

THE IMPACT OF THE GREATER ARAB FREE TRADE AREA ON ALGERIA'S INTRA-ARAB FOREIGN TRADE

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Abstract

This study aims to examine the reality of Algeria's foreign trade in recent years within the framework of trade liberalization and the country's efforts to diversify its exports, reduce its import bill, and stimulate other productive sectors. It also seeks to assess the extent to which Algeria's foreign trade has been affected by its accession to the Greater Arab Free Trade Area (GAFTA). The study concluded that Algeria's intra-Arab trade with other Arab countries remains limited and has not achieved the objectives set for joining this area, as it did not exceed 5 billion USD. Tunisia is considered Algeria's largest Arab economic partner, followed by Saudi Arabia, Egypt, and the United Arab Emirates.

Keywords: Foreign trade, Greater Arab Free Trade Area, Intra-Arab trade

Introduction:

In continuation of the process of Arab economic integration and cooperation, and with the aim of strengthening trade exchange among Arab countries, the Economic and Social Council of the League of Arab States approved, in 1997, the executive program and its timeline for the establishment of an Arab Free Trade Area. This was done in accordance with the provisions of the Agreement on the Facilitation and Development of Trade Exchange among Arab States. The provisions of this area are consistent with those of the World Trade Organization (WTO) and its general rules governing international trade.

The importance of the Greater Arab Free Trade Area (GAFTA) stems from the fact that it provides a form of balance and economic integration among Arab countries by opening Arab markets and fostering openness to the global economy and various international trade blocs, especially the European Union. Moreover, the unification of Arab markets will contribute to the establishment of industrial and agricultural development projects that will prepare these economies to face the challenges arising from WTO agreements.

Foreign trade occupies an important position within the sphere of economic activity due to its close relationship with various economic variables at both national and international levels. It contributes, along with other sectors, to increasing national income in order to raise living standards and economic welfare in any country. Consequently, it serves as a channel for disposing of surplus national production and as a source of foreign currency.

As one of the largest Arab countries, Algeria sought to join this area and officially agreed to do so in 2009, with the objective of diversifying its export structure, enhancing the competitiveness of its national enterprises, and gaining greater access to Arab markets.

Research Problem:

Based on the above, the main research question can be formulated as follows:

Has the reality of Algeria's intra-Arab foreign trade been affected by its accession to the Greater Arab Free Trade Area?

This main question raises several sub-questions:

- What is the nature of the Greater Arab Free Trade Area?
- What is the current state of intra-Arab trade?
- What is the current state of Algeria's foreign trade?

Research Methodology:

In an attempt to answer the research problem, the study adopts the **inductive method**, which is considered suitable for describing the reality of foreign trade in Algeria, analyzing the relationship between Algeria's foreign trade and the Greater Arab Free Trade Area, and examining the state of Algeria's intra-Arab trade with other Arab countries.

Section One: The Greater Arab Free Trade Area (GAFTA)

1. Definition of the Area:

The Greater Arab Free Trade Area (GAFTA) is an Arab agreement whose primary objective is to eliminate restrictions and liberalize intra-Arab trade in goods of Arab origin within a period of ten years. This is achieved through the gradual reduction of customs tariffs at an annual rate of 10%,¹ in accordance with the resolution of the Economic and Social Council adopted at its 59th session held on February 19, 1998.

Among the most significant alternatives proposed for establishing a free trade area were:²

- The integration of the Gulf Cooperation Council (GCC), the Arab Maghreb Union (AMU), and the Council of Arab Economic Unity as regional free trade zones.
- Working toward the liberalization of foreign trade within a unified framework by developing and linking existing bilateral trade agreements.
- Achieving full liberalization of trade exchange among Arab countries.

2. Establishment:

In the context of promoting trade exchange among Arab countries, the Economic and Social Council of the League of Arab States decided, on February 22, 1978, to prepare an Agreement on the Facilitation and Development of Trade Exchange among Arab States. This agreement was approved in Tunis on February 10, 1981.

The agreement aimed to liberalize trade among Arab countries and to facilitate trade-related services. The Economic and Social Council reactivated this agreement on September 13, 1995.

