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Promising sectors in Algeria as a strategy for export development

القطاعات الواعدة في الجزائر كاستراتيجية لتطوير الصادرات

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Abstract: This study aims to analyze the rehabilitation of promising sectors in Algeria and to discuss the intervention policies that can be adopted with the help of reforms to reduce the negative effects of economic globalization. The study concludes that the lack of a deep political will to carry out reforms negatively affects the national economy, due to the lack of comprehensive economic reform and the modernization of the industrial sector.

Therefore, the government must first speed up a comprehensive economic reform and increase the industry's efficiency by changing the composition of the industrial products in favor of products with higher value-added. As for the business environment, the focus should be placed on adopting measures that reduce administrative and institutional constraints that private sector operations suffer from and modernizing infrastructure, and proposing a set of rules for amending comprehensive reform policies and drawing them in a manner characterized by confidence, comprehensiveness, and stability to develop exports.

Key words: The industrial sector.; exports; promising sectors; reform policies.

JEL classification : O11; O14; O24.

المخلص

تهدف هذه الدراسة إلى تحليل تأهيل القطاعات الواعدة في الجزائر ومناقشة سياسات التدخل التي يمكن اعتمادها بمعيار الإصلاحات للتقليل من الآثار السلبية للعولمة الاقتصادية. توصلت الدراسة إلى أن عدم وجود إرادة سياسية للقيام بإصلاحات عميقة يؤثر سلبا على الاقتصاد الوطني، نظرا لعدم إجراء إصلاح اقتصادي شامل، وتحديث للقطاع الصناعي، لذلك فإنه يجب على الحكومة الإسراع بإجراء إصلاح اقتصادي شامل أولا وزيادة فعالية الصناعة من خلال تغيير تشكيلة المنتجات لصالح المنتجات

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ذات القيمة المضافة الأعلى، أما فيما يخص بيئة الأعمال فيجب التركيز على اعتماد إجراءات تخفض القيود الإدارية والمؤسسية التي تعاني منها عمليات القطاع الخاص، وتحديث البنية الأساسية، واقتراح مجموعة من القواعد لتعديل سياسات الإصلاح الشامل ورسمها بطريقة تتسم بالثقة حتى يتم من خلالها تنمية الصادرات.

كلمات مفتاحية: القطاع الصناعي، الصادرات، القطاعات الواعدة، الإصلاحات السياسية.

تصنيف JEL: O24 O11 ,O14,

INTRODUCTION

The culture of rehabilitating the economic sectors presents a great opportunity for the state to integrate into the global economy, which consists of four dimensions: The first is a single market based on quality, titled competition, and driven by transparency and full vision. The second is the driving force of science, knowledge, and technology. The third is the dominance of the free economy, economic blocs, and partnerships as prominent features. The fourth is that the twenty-first century's world is one in which only the strongest survive.

Since the rehabilitation of economic sectors will have permanent effects on the national economy in general and the industrial sector in particular. The national industry has no future except within the framework of export orientation, and greater integration into the global market, by improving industrial performance to attract the required foreign investment and covering the difference between domestic savings of (18%) of the output, and the required savings rate of 27%, to address the basic problem afflicting the national economy, represented by low rates of economic growth, and the resulting high rates of unemployment.

• Problem

In light of the foregoing, the problem of this study is summarized in the following question

How can the promising economic sectors in Algeria be rehabilitated to develop national exports?

This problem can be subdivided following

- 1 -What are the policies followed to advance technology and its importance in the industrial sector?
- 2 - What is the state's role in implementing the strategy of rehabilitating promising sectors and developing exports?

3- What is the role and contribution of the private sector in the development of national exports?

- **Hypotheses:**

1 - Industrialization imposes the development of other economic sectors, especially infrastructure, which are of great importance in a developing country that seeks rapid growth;

2- Industry depends on scientific research and development because industrial development is linked to scientific research and is applicable in all developed countries

- **Research paper goals:**

1. Addressing the importance of the economic policies and the proposed reforms, especially the appropriate fiscal policy to compensate for the shortfall in customs revenues, the foreign trade policy, and the privatization policy to enable the state to obtain full benefits and reduce short-term negative effects;

2. Study and analysis of the nature and extent of the potential impact of reforms on the national economy, especially on the industrial sector, and the stagnation of foreign direct investment, and how the benefits from these reforms can be maximized by using them as one of the components of an integrated strategy for economic growth in light of the state's endeavor to raise the future economic growth rate.

- **Methodology of research:**

The research used the descriptive-analytic approach to illustrate the different promising sectors and analysis the policies adopted by the Algerian government.

