Algeria Trade Brief

Trade Policy

Algeria started 2008 having made progress in reforming its trade regime towards achieving WTO accession. Based on its 12.4 percent MFN Tariff Trade Restrictive Index (TTRI)[1] for 2007 the openness of Algeria's trade regime is similar to that of an average Middle East and North Africa (MNA) country (11.9 percent), but more restrictive than that of an average upper-middle-income country (6.9 percent). Similar to the majority of other countries in the region, Algeria is more protective of its agricultural goods (13.8 percent) than of its non-agricultural ones (12.1 percent). Based on the TTRI, it ranks 105th out of 125 countries (where 1st is least restrictive). The simple average of its MFN applied tariff has been relatively constant in the 2000s (an indication that Algeria's trading regime has not changed considerably) and in 2008 it was 18.6 percent. Taking into account preferences does not change the simple average of the applied tariff significantly (18.0 percent). Algeria has a maximum MFN applied tariff, excluding alcohol and tobacco, of only 30 percent, which is much lower than the regional average of 387.6 percent. However, the share of tariff lines with zero MFN is only 1.8 percent, and the share of tariff lines with duties higher than 15 percent (international peaks) is 40.3 percent.

As food prices soared, the Algerian government increased the allowed amount of meat that could be imported in the period between May and August 2008.[2] In the context of the global crisis and the plummeting of oil prices, there has been significant backsliding of reform since December 2008. These include additional requirements for imports (such as financing imports only through letters of credit), several restrictive measures on foreign investment (such as restricting foreign ownership to 49 percent, and increasing regulation on initial establishment, and resale of assets and imported goods), and setbacks in the privatization initiative.[3]

External Environment

Algeria's exports face a very favorable trading environment, especially when compared to its region and income comparators. Algeria's Market Access TTRI[4] (including preferences) of 0.6 percent is below the regional and income group averages of 2.1 and 2.3 percent, respectively. The simple average of the overall rest of the world tariff (including preferences) faced by the country's exports is 10.7 percent. When its trade flows are taken into consideration, it is apparent that Algerian exports have very good access to international markets. Algeria mainly exports hydrocarbons, which explains the low weighted rest of the world tariff (including preferences) of only 0.2 percent. The Algerian dinar has appreciated by 2.9 percent in real, trade-weighted terms in 2008, making exporters less competitive abroad. However, as oil revenues declined, the dinar has been depreciating against the dollar and the euro since October 2008.[5]

The last round of negotiations for Algeria's WTO accession ended in January 2008, and as of June 2009, WTO had not scheduled any new meetings since they have not received any inputs from the Algerian government.[6] Algeria has announced in early 2009 that it will be joining the Arab Free Trade Area.[7]

Behind the Border Constraints

Global rankings point to a somewhat weak institutional environment in 2009, with Algeria being ranked 136th in the Ease of Doing Business index, which looks at the business environment in 183 countries. Additionally, Algeria's Logistics Performance Index score, which reflects the extent of trade facilitation in the country, is slightly above the regional but below the income group average. Algeria scores 2.47 on a scale of 1 to 5, with 5 being the highest performance, while the regional and income group averages are 2.42 and 2.85, respectively. Algeria ranked 140th out of 150 countries and 10th in the MNA

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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region. The logistics indicator on which it performed the best is domestic logistics costs, while it needs most improvement in increasing the efficiency and effectiveness of customs and other border procedures.

Trade Outcomes

Algeria's trade growth, in real (constant 2000 U.S. dollar) terms, has accelerated in 2008, rising to 8.1 percent from an average rate of 2.7 percent over the 2005–07 period. This was influenced by acceleration in the growth rates of both imports (from 5.1 to 12.3 percent) and exports (from 1.0 to 5.0 percent). However, it is expected that both exports and imports will decline in 2009, with a steeper fall in exports.

An exporter of oil (hydrocarbons account for around 98 percent of export revenue since 2003),[8] Algeria benefited from high oil prices which peaked at US$147 per barrel in July 2008. Its exports, in nominal U.S. dollars, grew by an estimated 43.2 percent in 2008, compared to 2.6 percent the year before. Its import growth has also increased to an estimated 36.3 percent from an estimated 29.2 percent, resulting in a steep acceleration of trade growth in nominal terms, from an estimated 10.8 percent in 2007 to an estimated 40.7 percent in 2008. But, as fuel prices fell in the second part of 2008, to around US$40 in early 2009, Algeria's exports declined. In the fourth quarter of 2008 its exports fell by 26.1 percent on year-on-year basis,[9] and the decline continued in 2009 when its exports fell by 40 percent the first six months compared to the same period in 2008. This decline was driven by a fall in revenue from hydrocarbons, which fell by 50 percent in the first half of 2009 on year-on-year basis.[10]

Notes

1. TTRI calculates the equivalent uniform tariff that would keep domestic welfare constant. It is weighted by import shares and import demand elasticity.
2. FAO, 2009.
3. World Bank, Fall 2009, p. 6.
4. MA-TTRI calculates the equivalent uniform tariff of trading partners that would keep their level of imports constant. It is weighted by import values and import demand elasticities of trading partners.
5. World Bank, Fall 2009, p. 5.
6. World Bank, Fall 2009, p. 5.
7. TSA, May 19, 2009.
8. World Bank, Fall 2009, p. 2.
9. Bank of Algeria, March 2008, p. 10; March 2009, p. 15.
10. World Bank, Fall 2009, p. 2.

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