¹ Hassani, O. (2019). *The Impact of Implementing the Greater Arab Free Trade Area on the Volume of Intra-Arab Trade*. *Journal of Finance and Markets*, 6(1), 131.

² Ben Ayada, J., & Ben Saïd, L. (2023). *The Reality of Arab Trade Exchange under the Greater Arab Free Trade Area Agreement*. *Al-Muntada Journal of Economic Studies and Research*, 7(1), 381.

During the Arab Summit held in June 1996, Arab heads of state reaffirmed the objective of implementing an executive program to establish the Arab Free Trade Area, starting in January 1998.

The decision to establish the Greater Arab Free Trade Area was adopted in 1997, with implementation scheduled to begin on January 1, 1998, initially involving 14 Arab countries. The first phase was defined as a transitional period of ten years, set to end in 2007 but later shortened, with full implementation achieved by 2005.

The GAFTA program included more specific schedules and commitments than previous attempts. The main legislative provisions of the agreement concern the elimination of customs tariffs and non-tariff barriers on manufactured goods traded among member states.

Agricultural goods received special treatment, allowing each country to exclude up to 10 agricultural products from the gradual reduction during peak production seasons, with a commitment to reduce the number of exemptions during the transitional period.

Additionally, rules of origin were established, stipulating that 40% of the value of a product must be produced in the country of origin. The final section of the agreement ensured compatibility with World Trade Organization (WTO) rules and permitted less developed Arab countries to delay tariff reductions.³

By 2005, the full implementation of the Greater Arab Free Trade Area was achieved, following the elimination of all customs duties and equivalent taxes and charges on imports from Arab member countries participating in GAFTA.

3. The Importance of the Greater Arab Free Trade Area (GAFTA):

The significance of establishing the Greater Arab Free Trade Area for the member Arab countries can be summarized as follows:⁴

- Keeping pace with the global economic trend toward regional economic integration and liberalization of world trade.
- Facilitating the access of Arab exports to neighboring countries through the creation of an open Arab market free of customs barriers.
- Achieving the liberalization of trade in services among Arab countries and the establishment of an Arab Customs Union.
- Increasing foreign investment inflows into Arab countries by allowing investors to benefit from customs exemptions granted to exports to the region, as well as from the availability of energy resources, raw materials, and labor.
- Encouraging existing and emerging Arab industries.
- Promoting economic and trade relations among member Arab countries.
- Increasing foreign currency inflows.
- Enhancing economic growth rates, thereby contributing to the achievement of economic development.

4. The Main Pillars of the Greater Arab Free Trade Area:

The Greater Arab Free Trade Area is based on three main pillars:

³ Baili, M., & Beghassa, H. (2008). *The Impact of the Greater Arab Free Trade Area on Syrian Trade after Full Implementation*. National Agricultural Policy Center, Trade Policy Department, p. 3.

⁴ El-Shazly, A., et al. (2022, May). *Intra-Arab Trade: Reality, Challenges, and Future Prospects*. Arab Monetary Fund, United Arab Emirates, p. 8.

. Liberalization of trade in goods and facilitation of trade among Arab countries.

Liberalization of trade in services among Arab countries.

Establishment of an Arab Customs Union

Additionally, the following principles were adopted:⁵

- The principle of Arab national treatment (equal treatment for Arab goods as for national products).
- The principle of transparency.
- The principle of information exchange.
- The principle of unified tariffs.
- Standards related to addressing balance of payments imbalances, as a result of the implementation of the executive program.

To ensure effective implementation of the area, three committees were established:

- The Follow-up and Implementation Committee.
- The Trade Negotiations Committee.
- The Rules of Origin Committee.

5. Member Arab Countries:

The group of Arab countries that began the gradual reduction of tariffs in 1998 includes: Syria, the United Arab Emirates, Jordan, Lebanon, Iraq, Bahrain, Saudi Arabia, Oman, Qatar, Kuwait, Egypt, Tunisia, Morocco, and Libya.

In total, 18 Arab countries have joined the agreement: Jordan, the United Arab Emirates, Bahrain, Tunisia, Saudi Arabia, Syria, Iraq, Oman, Qatar, Kuwait, Lebanon, Libya, Egypt, Morocco, Sudan, Palestine, Yemen, and Algeria.

