

THE ROLE OF ECONOMIC DIPLOMACY IN THE PROMOTION OF NON-HYDROCARBON EXPORTS IN ALGERIA

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Abstract: *Several studies and statistics have indicated that non-hydrocarbon exports in Algeria represent a low rate of around 5% of total exports. This weakness means that the Algerian economy is fragile, which depends on the prices of hydrocarbons (oil, gas) which is unstable on the international market. Several factors are the cause of the situation of Algerian exports which remain difficult to identify. This ambiguity has led us to dig into the field of investigation to get closer to the reality of the reasons that justify this lack of diversity in exports. The main objective of our study is therefore to measure the performance of Algerian economic diplomacy in the promotion of non-hydrocarbon exports. We treated our subject of research by using a methodology with an exploratory design of qualitative order on a sample of Algerian exporting companies which have an experience of more than ten years in the field of exports established in the region of Oran- Algeria. To process the results of our research, we used the method of content analysis of the interviews we conducted with exporters. Our sample has identified important elements in contribution to other previous research on this subject which has dealt with the subject of exports in Algeria but which has not resulted in the role of economic diplomacy in the promotion of exports. the results that we have obtained from our empirical study can be generalized, they reveal a definition of the activity of non-hydrocarbon exports in Algeria and the role of Algerian economic diplomacy in the promotion and supervision of these exports then the shortcomings of economic diplomacy in the field of exports at the end of the results we recommended measures that must be implemented to have an effective economic diplomacy that can contribute to increasing and promoting diversified exports.*

Keywords: foreign trade, export, economic diplomacy, international market, international management.

JEL Classification: M16, M48, N17, O55.

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Introduction

Export in Algeria is mainly concentrated in Hydrocarbons (Talahite, 2016) which are an essential natural resource and which are sold on the international market in raw state without any transformation. "The excessive dependence of our economy on energy products and the price level of the international oil market weaken the possibilities of a process of economic and social development in the medium and long term, the financial crisis which is shaking the world is witness to this dependence on hydrocarbons" (Semouk, June 2017). Indeed, according to (Kerzabi, 2020) the sharp fall in oil prices and its consequence on the budgetary balance (state budget deficit and reduction in foreign exchange reserves). The oil price shock has influenced the economic and social stability of Algeria, and this is due to the country's dependence on Hydrocarbon exports (Djelti, 2021). The currency exchange rate is influenced mainly by the taxation relating to hydrocarbons, according to (Belgot & Ouali, 2021) with the increase in the price of oil by one unit during the previous year, this gives an increase of 0.2 Dinars for 1 dollar. The increase in the exchange rate which is due to the Oil price increase has a negative influence on exports (Mimouni & Bentalbi, 2020) and (OULDBENZAZA, 2022).

The export share of other industry branches is very low compared to the hydrocarbons dominance (Bouadla & Bentayeb, 2021); this weakness is justified by several factors that remain ambiguous (KATEB & OUDDANE, 2019). This ambiguity led us to carry out the present study which led us to the field of investigation near non-hydrocarbon exporters to know the reality of their activities.

Throughout our approach we have posed a problem which questions the reality of exports on the one hand and the Algerian economic diplomacy does or does not do for the promotion the accompaniment and the supervision of Algerian exporters in the conquest of foreign markets.

To answer this question, we made the following assumptions:

- Economic diplomacy plays a major role in promoting exports;
- Economic diplomacy is not the only responsible for promoting exports.

In this research we try to answer our questions using a qualitative methodology by producing an interview guide where we interviewed exporters from Oran have been interviewed and we took stock of the reality of the subject.

The introduction should state the following points:

1. The theoretical context of the subject (literature review), which is related to the field of interest of the researcher;
2. Similar studies dealing with the subject. In this case, the author summarizes the main findings of research related to the topic;
3. Presentation of the main objective and central question of the research. The presentation of hypotheses and the purpose of the research are mandatory. This section should be written in a consistent style and avoiding redundancy.