- **Previous studies:**

1 - Abdelhak Bin Tafat: The contribution of the food industry to economic development in Algeria This study seeks to highlight the role of the food industry in economic development and the development of the national economy

2 - The second study was carried out by the Institute of Quantitative National Economy in Tunisia in 1996, and it was an econometric study using a simple equilibrium model, based on a set of traditional assumptions, including perfect competition. The model was static, as the terms of exchange were absent, given that the prices of exports and imports were fixed

- **Search split:**

The research paper has been divided into four elements whose purpose is to answer the problem at hand. The first element dealt with the promising sectors in Algeria, while the second element touched upon the policies used to advance technology and its importance in the industrial sector, and the third element dealt with the role of the state in implementing the strategy of rehabilitating promising sectors and developing Exports, while the fourth element included the role of the private sector and its importance in attracting foreign investment and developing national exports

1. Promising sectors in Algeria

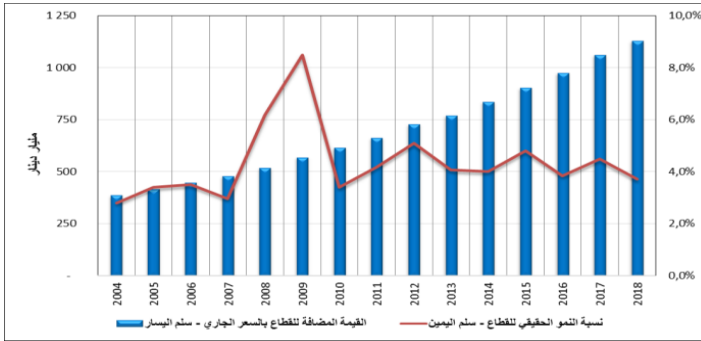
The Algerian government has adopted a broad reform program to transform and restructure the production sector to revive the manufacturing sector and develop small and medium industries. The government also hopes to improve the competitiveness of local enterprises and attract foreign direct investment in productive sectors. In this regard, measures have been taken to encourage investments, as the government targets sectors with high growth potential, which are petrochemicals, fertilizers, steel, mining, building materials, and the food industry, in addition to promising industries in Algeria such as the pharmaceutical industry, automobiles, and information and communication technology.

1.1. Petrochemicals and fertilizers:

Given the strong demand that Algeria is witnessing at the local and international levels, the Algerian government is seeking to exploit the large gas resources that exist in Algeria to develop the source of petrochemical production, especially plastics and other fibers. Through gas resources, Algeria will be able to specialize in the production and export of urea. The high global demand for fertilizers has led to more exploitation of Algeria's huge reserves of phosphates located in Jebel Onk, which are exploited extensively (1.5 million tons annually to form a reserve of 2 billion tons) a branch is currently being organized to extract phosphoric acid. In this sector, we find the production of plastics, resins, and other textile fibers and a project for the production of urea and fertilizers. Among the ongoing petrochemical projects, we find poles of competitiveness in HassiMessaoud, Ouargla, Ghardaia, Constantine, Annaba, and Skikda, in addition to opening companies by foreign groups in partnership with local companies (Sonatrach) for ammonia, urea, fertilizers, and lubricants.

1.2. Electrical and electronic industries:

Fig01: The growth of the industrial sector during the period 2015-2016

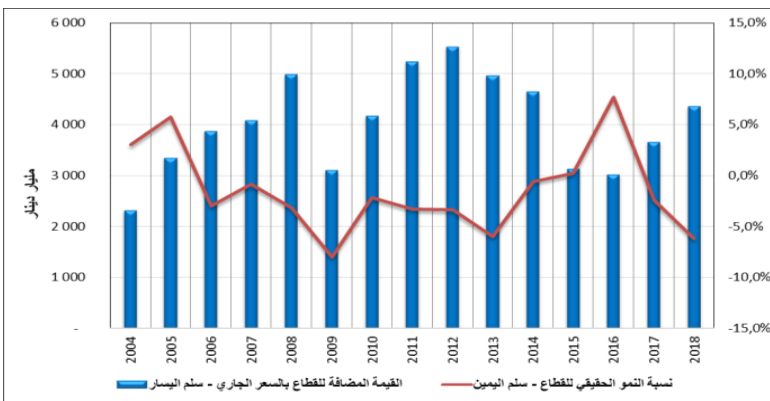


Source: Annual Report 2018 of the Bank of Algeria

The Algerian government seeks to develop the electrical and electronic industries due to the volume of local demand, through innovation and diversification of products. The state also encourages the development of specialized electronics. As opportunities to invest in this sector, we find the production and export of electrical cables, electronic components, household appliances and electronics, and the development of solar energy and power stations. And this sector has attracted the investment of international companies, where we find mainly Korean LG Electronics, Dutch Philips, the French Facts, The Egyptian El-Sewedy Cables Group, and the Emirates Electrocab Emirates.

1.3. Oil, Energy, and Metals:

Fig02: The growth of the hydrocarbon sector during the period 2015-2016



Source: Annual Report 2018 of the Bank of Algeria

Algeria is the third-largest oil producer after Nigeria and Libya due to its availability of large oil and gas resources. The sector opened in the 1990s and the oil sector accounts for 48% of GDP and 98% of export earnings. It is planned to establish several power plants and triple the internal gas distribution network to meet the sharp rise in consumption - \$12 billion in investments during the period 2000-2010. Algeria also aims to provide 6% of renewable energy in the total electricity production. By the year 2015, it hopes to develop mining exploitation and therefore it is necessary to inject huge investments in infrastructure. Among the opportunities available in Algeria, we also find the exploitation of gas, pipeline construction, power generation, and mineral exploitation. New projects are currently being implemented, such as the project for the new city of HassiMessaoud and the poles of competitiveness for petrochemicals and renewable energy.