Mauritania has notified the General Secretariat of its ratification of the agreement but has not yet completed the formal procedures for depositing the instrument of ratification, while Somalia has not yet completed some of the procedures required for accession.

There are two member states of the League of Arab States that have not yet joined the agreement, namely: Djibouti and the Comoros.

6. Algeria's Accession to the Greater Arab Free Trade Area (GAFTA):

In **August 2004**, Algeria officially announced its ratification of the **Agreement on the Facilitation and Development of Trade Exchange among Arab States** through **Presidential Decree No. 223**.

Algeria subsequently submitted its **accession file** to the **General Secretariat of the League of Arab States** on **December 31, 2008**.

Following the **official commitment** of the Algerian government to implement the **executive program** of the Area, **trade exchanges between Algeria and the Arab member states** began to benefit from **full customs duty exemptions** starting from **January 1, 2009**.⁶

⁵ Ministry of Foreign Trade and Domestic Market Regulation. (2025, September 26). *The Greater Arab Free Trade Area*. Retrieved from <https://www.commerce.gov.dz/a-grande-zone-arabe-de-libre-echange>

⁶ Ministry of Trade and Export Promotion. *The Arab Free Trade Area*. <https://www.commerce.gov.dz/a-grande-zone-arabe-de-libre-echange>

A **contact point** was established within the **Ministry of Trade** to manage and monitor the implementation of the executive program. This body operates in coordination with contact points in other member countries of the Area, as well as with the **General Secretariat of the League of Arab States**.

Furthermore, a “**Monitoring and Evaluation Committee**” was established within the **Algerian Chamber of Commerce and Industry (ACCI)**—comprising representatives from the relevant government sectors and **employers’ associations**—to oversee Algeria’s participation in the **Arab Free Trade Area**.

7. Obstacles Facing the Greater Arab Free Trade Area (GAFTA):

▪ The involvement of Arab countries in agreements with non-Arab partners:

Many Arab states have entered into trade agreements with other regions and countries—particularly with the European Union and the United States—which grant them customs exemptions and trade facilities that are often more favorable than those provided under Arab agreements. This situation has hindered the implementation of Arab bilateral and multilateral cooperation agreements and has led to trade diversion toward those non-Arab partners instead of trade creation within the Arab region.⁷

▪ Complex customs procedures and practices:

Customs procedures and practices continue to impede the smooth flow of goods among Arab countries. This is due to the multiplicity of authorities involved in trade operations, which often results in damage or spoilage of goods. Moreover, customs administrations and other responsible agencies in charge of quality control and consumer protection in several Arab countries sometimes do not recognize certain foreign institutions authorized to issue certificates of quality and international standards for imported goods.

▪ Lack of transparency and information flow:

There is a significant deficiency in transparency and exchange of information, particularly concerning administrative procedures and various economic policies that are crucial for the implementation of GAFTA. Some member states do not disclose or report the measures and regulations they adopt to the Technical Secretariat of the Greater Arab Free Trade Area, which is responsible for disseminating such information to all member countries.

Consequently, exporters from other Arab member states are often surprised by sudden changes in tariffs, specifications, or standards—measures that, when applied, can lead to significant losses and hinder the access of goods to Arab markets.

Section Two: The Reality of Foreign Trade in Algeria

1. The Volume of Algerian Exports and Imports

To study the current state of foreign trade in Algeria, it is first necessary to examine the value of Algeria’s exports and imports, particularly after the country’s recovery from the “Black Decade” (the 1990s civil conflict), the subsequent increase in economic activity, and Algeria’s accession to both the World Trade Organization (WTO) and the Greater Arab Free Trade Area (GAFTA).

The following table illustrates the evolution of Algeria’s commodity exports and imports during the period 2014–2024:

Table 1: Evolution of Algerian Commodity Exports and Imports (2014–2024)

⁷ Hassani, Omar. *Previously cited reference*, p. 139.

