inside Algeria and in the Arab countries, facilitating trade finance lines and administrative obstacles that they may face during export to the Arab countries and putting these issues in the follow-up committees of The agreement at the level of the League of Arab States.

- It seems that the economic integration in the region has not been fully exploited, and there are great possibilities for Algeria to increase integration with the Arab countries, especially in services and investment flows. And many of the characteristics of the region qualify it to create opportunities for trade. The region has a diversified natural, human and financial resource base that spreads between its countries, and it represents a large market with good purchasing power. The Arab countries also have regional trade roads that are relatively accessible. Therefore, Algeria should explore the promising areas that stimulate and attract Arab investments and provide them with preferential treatment, especially in the agricultural and food industries sector, to form export bases to the Gulf Arab markets.

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