2. Research methods, tools and measures

2.1. Production of the interview guide:

The methodology used in our research work is based on a qualitative design. "Qualitative studies are intensive studies that use an 'open', non-directive, permissive and indirect approach to the people interviewed as a data collection procedure. Qualitative studies aim to deepen the subject matter. The interrogation mode is unstructured and the number of contacts is relatively low. They seek the causes, the foundations of a behavior, an attitude, a perception" (GAUTHY-SINECHAL, 2005)

Indeed, qualitative studies allow researchers to observe individuals separately (Mahcine & Cherchem, 2019), which makes it possible to better understand the drivers of a human decision. The objective of our study is not to quantify the data, and to analyze them statistically, we try to know the reality of the role of economic diplomacy in the promotion of exports.

In order to carry out our study, we produced a semi-directive interview guide which allows both to give business leaders full latitude to express their ideas and which is relatively easy to use for the analysis part.

We relied on: the book “Methodological Guide to Social Science Research”

- On several PhD and Magister speakers:

The interview guide in question includes 10 questions grouped into 3 parts:

1. The presentation of the export activity;
2. The role of Algerian economic diplomacy in the promotion and supervision of export activity;
3. The problems encountered by exporters in the exercise of their export activity.

This qualitative survey took place between April and May 2021 with 10 heads of exporting companies located in the territory of the Wilaya of Oran.

The choice of business leaders as a field of investigation was motivated by their deep knowledge of the export operation, these are companies that have been exporting their products for more than ten years.

The methodology borrowed in this research work is based on a qualitative design, the collection and processing of data make extensive use of qualitative techniques. The main purpose of qualitative research is to obtain empirical assessment of levels of knowledge, attitudes, behavior or performance. (FRISCH, 1999).

Qualitative research studies take longer than quantitative research because the answers to the questions are open-ended and can be very long. These studies mainly aim to understand the logic underlying the opinions of this type of population on a given subject. (PELLEMANS, 1999).

2.2. The Analysis tool

The most appropriate tool in this kind of study is content analysis. This tool is an analysis technique characterized by a set of steps and structured procedures for classifying the data found in a "speech" (Article, Interview, document, etc.). "Content analysis is a research technique for the objective, systematic and quantitative description of the manifest content of communications with the aim of interpreting them" (Aktouf, 1987).

Content analysis is a complete sequence of 7 steps as shown in the following graph:

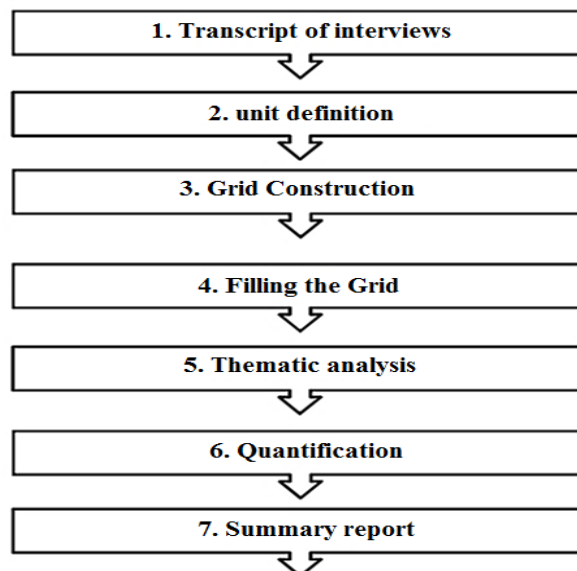


Figure 1. Content analysis steps

Source: Giannelloni (J.L.), Market study, Editions Uuibert, 1994, p. 97.

This diagram is a faithful representation of the main stages of the content analysis process. These are the steps we followed to conduct our thematic analysis of the content of the semi-structured interviews conducted with the interviewed business leaders interviewed.

After transcribing the content of the 10 exporters, we coded the responses to cut the corpus of all the interviews into units of analysis. We then categorized these units of analysis into the themes we defined.

We used the following procedure:

2.3. Definition of the unit of analysis:

The choice of the analysis unit is a major choice which is essentially based on the objective of our study to determine the nature of the coding scheme (Gheddache, 2022), which allows the interpretation of the content of the interview guides, this therefore allows the choice of the quantification indices. For this, we opted for a thematic analysis. The analysis is based on a set of sentences, because it refers to close situations, objectives or concepts. We have retained the same themes from the interview guide to cut the corpus and to be able to proceed to a classification, namely:

- Knowledge of the concept;
- The measurement of the opportunity;
- The trend in the future.