Unit: Billion USD

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Value of Exports	60.3	34.7	29.9	35.1	41.7	35.8	23.2	38.6	61.1	54.9	49.3
Value of Imports	58.6	51.8	47	46	46.3	41.9	34.4	—	48.3	53.5	47.4

Source:

- Arab Investment and Export Credit Guarantee Corporation, *Annual Report 2023*
- *Bank of Algeria Reports, 2024*

From 2015 to 2019, it is observed that Algeria's import bill exceeded its export revenues, which can be attributed to the crisis in global oil prices and their continuous decline. The average price per barrel in 2015 was around 50 USD, which significantly reduced the value of Algeria's exports, given the country's heavy dependence on hydrocarbons. This situation resulted in a trade balance deficit for Algeria during that period.

As for 2020, the value of imports decreased by 18%, reaching 34.4 billion USD, down from 42 billion USD recorded in 2019. Meanwhile, exports also declined to 23.8 billion USD, compared to 35 billion USD in 2019. This was mainly due to the drop in global oil prices, caused by reduced demand following the economic lockdown measures implemented worldwide in response to the COVID-19 pandemic.

Despite this challenging context, several industrial and agricultural sectors—such as plastics, packaging, cement, paper, food products, and dates—managed to maintain their export activities during 2020.

Furthermore, the year 2020 witnessed a comprehensive reassessment of Algeria's trade and partnership agreements, including the Association Agreement with the European Union, the Free Trade Agreement within the Greater Arab Free Trade Area (GAFTA), and the Preferential Trade Agreement with Tunisia.

2. The Main Trade Exchanges of Algeria

Algeria's main trade exchanges in 2019 were conducted with Europe, accounting for 14.58% of the total trade volume. Trade between Algeria and European countries amounted to \$21.45 billion during the previous year, compared to \$24.96 billion in 2018, representing a 13% decrease.

Thus, European countries remain Algeria's principal trading partners, as 69.63% of Algerian exports and 40.53% of its imports were carried out with countries in this region, including the European Union. In fact, Algeria's exports to European countries reached \$18.22 billion, compared to \$26.55 billion the previous year, marking a decline of 14.08%.

Conversely, Algeria imported goods from Europe valued at \$19.39 billion, compared to approximately \$21.41 billion, indicating a decrease of 11.87%. France, Italy, Spain, and the United Kingdom remain Algeria's main European partners.

Asian countries ranked second in terms of Algeria's trade volume, holding a 23.92% share of the total trade value, which reached \$18.60 billion, compared to \$19.06 billion, showing a slight decline of 2.44%.

Asian nations purchased Algerian products worth \$6.24 billion, compared to \$5.77 billion during the same reference period, reflecting an 11.28% increase.⁸ Algeria's imports from Asia, however, decreased by 8.40%, totaling \$12.17 billion compared to \$13.29 billion previously.

China, India, Saudi Arabia, and South Korea are among Algeria's most important trading partners in Asia.

The American continents ranked third, with a 6.25% share of Algeria's total trade value, amounting to \$9.25 billion, compared to \$12.95 billion, a decline of 26.48%.

Algerian exports to the Americas dropped by 44.85%, totaling \$3.88 billion in 2019, compared to \$7.04 billion in 2018. Meanwhile, Algeria's imports from the region amounted to \$5.63 billion, compared to \$5.91 billion, reflecting a 4.66% decrease.

Section Three: The Reality of Intra-Arab Foreign Trade

In light of the increasing strategic challenges in the Arab region, the rapid transformations in economic systems and international trade, the growing influence of global organizations and institutions, and the emergence and expansion of international economic blocs, the development of foreign trade is considered one of the main approaches to achieving greater economic integration among Arab countries—primarily through the enhancement of intra-Arab trade.

Arab states have strived to establish solid foundations for the sustainable growth of intra-Arab trade by concluding bilateral and multilateral trade agreements, implementing joint programs for the financing and guarantee of Arab trade, and establishing free trade zones among several Arab nations.

1. Intra-Arab Trade During the Period 2017–2023

The average value of intra-Arab merchandise trade declined by 7.9% in 2023, reaching approximately 119.2 billion USD, compared to about 129.4 billion USD in 2022. Both intra-Arab exports and imports recorded decreases during 2023, by 5.1% and 10.6%, respectively.