1.4. Medicine, pharmacy, and medical care

The Algerian pharmaceutical industry suffers in covering domestic demand, as it recorded a decline in growth rates between 1999 and 2006, and its imports are increasing more and more, burdening the state budget, as it reached 3 billion in 2010. To reduce this increasing dependence, Algeria seeks to expand the scope of its products increasing industries and sectors in the fields of medicine, the goal being to cover 65% of pharmaceutical needs with priority given to the development of generic medicines. In this regard, the capital will be opened to the main local company, SIDAL, the mainstay of Algeria's pharmaceutical industry, which is currently establishing partnerships with international groups to develop and produce new medicines. Among these partnerships is the French branch of Hartmann, the American Pfizer, Asrata from the Kingdom of Saudi Arabia, and the company GlaxoSmithKline of Britain. There are also currently other poles projects covering competitive pharmaceutical industries.

1.5. Agriculture and food sector

The agriculture and food sector is one of the most promising sectors in Algeria. Due to insufficient investment, Algeria recorded a decline in this sector. Therefore, the National Plan for Agricultural and Rural Development aims to reduce Algeria's dependence on imports by allocating a budget of 350 billion Algerian dinars for this purpose. Thanks to the increase in the number of agricultural land and improved crops, many job opportunities were created and an annual growth rate of 6% was recorded. In addition, the government intends to take measures to create

synergy between agriculture and the agri-food sector through the law adopted in 2016. The fisheries sector also benefits from a similar plan with a budget of 67.577million Algerian dinars.

Table 01: Algeria's food commodity trade balance (2015-2016).

Unit: million

percentage change	January 2016			January 2015			Food commodities
	%	dollars	dinars	%	dollars	dinars	
-32.87	16.53	629	67.577	21.14	937	83.542	imported
-19.05	0.88	17	1801	0.82	21	1.874	exported

Source :Algerian foreign trade statistics (period: January 2016),

Among the opportunities in this sector are the production of cereals, milk, white meat, potatoes, and olive oil, the processing of fruits, and vegetables, the storage of cold food products, and fisheries products. Today, many foreign companies are settled in Algeria, including the American Cargill Group, Denmark's Arla Foods, the UAE's EIIC, the French Lactalis, the Swiss Nestle, and the Saudi Savola. It is expected to establish a project often integrated with agricultural poles, as well as poles for food and agriculture, in addition to the project of ceding agricultural lands to the private sector

Despite this, Algeria faces major challenges that limit the development of its economy and industry, including a strong dependence on oil exports, which represent 98% of total exports, which exposes it to the risks of circumstantial fluctuations in fuel prices and reduces the state's income. The significant oil revenues did not help diversify the Algerian economy, due to the rise in fuel prices during the last ten years. It is noted that the contribution of hydrocarbons to national production increased from 33% in 2002 to 48% in 2008, while the manufacturing industry's contribution declined from 7.4 % to 4 % during the same period, which alone is the key to sustainable development and support for Algeria's external competitiveness, especially after the entry into force of the Association Agreement with the European Union and the progress of negotiations to join the World Trade Organization.

2. Policies to promote technology and its importance in the industrial sector.

The scientific research and technology sector represents a basic strategic choice for comprehensive development and a civilized bet for all Arab countries. This is due to the adoption of policies by most of these countries that depend on liberalizing the economy and making it more and more open to the outside world capable of competition and striving hard to adopt the causes of progress and development. For the success of these policies, it is necessary to work on the formation of scientific and technical capabilities and the formation of qualified human resources for the success of the process of research and technological development and its application in various fields of industry, which will lead to the adaptation of scientific research to meet the needs of the industrial sector.

2.1. Involvement of industrial enterprises in building a knowledge society

The human element has been creating, through the ages, hundreds or even thousands of products that it needs in its daily life, such as means of transportation, foodstuffs, clothing, etc., and these products are inherited by civilizations and generations, developed, and used as well as imitated. Concerning imitation, M. Peter H. Mettler, a professor at the University of Frankfurt, Germany, says that imitating something is much easier than creating it again, and this is an indication of the profit of time and effort, as well as providing more chances of success and avoiding failure. Imitation also helps to reduce the time and reduce funding required to make the product and thus it helps to develop and grow with the required speed and efficiency, and the Germans imitated the British in the nineteenth century in production methods as well as in products and achieved great success, then the Japanese imitated the Germans and Americans and achieved the overwhelming success that made them in the first place in terms of development and technological innovation, and this country is considered to lead by example whenever pens tackle the subject of technology. If we go back to a period not far from now, decades ago, we will find that the famous German company, Volkswagen, has been surpassed by some other companies producing cars in terms of new models and designs. At that time, the fate of the machinery and equipment that this company exploited in Germany was known, as the company transferred all these equipment and machinery to Mexico and then became the first car manufacturer in Germany before Ford and Opel. This process enabled Mexico to gain general experience in the automotive and mechanical and electrical industries.