2.4. Categorization of data

We have defined the categories according to our information needs on the one hand and on the other according to our research hypotheses. We have categorized each sub-theme identified each interview. In addition, the themes we have chosen above represent the intermediate level between sub-themes and categories. We then calculated the frequencies of each category.

2.5. Development of the analysis grid:

We have drawn a table in which the categories appear as rows and columns in the interviews of each exporter. Each cell contains information from an interview related to a specific subtopic of a category. The categories and subtopics are:

The author should answer the following questions:

- How?
- What?
- When ?
- Where?

This should include the following points:

1. Sampling selection methods.
2. The research/study methodology, will include:
 - 2.1- Research procedures;
 - 2.2 - Identification of variables and methods of their measurability;
 - 2.3- Analysis tools. (The scientific foundations of research tools);
 - 2.4 - Statistical tools (Mentioning the equations used).

Results

Table 1. The results grid

| Category | Exporters | | | | | | | | | | Frequency | |
|--|-----------|-----|-----|-----|-----|-----|-----|-----|-----|------|-----------|----------|
| | E 1 | E 2 | E 3 | E 4 | E 5 | E 6 | E 7 | E 8 | E 9 | E 10 | Absolute | Relative |
| Presentation of the export activity | 17 | 18 | 11 | 9 | 14 | 12 | 12 | 12 | 11 | 15 | 131 | 35% |
| study the foreign market | 4 | 3 | 2 | 1 | 2 | 0 | 1 | 1 | 0 | 1 | 15 | |
| Produce a product for the foreign market | 2 | 2 | 3 | 2 | 3 | 4 | 2 | 4 | 1 | 5 | 28 | |
| Marketing | 4 | 5 | 0 | 1 | 2 | 4 | 3 | 0 | 5 | 2 | 26 | |
| Shipping insurance | 3 | 3 | 3 | 2 | 5 | 2 | 3 | 3 | 2 | 3 | 29 | |
| bank repatriation | 4 | 5 | 3 | 3 | 2 | 2 | 3 | 4 | 3 | 4 | 33 | |
| the role of economic diplomacy | 10 | 11 | 11 | 10 | 9 | 13 | 9 | 6 | 9 | 8 | 96 | 26% |
| Promotion | 4 | 5 | 4 | 3 | 5 | 4 | 4 | 3 | 2 | 4 | 38 | |
| Representation | 2 | 1 | 0 | 0 | 1 | 1 | 0 | 0 | 2 | 1 | 8 | |
| investigation | 3 | 1 | 2 | 3 | 3 | 4 | 3 | 0 | 2 | 1 | 22 | |
| guarantee | 1 | 4 | 5 | 4 | 0 | 4 | 2 | 3 | 3 | 2 | 28 | |
| Export difficulties | 15 | 12 | 16 | 16 | 13 | 14 | 18 | 13 | 14 | 14 | 145 | 39% |
| Lack of supervision | 3 | 2 | 4 | 5 | 2 | 2 | 3 | 4 | 5 | 2 | 32 | |
| difficulty in accessing foreign markets | 1 | 0 | 0 | 2 | 3 | 0 | 2 | 1 | 1 | 2 | 12 | |
| lack of effectiveness of information | 2 | 3 | 4 | 0 | 2 | 2 | 3 | 1 | 1 | 1 | 19 | |
| collection difficulty | 5 | 4 | 5 | 5 | 4 | 5 | 5 | 4 | 4 | 5 | 46 | |
| the difference in the exchange value | 4 | 3 | 3 | 4 | 2 | 5 | 5 | 3 | 3 | 4 | 36 | |
| TOTAL | 39 | 46 | 36 | 37 | 43 | 41 | 41 | 35 | 40 | 39 | 372 | 100% |

Source: interview answers.