This decline in intra-Arab merchandise trade is attributed to the fluctuations in global oil and commodity prices, in addition to the geopolitical developments taking place in the region.

In contrast, the year 2021 witnessed an improvement in the performance of Arab merchandise trade, owing to the partial easing of restrictions imposed to overcome the COVID-19 pandemic, which in turn led to a revival in trade flows among Arab countries.

This improvement was also supported by the rise in oil and commodity prices in global markets, as well as the beginning of economic recovery and its impact on increasing industrial and production levels in Arab nations. These factors collectively contributed to the growth in the value of intra-Arab trade over the subsequent years—from 2021 to 2023.

⁸ Ministry of Trade and Export Promotion. *Statistics and Reports*. For more information, please visit:

<https://www.commerce.gov.dz/statistiques/echanges-commerciaux#:~:text=%D8%A3%D9%85%D8%A7%20%D8%A3%D9%87%D9%85%20%D9%85%D9%85%D9%88%D9%86%D9%8A%20%D8%A7%D9%84%D8%AC%D8%B2%D8%A7%D8%A6%D8%B1%20%D9%87%D9%8A,%D8%A8%D8%A%D8%B1%D8%A7%D8%AC%D8%B9%20%D9%82%D8%AF%D8%B1%D9%87%20%2C49%20%D8%A8%D8%A7%D9%84%D9%85%D8%A6%D8%A9>.

Table No. (02): Performance of Intra-Arab Trade During the Period 2017–2023*Unit: Billion USD*

Year	2017	2018	2019	2020	2021	2022	2023
Average Intra-Arab Trade	105.5	112.6	113	96.9	114	129.4	119.2
Intra-Arab Exports	108.1	112.2	112.9	99.4	115.9	127.7	121.2
Intra-Arab Imports	102.9	113.1	112.5	94.4	112.2	131.2	117.3

Source: *Unified Arab Economic Report (2024)*

As a result of the aforementioned developments,

the average value of intra-Arab trade increased significantly in 2021, by about 17.5%, reaching 112.5 billion USD, compared to around 95.8 billion USD in 2020. Both intra-Arab exports and imports recorded increases in 2021, by 15.3% and 19.7% respectively, reaching approximately 113.9 billion USD and 111.2 billion USD in that same year.

Regarding the structure of intra-Arab imports, it is well known that intra-Arab imports are essentially the same as intra-Arab exports, in addition to the value of freight and insurance. Therefore, from a theoretical perspective, the commodity structure of intra-Arab imports should not differ from that of intra-Arab exports. However, in practice, statistical discrepancies arise due to differences in classification, registration, and data recording methods. This results in variances between export and import figures, leading to discrepancies in the values of commodity groups for intra-Arab exports and imports.

At the level of individual Arab countries, intra-Arab exports increased in eighteen Arab countries during 2021, with growth rates ranging from 0.7% in Morocco to 92.5% in Kuwait, compared to 2020.

As for Algeria, it ranked 13th among Arab countries in terms of intra-Arab exports, due to its stronger reliance on European partners rather than Arab markets.

The following table illustrates this ranking:

Table No. (03): Evolution of Intra-Arab Merchandise Exports During the Period 2021–2023*Unit: Billion USD*

Share of Total Intra-Arab Exports	2023	2022	2021	Country	2023 Rank
37%	97	98.1	101.5	United Arab Emirates	1
17.90%	45.4	57	41.8	Saudi Arabia	2
17.60%	44.6	10	6.9	Kuwait	3

5%	13.5	13.2	10.7	Egypt	4
4%	10.9	12.2	11	Bahrain	5
4%	10.5	10.3	8.9	Sultanate of Oman	6
3%	7.1	7.1	5.3	Qatar	7
2%	4.9	4.2	3.4	Jordan	8
2%	4.8	3.9	0.7	Syria	9
2%	4.5	4.3	3.2	Iraq	10
1%	2.8	2.5	2.5	Sudan	11
1%	2.5	2.3	2.1	Djibouti	12
1%	2.5	1.5	1.3	Morocco	13
1%	2.4	2.3	1.5	Libya	14
1%	2.1	2.3	2.3	Algeria	15
1%	1.8	1.8	1.5	Tunisia	16
1%	1.7	2.5	2	Lebanon	17
0.00%	0.5	0.4	0	Mauritania	18
0.00%	0.2	0.2	0.1	Palestine	19
0.00%	0.1	0.2	0.2	Yemen	20
0.00%	0	0.5	0.3	Somalia	21

Source:

- Arab Investment & Export Credit Guarantee Corporation, *World and Arab Region International Trade Indicators Database*, 2023.
- *United Nations Conference on Trade and Development (UNCTAD)*.