To achieve development, progress, and advancement in the field of knowledge, the government must (Elssouse, 2002. issue 48):

- ❖ It earns the will and provides the ability for its institutions and structures to integrate into the global system
- ❖ It sets a clear plan for its institutions and the private sector regarding the acquisition and control of knowledge
- ❖ It sets capabilities and mechanisms for motivation and encouragement to ensure the continuity and feasibility of the knowledge system.

Achieving this last point is extremely difficult, as it requires countries to make great efforts and highly experienced human capabilities of creativity and innovation to face competition and enhance their position in global markets. In this context, we cannot fail to point out what some newly industrialized countries have achieved, such as South Korea, Taiwan, and Singapore, and some other countries, such as Turkey, Brazil, and Mexico, which are also candidates to join the same classification. Referring to experiences throughout history, it becomes clear to us that industrial progress and technological development can only be achieved by following the policy of stages, and that the success and continuity of an industrial experiment are not recorded if it exceeds any of the stages that must be followed because each stage requires the exploitation and development of knowledge of the stage that preceded her

2.2. Identifying the technological resources within the industrial establishments.

The gathering of scientific and technical competencies is a necessary matter for the completion of any technological renewal project within the industrial establishments. Do industrial Corporations have the technologies needed to complete a technological renewal project? This disclosure enables the identification of the reality of the internal capabilities of the institution and leads to the identification of technologies available outside the institution, and this process is the starting point for the so-called technological resource management. In all cases, the detection process generally leads to identifying the reality of the institution's capabilities in the field of technological innovation. Either the institution can achieve its desire to complete the project by relying on its capabilities, or its technological ability does not allow it to do so, so it is in front of it, in this case, four options are

- Develop its capacity by itself, that is, it embarks on a research and development process to be able to find the appropriate technological grounds for the completion of the project, and this option is one of the most desirable options for young institutions in the technological field
- Relying on the handling method, meaning assigning another party to complete the project in full or to complete part of it, and the party chosen to carry out this task is, in most cases, either contract research institutions or industrial technical centers
- Purchasing technology through exploitation contracts. Purchasing technology is a good way to meet the needs of industrial establishments at the required speed and appropriate prices in most cases, and it is a viable solution for institutions that do not appreciate or do not want a research and development process.

It should be noted that there is no technology that is ready for use, as experience has shown that the institution that buys a specific technology, must adapt it according to its capabilities as well as according to the renovation project that it will undertake. In this context, we cite the experience carried out by the French company Loraine Glace, as it was the first French company to incorporate into its food a new type of chemical produced by the United States, which is used to bring a kind of ice cream, but it continued its research and succeeded in obtaining a product in line with French customs. In eating as well as the French taste that differs from the American taste.

2.3. Activating the role of the private sector in supporting research and development activities.

Globalization, economic openness, and market liberalization made developing countries in constant confrontation with the challenges imposed on them by industrialized countries. Therefore, these countries sought to restructure their economies and review their policies to protect their industrial enterprises from intense competition and keep pace with the pace of technological acceleration. However, the features of the policies adopted by most countries on the path of growth have not clearly and directly controlled the role of the private sector in these confrontations, which made those in charge of the private sector work in an environment characterized by inaccuracy in terms of trends and needs in the field of technology and research in general. Looking back not too

long ago, it turns out that the Maghreb industrial establishments did not pay much attention to the field of research and development, and their role, in that period, was limited to the role of spectator of the changes and developments taking place around them in the world of research, manufacturing, and innovation, which made them unable to identify even the starting point that it must be started, but this does not deny that these institutions have exceeded that period thanks to the development and maturity of the private sector at present, which increases the importance of its role and the greater its responsibility in creating opportunities for development and growth and opening greater horizons for the Maghreb countries to enable them to achieve their advancement and prosperity. All studies have confirmed that the involvement of the private sector in building a strategy for research and technological development has achieved significant progress in the field of technology transfer, acquisition, and control, and has contributed to expanding the circle of knowledge and disseminating it in various industrial fields and focusing it on the cost of those involved in the field of research and creativity. Therefore, it can be said that channels and bridges of cooperation have been created with the private sector regarding research and development activities, but they are still considered new and small in most of the Maghreb countries.

2.4. Development of financial resources and research expenditures in the private sector.

Research activities within industrial institutions in most Maghreb countries were limited to individual efforts, and during the past years, coordination between all these efforts was not carried out by the governments of these countries, as companies and industrial institutions alone bore the expenses and costs of the research projects they carried out, so it was not written for the activities of the research is to take the size that is commensurate with the market requirements and development needs, but was limited to finding solutions to the daily problems that industrialists face, and thus remained limited. Faced with this situation, many Maghreb countries, including Tunisia, took the initiative to involve industrialists in national research programs and technological projects in response to their desires to advance industrial products and boost economic growth in general. This option was demonstrated by initiating the following practical measures

- Develop a set of financial incentives and encouragements for technological development to activate the partnership between research institutions and production institutions.
- Develop an action plan to identify the contribution of industrial institutions to the effort to finance developmental scientific research and the capabilities that these institutions possess in this field.
- A technological development salon was established to urge researchers and industrialists to excel in the field of technological development and to launch innovative projects.
- Exchange of information and benefit from the information bases available at research structures, university institutions, and industrial technical centers.
- Helping researchers and industrialists demarcate their patents at home and abroad, as well as exploit the information available in foreign patents. Owners of industrial projects agree on the importance of research and technology as an essential element to support competitiveness, and on the need to mobilize the necessary funds for it, with the contribution of the competent government structures, given the large expenditures required by research projects and technologies.