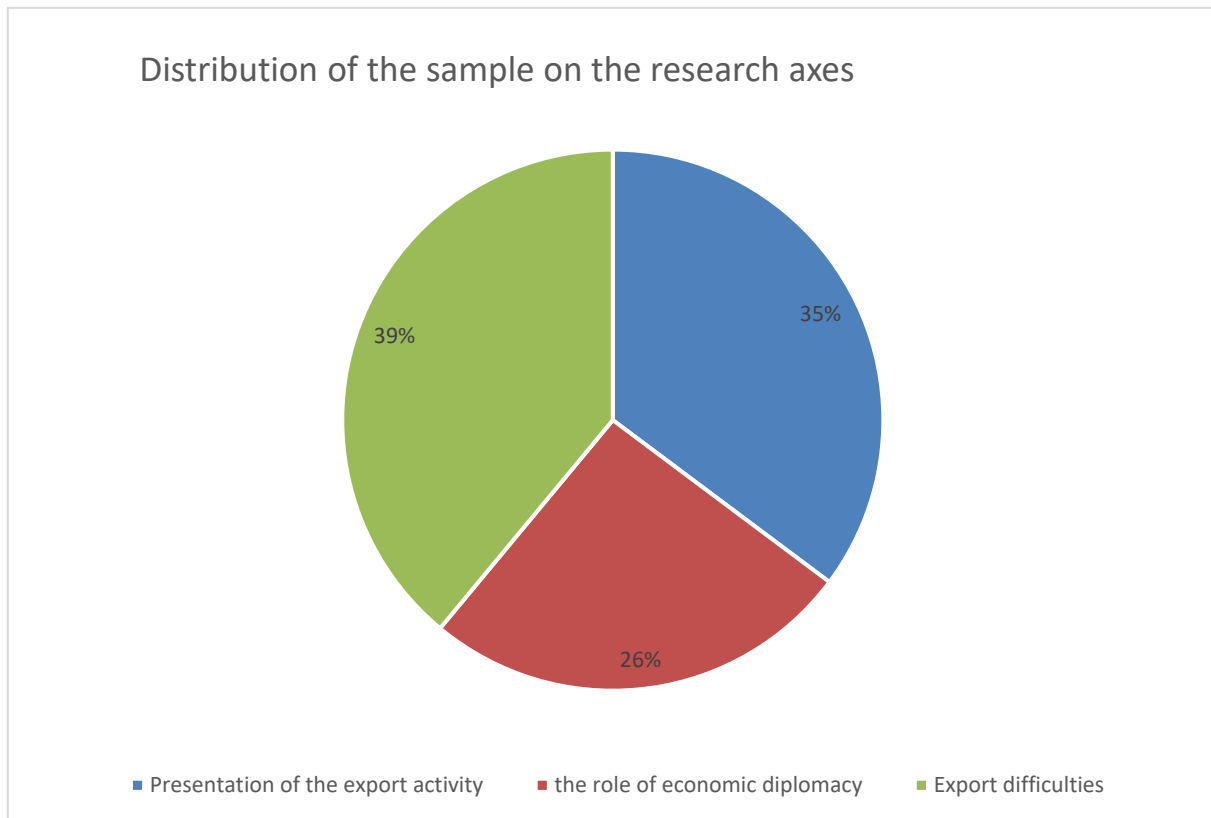


Figure 2. Breakdown of responses by research axis

Source: interview results.

In the graph above, the areas of research are represented in order of importance in the responses of the leaders. Indeed, the business leaders interviewed did not give the same importance in terms of key concepts and in insisting

on these concepts to the different lines of research. We note that the axis which concerns the difficulties encountered during exports had the greatest share of importance which represents 39% of the total of the answers, then we find the presentation of the export activity and lastly is located the role played by economic diplomacy in promoting and supporting exports.

The data drawn from this analysis are justified by the importance of the difficulties weighing on exporters, and the weak role of economic diplomacy in the supervision of exports.