Total Arab exports increased to 1,038.2 billion USD in 2021, compared to 755.6 billion USD in 2020, marking a growth rate of approximately 37.4%.

Meanwhile, the overall performance of Arab merchandise imports also improved, though at a lower rate than exports, reaching 810.4 billion USD in 2021,⁹ compared to about 746.3 billion USD in 2020, reflecting an increase of 8.6%.

Regarding Arab trade trends in 2021, data showed only limited changes in the shares of trading partners. Intra-Arab exports accounted for 11.0% of total exports, down from 13.1% in the previous year.

⁹ Arab Unified Economic Report. Retrieved from: <https://www.amf.org.ae/sites/default/files/publications/2022-12/%D8%A7%D9%84%D8%AA%D9%82%D8%B1%D9%8A%D8%B1%20%D8%A7%D9%84%D8%A7%D9%82%D8%AA%D8%B5%D8%A7%D8%AF%D9%8A%20%D8%A7%D9%84%D8%B9%D8%B1%D8%A8%D9%8A%20%D8%A7%D9%84%D9%85%D9%88%D8%AD%D8%AF%20-%202022.pdf>

As for intra-Arab merchandise imports during 2021, Iraq recorded a decline of 15.1% compared to 2020, while imports increased in the rest of the Arab countries at rates ranging from 0.8% in Oman to 69.2% in Qatar.

Algeria ranked 11th, with an import value ranging between 2.5 and 3 billion USD, which is higher than its intra-Arab export value (which did not exceed 2.3 billion USD). This indicates that Algeria does not rely heavily on intra-Arab trade.

In 2022, conditions improved significantly in most Arab countries, as shown in the following table:

Table No. (04): Evolution of Intra-Arab Merchandise Imports During 2021 and 2022

Unit: Billion USD

Change (2021/2022)	Share of Total Intra-Arab Imports	2022	2021	Country	2022 Rank
12.5	28.60%	53.5	41	United Arab Emirates	1
6	16.30%	30.5	24.5	Saudi Arabia	2
4.8	10.50%	19.7	14.9	Sultanate of Oman	3
3.1	8.10%	15.2	12.1	Egypt	4
3.7	6.60%	12.3	8.6	Iraq	5
3.6	4.60%	8.6	5	Morocco	6
0.3	4.00%	7.4	7.1	Kuwait	7
1.8	3.70%	7	5.2	Bahrain	8
-0.4	3.10%	5.7	6.1	Jordan	9
0.7	2.30%	4.4	3.6	Libya	10
0.8	1.80%	3.3	2.5	Algeria	11
0.8	1.50%	2.9	2.1	Lebanon	12
0.3	1.40%	2.6	2.3	Sudan	13
0.6	1.40%	2.6	1.9	Syria	14
0.2	1.40%	2.6	2.3	Yemen	15
0.5	1.40%	2.6	2.1	Tunisia	16
0.9	1.20%	2.3	1.4	Qatar	17
0.3	1.00%	1.9	1.6	Djibouti	18

0.1	0.50%	1	0.9	Mauritania	19
0.2	0.50%	0.9	0.7	Palestine	20
0	0.10%	0.2	0.2	Comoros	21
-0.6	0.00%	0	0.6	Somalia	22

- **Source:** Arab Investment & Export Credit Guarantee Corporation, *World and Arab Region International Trade Indicators Database*, 2023.

The total value of Arab merchandise trade in 2021 amounted to USD 1,848.6 billion, compared to USD 1,501.9 billion in 2020, reflecting an increase of 23.1%, contrary to the expectations of international organizations.