2.5. Addressing the brain drain

Brain drain is one of the phenomena that pertain to most developing countries, and it causes a drain on brains, scientific minds, and technical competencies in favor of developed countries. Egypt, Syria, Lebanon, Jordan, Tunisia, and Algeria are the Arab countries most affected by this phenomenon. The number of high-efficiency tires that migrated to industrialized countries during the past twenty years can be estimated at 50,000, and most of these have settled in the United States of America, Western Europe, Canada, and Australia. The brains of Tunisia and North Africa, in general, are heading toward Western Europe. Since the beginning of 1975, a third of the qualified workforce from North Africa has migrated to France. Most of the Maghreb countries are trying to address this phenomenon by encouraging investment and creating job opportunities for cadres, scientific competencies, and researchers. Also, encouraging foreign investors to invest in the Maghreb countries would reduce the pressure that these countries face as a result of their brain drain

and the losses they cause. Leave these competencies to their countries. However, on the other hand, it is possible to benefit from the immigrant brains if the exporting country opens dialogues for it to deal with and benefit from the experience it has acquired outside the borders of the country, which is what most Maghreb countries seek, which have been monitoring the effects of their children from immigrants in all countries of the world in an attempt to return them to their countries, or at least benefit from their experiences, by involving them in national programs related to their field of activity.

3. The state's role in implementing the strategy of rehabilitating the promising sectors and developing exports.

The role of the state (Seifan, 2005) depends on carrying out a process of the deep and comprehensive reform of the national economy, whether at the level of the adopted economic policies or its structures, reforming the institutional framework to attract foreign direct investment, and modernizing the national industry given the importance of this role in creating and building competitiveness in light of what the global environment is witnessing. From developments and growing competition. Especially after the concept of competitive advantage has become a modern development of the concept of comparative advantage in international trade, which is a dynamic concept that depends on the creation of production factors to ensure the achievement of wealth. While the comparative advantage is a static concept that depends on the relative abundance of inherited production factors that determine their relative cost, the importance of building competitiveness comes as the second factor needed to achieve growth after macroeconomic reform. Where government policies are one of its determinants in addition to production factors and their characteristics, local demand conditions, complementary and nutritious industries, the enterprise's strategy and objectives, the supremacy of local competition, and chance, it reflects the competitiveness of the country with its ability to create continuous growth of added value or increase productivity at a faster rate than other countries (Taima, 2002). Despite the opposition of the liberal trend to the concept of competitiveness, it justified government intervention to support the state's competitive capabilities and protect its national interests. Thus, wasting economic resources and the possibility of trade

wars from their point of view, however, was widely accepted by the majority of economists, who differed among themselves about the nature of government intervention required to build and develop competitiveness and ensure its continuity, between a supporter of direct, targeted intervention and a supporter of indirect intervention. Where the first group focuses on the need to adopt a selective industrial policy, citing the model of newly industrialized Asian countries, which relied on enhancing competitiveness through an active industrial policy, selective targeting of sectors with dynamic advantages, providing subsidies, support, protection, provision of tax, credit and export incentives, and coordination between education and training policies in response to the demands of developing sectors. While the second party rejects this policy based on selection and justifies it in the early stages only to build competitiveness, and sees the need for the state to play the role of a guide, assistant, and encouragement and use methods of indirect intervention such as establishing institutions that reduce uncertainty and encourage access to knowledge in the most advanced stages to ensure the provision of the appropriate environment to urge institutions to innovate and support competitiveness. But the question that arises here is, does the global environment, with the changes it is witnessing, allow for the repetition of the Asian model in developing countries, for which the global environment provided many opportunities at the time?

3.1. Comprehensive and profound reform of the national economy (Habib, 2000).

It is the responsibility of the government to play a new and more effective role in managing the national economy through investment mechanisms and monetary and credit policies that stimulate growth, provided that comprehensive reform of the national economy is undertaken. Because the economy needs comprehensive reform to eliminate the structural problems, it suffers from, and the inability to withstand external shocks after the partnership agreement was initiated, it became a duty that must be carried out in light of the challenges arising from the agreement, and the opportunities it offers. This imposes on the state the need to expedite the implementation of a comprehensive program of structural reform, and the adoption of a wide package of

reforms that lead to the creation of an appropriate climate, encourage the private sector, enhance efficiency and competition, in an open environment that would increase the competitiveness of the national economy, attract investors from abroad, and create a clear institutional structure and industrial policy direction to support sectors of the economy that are potential sources of growth and job creation. Achieving this requires the implementation of a comprehensive reform program that is carried out according to a specific timetable, which would address the weaknesses that the national industry suffers from. These required reforms aim to break the stalemate in the production of all sectors, develop the private sector, and reform the financial and educational systems. This should be done within the framework of a development strategy that the state sets according to its needs, and to ensure that it chooses appropriate ways to adapt to structural problems and institutional obstacles, as well as to adapt to challenges and opportunities that arise from global openness, away from any development reform program that may be imposed by external parties that do not commensurate with its requirements.