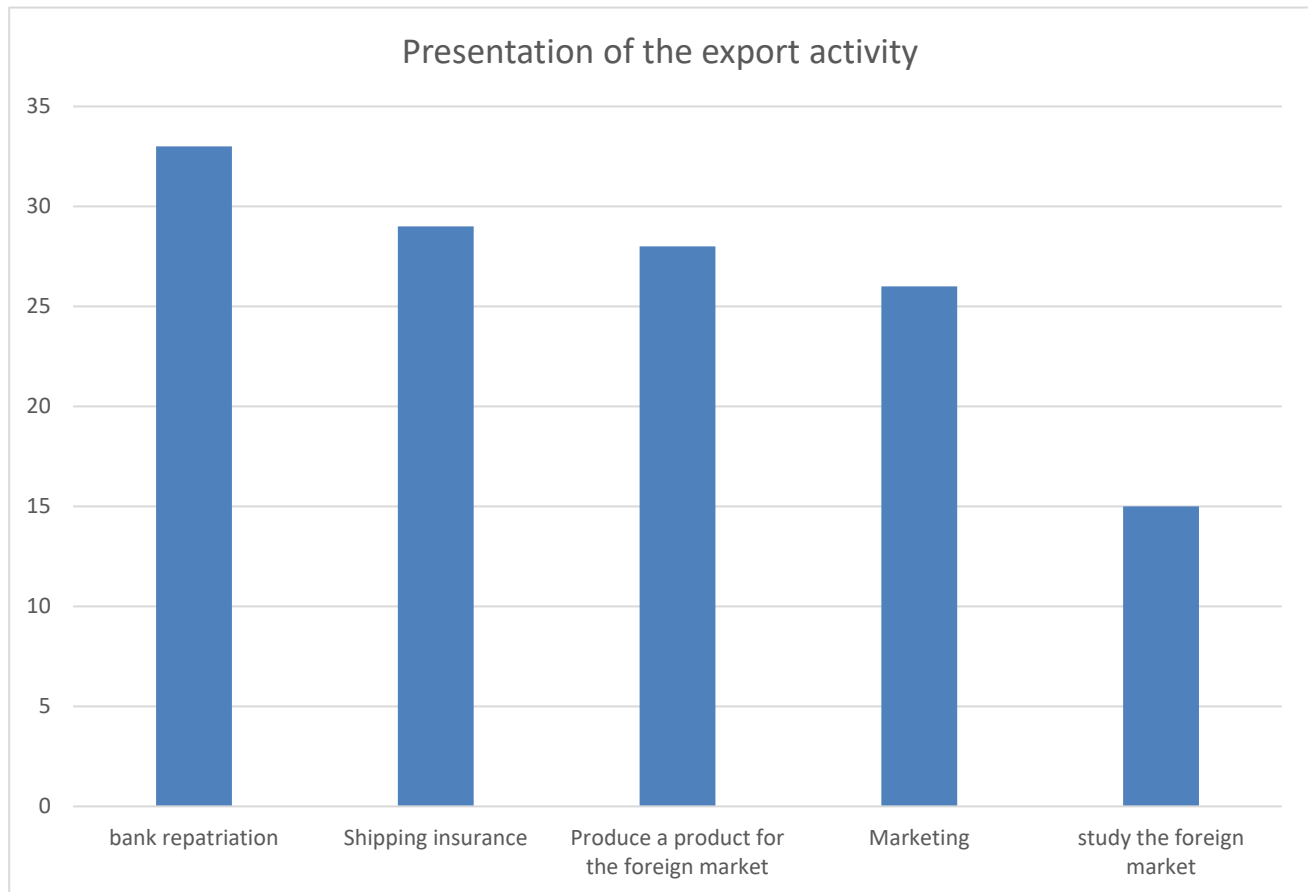


Figure 3. Presentation of the export activity

Source: interview results.

The figure above classifies in order of importance the concepts of presentation of the activity of exporting goods abroad. We note that the exporters interviewed frankly emphasize the repatriation of currency, then they show the importance of the insurance of their shipments in the smooth running of export operations as well as the production of goods intended for international markets. Marketing and studying the foreign market are respectively ranked at the bottom.

We can explain the importance given to the concept of currency repatriation for the economic effect of export earnings for the company as well as for the country. The insurance of the shipment is also important, the insurance is done with CAGEX, an organization which provides information on the reliability of foreign customers and ensures the repatriation of currencies in return for exported goods in the event that the customer does not pay the shipping amount. Then after the study of the foreign market, the exporters determine the need for this market as well as the prices that this market is ready to pay, this is compared with the cost of production of national production which gives birth of business opportunity.