2. The Contribution of Intra-Arab Trade to the Foreign Trade of Arab Countries

The share of intra-Arab exports in total merchandise exports of Arab countries declined to around 11.0% in 2021, as a result of the higher growth rate in total merchandise exports compared to the growth rate of intra-Arab exports.

In contrast, the share of intra-Arab merchandise imports in total Arab imports increased, reaching about 13.7% in 2021, compared to 12.4% in 2020. This indicates a relative improvement in intra-regional trade integration on the import side.

Table No. 05: Contribution of Intra-Arab Trade to the Total Foreign Trade of Arab Countries (2017–2021)

Unit: Percentage (%)

Year	Intra-Arab Exports as % of Total Arab Exports	Intra-Arab Imports as % of Total Arab Imports
2017	11.9	13
2018	10.3	13.7
2019	11.1	13.1
2020	13.1	12.4
2021	11	13.7

Source: *Arab Economic Unified Report*, 2024.

In 2021, the intra-Arab export shares of countries such as the United Arab Emirates, Tunisia, Algeria, Djibouti, Iraq, Kuwait, Libya, Morocco, Mauritania, and Qatar remained relatively low, indicating limited integration into intra-Arab trade networks.

Regarding intra-Arab merchandise imports, eleven Arab countries recorded shares above the overall Arab average (13.7%). Among them, Oman achieved the highest share, with intra-Arab imports representing 45% of its total merchandise imports in 2021.

In contrast, most other Arab countries exhibited lower intra-Arab import shares, remaining below the average contribution of intra-Arab trade to total Arab imports — reflecting the uneven distribution of trade integration across the region.

Section Four: The Volume of Trade Exchanges Between Algeria and Other Arab Countries

1. The Reality of Intra-Arab Trade Exchanges

The volume of trade exchange between Algeria and Arab countries reached USD 5 billion in 2022, marking an increase of 11% compared to the data recorded in 2021. Tunisia emerged as Algeria's largest Arab trading partner during the same period, with bilateral trade amounting to USD 1.124 billion, representing a 12% rise compared to 2021.¹⁰

Regarding Algeria's trade balance with Arab countries, it fluctuated between surplus and deficit, although Algerian exports to Arab states have shown positive growth since the country's accession to the Greater Arab Free Trade Area (GAFTA). The average volume of Algerian exports to Arab markets during the period 2009–2021 exceeded USD 3.3 billion, representing about 6% of Algeria's total global exports over the same period.

In adherence to its commitments under the requirements of the Greater Arab Free Trade Area, which stipulate duty-free exchange of goods among Arab states, and as part of its effort to enhance Arab economic cooperation, Algeria officially abolished at the beginning of the current year the negative list of goods excluded from customs exemptions, a list that had been in force since 2010.

Algeria's exports to Arab countries mainly consist of petroleum derivatives, rubber, iron and steel products, electrical equipment, and machinery, in addition to agricultural and food products such as sugar, vegetables, and fruits.

Meanwhile, Algeria's imports from Arab countries include fertilizers, various mechanical devices and machines, plastics, organic chemicals, steel, as well as books and publications.

During the same period, Tunisia remained Algeria's top Arab trading partner, with trade between the two countries valued at USD 1.124 billion, up by 12% compared to 2021. Saudi Arabia ranked second, with USD 989 million, recording a notable increase of 39% from the previous year. It was followed by Egypt, which witnessed a significant growth rate of 42%, reaching USD 952 million in 2022.

The United Arab Emirates ranked fourth, with bilateral trade amounting to USD 380 million, showing a slight increase of 0.5%. In contrast, trade with Morocco declined sharply by more than 57%, bringing the total volume down to USD 329 million.

Jordan ranked sixth among Algeria's Arab trading partners, with USD 283 million in trade, reflecting a 30% increase compared to 2021. It was followed by Bahrain, in seventh place, with USD 279 million, marking the highest growth rate among Arab partners—over 53% compared to previous figures.

Since Algeria's accession to the Greater Arab Free Trade Area in 2009, the annual average volume of trade exchanges between Algeria and Arab countries has reached approximately USD 4.7 billion. The lowest level was recorded in 2009 at about USD 3 billion, while the highest level was achieved in 2013, reaching USD 6.7 billion.