3.2. In terms of procedures and reform of the institutional framework

The institutional framework refers to the set of rules, policies, and institutions that the state bears to follow up and ensure the implementation of commitments towards maximizing the benefit from economic reform, especially the bodies for standards and metrology, quality assurance, and defining the competencies of agencies and institutions, in the field of development and how decisions are taken in them (Issam Khoury, 1999). Given the negative effects of institutional restrictions, corruption and mismanagement, lack of accountability, weak law, arbitrary taxes, and complex and ambiguous legislative frameworks on the performance of the local economy in particular, and on the flow of foreign investments. Institutional reform becomes a necessity to increase the effectiveness of government and civil services, the efficiency of the legal system, and the effectiveness of markets for materials and products, because of its important role in reducing the cost of economic transactions by reducing red tape and commercial disputes, and thus increasing productivity. Provided that the goal of institutional reform is to enhance transparency and harmonize legislative frameworks, and build trust between the government and economic actors.

3.3. In terms of the economic policies pursued:

Studies of export rehabilitation show maximizing its positive advantages. It depends on adopting a successful economic policy that takes into account the following:

3.3.1. Investment policy.

Due to the low rates of saving and investment in the national economy, the domestic saving rate did not exceed (18%) of the gross domestic product at the beginning of the third millennium, and the state seeks to achieve an economic growth rate of at least 7% annually. This requires the following (Ahmed Galal B. H., June 1996):

- Raising the current investment rate as a percentage of GDP to about 25% and achieving a similar increase in domestic savings and the necessary procedures for financing.
- Allocating resources to achieve the highest efficiency in their use.
- Activate and support the efficiency of current and new capital.

Since there is a large gap between saving and investment in the national economy, so this difference between investment and saving shows a deficit in the current account, which can be financed through one of the following sources.

- Reducing foreign exchange reserves.
- Assuming from the outside.
- Attracting more foreign investment, especially direct.

Since the reduction of reserves has certain conditions, related to the necessity of maintaining safe limits for this reserve to ensure the financing of imports, which is determined by six months as a minimum. This option is resorted to borrowing from abroad to a limited degree in light of the low volume of the national external debt, but this will increase the burden of debt service. Therefore, the third option, related to attracting more foreign investment, is considered the first candidate to provide sufficient savings required in the short term but increase foreign investment flows. Especially the direct ones require great efforts to bring about changes in economic policy, especially investment, to create a favorable investment environment through a commitment to implement credible reform programs and policies.

- Development of Investment Law No.01-03 of 2001.
- Simplify investment laws.

- Simplify the procedures for establishing companies.
- Providing the necessary infrastructure in the industrial areas.

Increasing domestic savings requires reducing the size of government spending and tax rates, in addition to reducing the size of the public sector that controls economic activity.

3.3.2. Regarding tax policy(Abed, 1998):

- Not to resort to raising the net indirect local tax rates, to compensate for the decline in government revenues. Resulting in reducing tariffs on imports from the European Union to zero. Because the increase in net indirect taxes limits the positive results of implementing the agreement with all its elements, with its negative impact on the overall economic performance.
- Work to reduce direct tax rates. Due to its positive impact on all dealers except the government.

These tax policy measures may, within the static analysis framework, reduce public revenues in a way that leads to the budget deficit reaching a politically unacceptable rate. However, within the framework of the dynamic analysis, the expected growth in the level of economic activity can be accompanied by an increase in the tax base, and this contributes to compensating for the shortfall in government revenues. Thus, reducing the public budget deficit

3.3.3. Regarding the exchange rate policy.

The necessity of adopting a flexible exchange rate policy, to enhance the competitiveness of national exports by avoiding the overvaluation of the currency and avoiding its exaggeration by maintaining the equilibrium level, given that devaluing the currency below the equilibrium level will lead to an increase in exports at the expense of reducing real wages, and the elements of domestic spending in general, and investment in particular, to the degree that results in a surplus in the trade balance, in addition to the fact that achieving a surplus in the current balance by transforming the flowing foreign savings into a negative number is also undesirable in the current development stage, as the entry of additional foreign savings into the part of the available national savings accelerates the pace of growth, provided that the state can repay these resources in the long term(Quere, Benassy, Designing an Exchange rate Strategy 1999).

3.3.4. Trade policy

The necessity of seeking to liberalize trade with all trading partners in addition to implementing the partnership agreement with the European Union, whether within the framework of the free trade zone or with Arab regional groupings such as Agadir and the Gulf Cooperation Council Since the complete liberalization of trade with all partners leads to an increase in the creation of trade, unlike preferential liberalization with only one party, which leads to an increase in trade transformation rather than its creation(Ahmed Galal B. H., 1996).