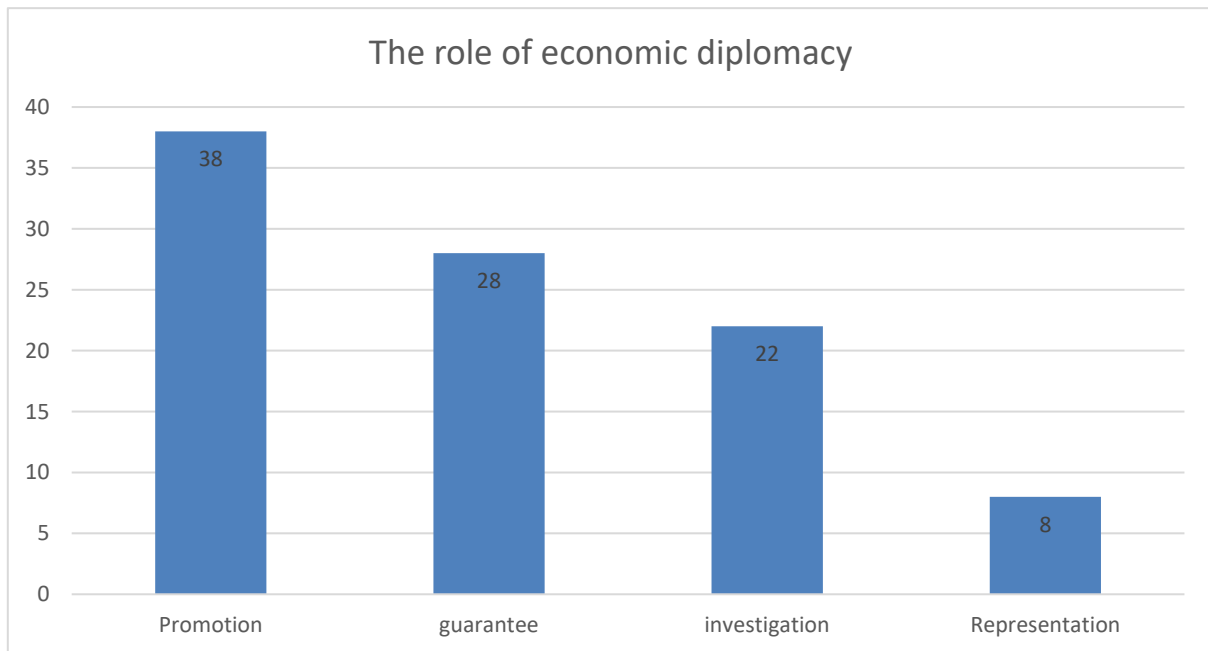


Figure 4. The role of economic diplomacy in promoting and supporting exports

Source: interview results.

The figure above ranks the key concepts of the second axis: the role of economic diplomacy in the promotion of exports in order of importance granted to these concepts. Indeed, we find that the concept "Promotion" is the most important with 38 points, then "Guarantee" with 28 points then "Investigation" with 22 points and finally "Representation" with 8 points.

According to the exporters interviewed, the role of economic diplomacy is limited to informing exporters of the various international trade events (shows and fairs) related to their sectors of activity domain and their branches of industry, as well as facilitating access to these events. The second role of economic diplomacy is that relating to providing information on foreign customers in terms of solvency and credibility, this same institution that provides information on foreign customers offers insurance services to guarantee the repatriation of currency in the event or the reliable customer according to his report does not pay the shipping amount.

According to the results collected, the difficulties identified by the exporters interviewed are ranked in decreasing order:

- Difficulty of recovery with point: in fact, exporters find recovery difficulties, the law in force gives the exporter a period of 180 days for the rematching of the amount of export invoices, and this period must be mentioned on the sales invoice, which gives the customer plenty of time to pay their due. This situation puts the exporter in financial difficulty and limits its productivity because the supplier rotation period is six (06) months.
- The difference in the exchange value between the official market and the parallel market (36 points):
- This situation puts the economy in general in difficulty and especially the exporters who sell in foreign currency and receive the foreign currency at the official exchange rate which remains lower than the parallel market.
- Lack of supervision (32 points): the lack of supervision recorded by the exporters interviewed is due to the absence of a commercial attaché within the various Algerian representations abroad, no report on market situations is communicated, and no follow-up of operators who export their products abroad.
- Lack of effective information (19 points): the information communicated by chambers of commerce on foreign markets remains vague and poorly exploited,

- Difficulty of access to foreign markets (12 points): foreign markets are difficult to access in the absence of an export strategy at the macro-economic level.