The average export volume during the period 2009–2021 exceeded USD 3.3 billion, accounting for 6% of Algeria's total exports to the world. Meanwhile, Algeria's imports from Arab countries averaged USD 2.4 billion annually during the same period, reflecting moderate but stable intra-Arab trade relations.¹¹

2. Challenges

¹⁰ <https://algeriemaintenant.dz/>

¹¹ <https://www.aps.dz/ar/economie/133472-7-4>

The Greater Arab Free Trade Area (GAFTA) represents a significant opportunity for Algeria to diversify its economy and strengthen its non-oil exports. However, success in leveraging this opportunity depends largely on the following key factors:

- **Enhancing the competitiveness of non-oil sectors** through modernization and productivity improvement.
- **Developing logistical infrastructure**, particularly transport and customs facilities.
- **Encouraging joint Arab investments** to stimulate industrial integration and technological transfer.
- **Activating export support policies** to promote Algerian products in Arab markets.

Without substantial domestic economic reforms, the impact of GAFTA on Algeria's external trade may remain limited, despite the country's considerable theoretical potential.

Conclusion

Foreign trade represents one of the fundamental pillars of the national economy for all countries—both developed and developing. The international exchange of goods and services, commonly referred to as foreign or international trade, encompasses economic transactions conducted across national borders.

Algeria's ability to benefit from the Greater Arab Free Trade Area depends on its capacity to exploit available resources effectively, by improving the competitiveness of Algerian products, strengthening the industrial fabric, and instilling a culture of export-oriented production among Algerian economic operators. This approach would allow Algeria to position itself effectively and gain a strong presence in Arab markets.

The products exchanged within the framework of the Greater Arab Free Trade Area include a wide range of goods covering industrial, agricultural, energy, and cultural sectors.

Main Findings of the Study

- The intra-Arab trade share represents about 13.8% of the total foreign trade of Arab countries—a relatively modest proportion that falls short of expectations, especially when compared with the levels recorded by other regional economic blocs.
- Regarding imports, the rising import bill remains concentrated geographically, as around two-thirds of Algeria's imports come from the European Union, priced in euros. This situation exposes Algeria to exchange rate fluctuations, particularly due to the depreciation of the U.S. dollar, resulting in notable losses in the trade balance.
- There is an urgent need to strengthen trade among regional blocs, including the Arab region, as this has become a necessity rather than an option to enhance Arab economic integration, particularly amid current global economic changes and the need for stronger intra-Arab trade relations that remain below expectations.
- In terms of geographical distribution of trade, the European Union remains Algeria's primary trading partner, both for exports and imports, while Algeria's trade with Arab countries remains very limited.
- As for the composition of exports and imports, no significant structural change has occurred in Algeria's trade pattern despite several adjustments in foreign trade policy. The hydrocarbon sector continues to dominate exports, while consumer goods—particularly

food products—capital goods, and semi-finished goods still occupy the top ranks in Algeria's import structure.

Study Recommendations

- Establish free zones and industrial cities, and reduce customs duties to encourage investment and trade flow.
- Accelerate the completion of all requirements for implementing the Greater Arab Free Trade Area, including the establishment of an Arab Customs Union, the full activation of the Arab Trade in Services Liberalization Agreement, and the strengthening of dispute resolution, monitoring, and follow-up mechanisms.
- Explore opportunities for integration among key productive sectors to enhance the benefits of Arab free trade agreements, with a focus on developing regional value chains that support Arab export growth and facilitate integration into global value chains.
- Promote harmonization and convergence of economic policies among Arab countries to ensure policy coherence and trade facilitation.
- Encourage foreign and domestic investment in the agricultural and industrial sectors to reduce import dependency and enhance food and industrial security.
- Leverage the experiences of countries that have achieved advanced stages of economic integration, such as European nations, to understand the factors behind their success and adopt effective trade and economic policies.
- Expand regional and international trade exchanges, particularly with Arab and neighboring countries, to diversify partnerships beyond the European Union and foster a more balanced external trade structure.

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