The importance of Maghreb integration comes as a key element for the success of the Mediterranean participating countries, including Algeria, in maximizing the benefits of the Association Agreement. In addition to this, it is important to contain the negative effects resulting from the Association Agreement, which leads to the settlement of new European investments in the European Union. Instead of heading to the Mediterranean countries. In addition, the bulk of the intra-Maghreb trade, except for oil, takes place with the Mediterranean countries, which reached the highest percentage compared to the rest of the Mediterranean countries. The percentage of Maghreb exports to the Mediterranean countries averaged about 35.82% of the total Maghreb exports to the world, excluding oil during the period 1995-2003. The percentage of Maghreb imports from the Mediterranean countries amounted to about 10.25% on average of the total Maghreb imports from the world, excluding oil for the same period. While the majority of the Maghreb countries' non-oil trade is with the European Union (more than 60%) this makes the liberalization of trade with Arab countries within the framework of the Arab Free Trade Area of particular importance for the following reasons:

- The high percentage of Maghreb non-oil exports to Arab countries, compared to this percentage to the European Union, most of which are concentrated in oil.
- Ensuring a wide market for Arab and foreign private investment.

Therefore, the state must strive to build its position within its direct regional framework, based on its agricultural capabilities, and the cheap wages of labor in it despite its weak productivity and skill level, which can be overcome, and to take advantage of its comparative advantage to meet the region's large demand for agricultural products, food, and textile industries.

3.3.5. Industrial Policy and expediting the development and implementation of a program to modernize the national industry.

The protection of the Maghreb industry for a long time, its suspension of the import substitution strategy, and its inability to move to an export-oriented strategy made it suffer from several problems that are summarized as follows:

- Structural defect technological backwardness.
- Traditional products.
- Poor quality and lack of competition.
- Low productivity, bureaucracy, and corruption.

According to the estimates of the United Nations Industrial Development Organization for the year 2004, the Maghreb countries come in the last rank out of 88 developing countries in the field of using complex technology in manufacturing industries, as well as in terms of competitive industrial performance for developing countries and countries in the Middle East. Therefore, this situation requires drawing up an industrial policy directed to the outside, based on setting clear priority criteria to identify industries that can attract and support foreign investments. Do they enjoy comparative advantages, high export capabilities, labor-intensive, high technological components, or latent competitive advantages such as software and engineering industries? In addition to preparing an integrated industrial map, developing methods for increasing the ratio of the knowledge and research component to the material component in industrial products, and developing industrial exports

The industrial policy should also seek to support the industrial integration processes among the Mediterranean Maghreb countries, and unify the rules of origin, to increase trade exchange between them.

However, this will remain incomplete if a program to modernize the Maghreb industry is not put in place as quickly as possible. Most of the Arab Mediterranean countries that signed association agreements with the European Union resorted to modernizing their industries several years before the implementation of the association agreement.

3.3.5.1. The most important elements of the proposed national industrial modernization program

Before addressing the requirements and objectives of the preparation and implementation of the national industrial modernization program, it

must be noted that the government has a major role in industrial modernization at three levels:

- Partial level (industrial enterprise level): by providing specialized technical support and training programs, participating in financing technical studies, and providing financial support as a percentage of the enterprise value.
- Sectoral level (or industry level): The government's role at this level is to direct support, to establish a nutritious industry that does not aim to export until it establishes its feet in the local market, and to establish industrial complexes and continuous monitoring of the impact of trade liberalization on certain sectors, and to provide support to export industries.
- The national level (or the aggregate level): the role of the government here is determined by raising the efficiency of services related to the industry, paying attention to information networks and making them available for use, distinguishing industries that succeed in achieving industrial cooperation, granting them reduced taxes and establishing an infrastructure consistent with the needs of the industry.

4.The role and contribution of the private sector in the process of growth and export promotion

The state's pursuit of high and stable growth rates requires the private sector to play a leading role in the production process to raise private investment rates in light of the decline in the state's economic role. Because globalization will make local industrialists more competitive through trade liberalization However, the huge size of the public sector will hinder this competition in light of the inability of economic policy to interact with international changes. Due to its dependence for a long time on political rather than economic considerations, which resulted in the dominance of the public sector over economic activity, and the inflexibility of the production apparatus. Therefore, this situation requires the privatization of a large part of the public sector facilities, at least, because privatization leads to an increase in the efficiency of capital use, an increase in economic efficiency at the macro level, and the cessation of the flow of resources to loss-making institutions, and reflects the decline of the government's role in some sectors of economic activity and optimal resource routing. In addition to its role in increasing private investment,

and attracting foreign investment through its role in improving economic freedom, However, the implementation of privatization requires the existence of an active financial market, a competitive financial sector, the provision of a competitive economic environment, and a class of competent managers. Hence, adopting economic policies based on privatization is the best alternative to benefit from and interact with international changes. The trade policy allows activating the role of the private sector in the field of export taking into consideration the requirements of the global market and benefiting from the available international conditions.

However, the success of privatization, encouraging domestic savings, and attracting foreign investments, depends on the availability of two conditions.