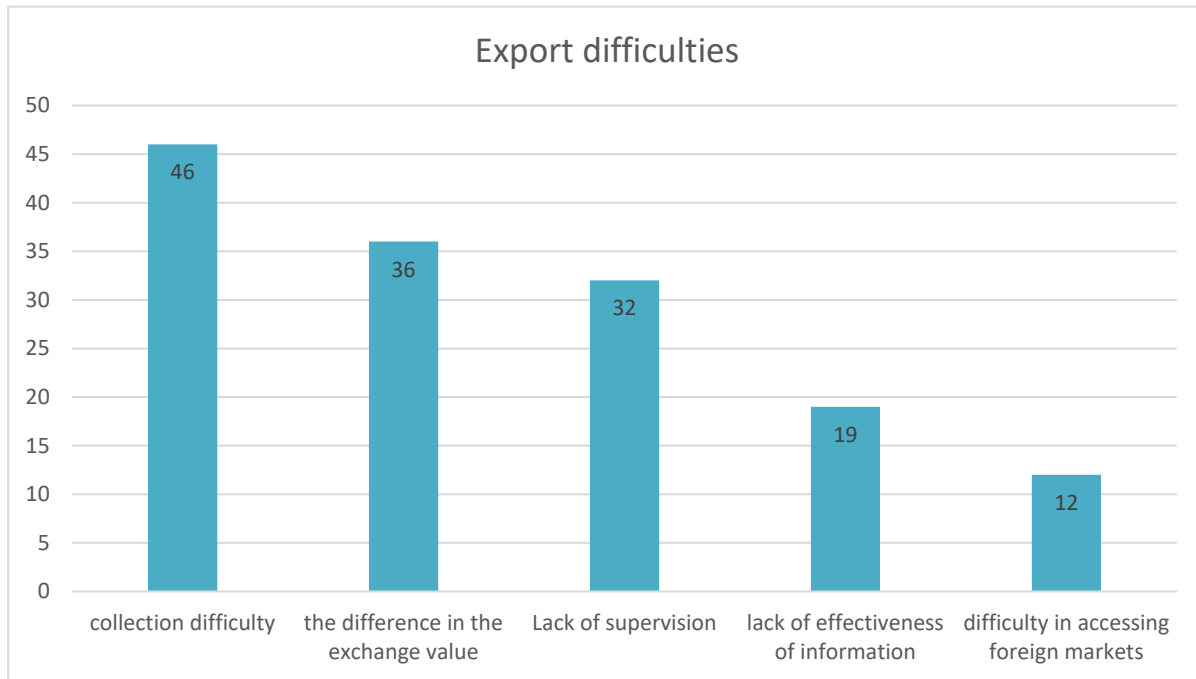


Figure 5. The difficulties encountered by the Algerian exporter

Source: interview results.

4. Conclusion

Throughout our development we have tried to get closer to economic operators to know the reality of their activities of exporting goods and creating value. Indeed, during our empirical study in which we tried to know this economic activity, the role of economic diplomacy in this activity as well as the problems encountered by these economic operators in the exercise of their activities. Our study that we have treated in a qualitative way given the nature of information that this subject requires, as well as the number of exporting companies at the level of the Wilaya of Oran. The research results that we have divided into three parts which are respectively "presentation of the export activity", "the role of economic diplomacy in the promotion and supervision of the export activity" and "the problems encountered by exporters".

The conclusions that we have drawn from our study remain qualitative in nature. Indeed the export activity is an activity of market research in love to know the need of this market as well as the opportune price, then the positioning by the production of a good which satisfies this demand and which also allows a creation of value through its marketing, to finish downstream the marketing of the goods through the sending of a sample accompanied by an estimate and once the order is confirmed the exporter proceeds to the insurance of the shipment and sends the goods and wait for the repatriation of currency.

The contribution of the authors in this article is to contribute to research in the field of international trade with an original subject that has never been treated on the role of Algerian economic diplomacy in the promotion of exports. Indeed, after having defined the export activity in Algeria, we measured the role of economic diplomacy through the results of interviews with exporters; we were able to identify the strengths and weaknesses of Algerian diplomacy in matter of exports.

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Gadi Ibtissem; investigation: M. Habib Zahmani Oussama, Mrs Gadi Ibtissem; resources: M. Habib Zahmani Oussama, Mrs Gadi Ibtissem; writing original: draft preparation: M. Habib Zahmani Oussama, Mrs Gadi Ibtissem; writing-review and editing: M. Habib Zahmani Oussama, Mrs Gadi Ibtissem; visualization: M. Habib Zahmani Oussama, Mrs Gadi Ibtissem; supervision: M. Habib Zahmani Oussama, Mrs Gadi Ibtissem.

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