- The privatization of infrastructure institutions should be preceded by the introduction of competition into the relevant markets, the dissolution of existing institutions, the adoption of appropriate legal procedures and rules concerning the prices of services and communications, for example, and the creation of truly independent legislative bodies.
- That the revenues generated from privatization operations be used to pay off the domestic public debt, which would allow ridding the emerging budget of the burden of debt servicing, and increase public savings.

However, raising the contribution of the private sector to the growth process requires it to make a change in its managerial culture, and to carry out deep reform processes for itself in light of the many problems it suffers from, represented by the lack of management and organizational skills, skills to use information and communication tools and technologies, innovation skills, and weakness Transparency and tax evasion, to set a modern industrial policy for himself, and to have a real desire for modernization.

5. CONCLUSION

This study analyzed the positive rehabilitation of promising sectors in Algeria and discussed the intervention policies that can be adopted with the help of reforms to reduce the negative effects of economic globalization. The study concludes that the lack of a deep political will to carry out reforms negatively affects the national economy, due to the lack

of comprehensive economic reform and the modernization of the industrial sector. Therefore, the government must first speed up a comprehensive economic reform and increase industry efficiency by changing the composition of products in favor of products with higher added value. As for the business environment, the focus should be placed on adopting measures that reduce administrative and institutional constraints that private sector operations suffer from (uncertainty of policies, taxes, access to production inputs, labor laws, and respect for contracts), and modernizing infrastructures, and propose a set of rules to modify comprehensive reform policies and draw them in a manner characterized by confidence, inclusiveness, and consistency to succeed.

In addition to liberalizing trade with all trading partners to increase trade creation and eliminate trade diversion, given that the preferential trade liberalization approach with one party leads to an increase in the diversion at the expense of trade creation.

Economic openness is just a tool and not an objective in itself, and the state must use it to help achieve the most important thing it needs is to raise the rate of economic growth.

The study draws several results and recommendations related to the research paper.

Results

Verifying the dynamic effects of regional cooperation related to growth and investment depends on the existence of coordination in the internal policies, systems, and institutional frameworks of the member states, the vital role of the private sector and the role of the state, the development of technological capacity and the provision of a suitable environment for investment.

The state's ability to benefit from the static gains of regional cooperation (a free trade zone) depends on the availability of a set of conditions, the most important of which are: the establishment of a free trade zone between natural partners, production structures similar or competing and the high level of customs tariffs before the establishment of cooperation.

The state's ability to maximize the benefit of rehabilitating the national economy depends on the interaction of the role of each government by exercising a new and more effective role in managing the national economy through investment mechanisms, monetary and credit policies that stimulate growth, and the private sector playing a leading role in the

production process to raise the rate of growth, and creating a stimulating climate to attract foreign investment.

Comprehensive economic reform is no longer the result of an accumulation of economic problems that only have negative social and political repercussions. Rather, it is an obligation that must be carried out by the changes that the world has witnessed (globalization, the establishment of the World Trade Organization, international blocs, the fall of the Eastern bloc), through the government's adoption of an integrated package of policies and institutional and organizational reforms in the context of heading towards a market economy, especially privatization for its role in maximizing Benefits and gains.

The experiences of economic reform in many countries have shown that the success of the economic reform process and its fruits depend on the availability of the economic and institutional environment for that and that partial reform efforts are insufficient.

Recommendations:

Based on the previous results, the study recommends the following.

The need for the government to carry out a comprehensive economic reform that gives credibility to government policies while moving away from the policy of step for step in economic reform, by carrying out structural reforms in the national economy with the availability of the necessary conditions to increase the total productivity of the factors of production, especially by restructuring the industrial sector.

Conducting institutional reforms that reduce transaction costs, which are considered as non-tariff restrictions on import and export activities and restrict production activities and prevent their launch.

The government's adoption of a tax policy based on reducing indirect tax rates and not resorting to raising them to compensate for the decrease in government revenues resulting from the reduction of customs duties on imports resulting from the agreements.

Adopting a flexible exchange rate policy to enhance the competitiveness of national exports by avoiding overvaluation of the currency and avoiding exaggeration in devaluing the currency at less than the equilibrium level to achieve a surplus in the trade balance, which will lead to a reduction in real wages and elements of domestic spending in general, and investment in particular. Also, achieving a surplus in the current balance is considered harmful in the development stage because it means turning foreign savings into a negative number, which impedes the flow of foreign investments.

The necessity of seeking to liberalize trade with all trading partners, due to the importance of this eliminating the transformation of trade, the phenomenon of status and parties, and increasing trade creation.

Developing procedures for export development and protecting the national economy by diversifying and increasing the structure of industrial exports and moving away from commodity concentration, and granting incentives and benefits to exporters, as well as developing a quality policy program that ensures the upgrading of local production quality specifications and its conformity with international standards.

Our study is nothing more than an attempt to search for effective policies to rehabilitate the industrial sector, and the use of the term “rehabilitation” does not also mean stoning by the unseen, or reading the future as much as it stems from the use of available information and data, and any attempt to reduce its repercussions in the future in a way that matches the economic reality, so this study cannot cover all the intertwined and wide-ranging angles of the subject, so we have chosen a specific problem and tried to answer it with the available data, leaving the prospects of research open for other studies in the future.

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