

## The Stakes of the Algerian Economy within the BRICS Group: A prospective study of BRICSA

رهانات الاقتصاد الجزائري ضمن مجموعة بريكس: دراسة استشرافية للبريكسا

KHELOUFI Soufyane<sup>1</sup>

University Centre of Abdelhafid Boussouf, Mila - Algeria

kheloufi.s@centre-univ-mila.dz

Received: 02/07/2023

Accepted: 08/05/2024

Published: 11/06/2024

### Abstract:

This study aims to analyze the potential benefits and challenges of Algeria's participation within the BRICS group, comprising Brazil, Russia, India, China, and South Africa. By examining the economic dynamics, trade patterns, and investment opportunities, this study provides a prospective analysis of the stakes faced by the Algerian economy within the BRICSA framework. The findings suggest that Algeria's integration into BRICS presents significant opportunities for economic growth, increased foreign direct investment, and enhanced trade diversification. Additionally, Algeria can benefit from knowledge-sharing, technological advancements, and infrastructural development through collaboration with BRICS nations. However, challenges related to political alignment, institutional reforms, and market competitiveness may impede Algeria's full participation within the group. The study's findings provide crucial insights for policymakers, economists, and business leaders seeking to grasp the implications of Algeria's involvement in the BRICS group and its significance for socioeconomic progress.

**Key words:** BRICS Group, Algerian Economy, BRICSA; Stakes, A prospective study.

ملخص:

تهدف هذه الدراسة إلى تحليل الرهانات المرتبطة بانضمام الجزائر إلى مجموعة بريكس، التي تضم البرازيل وروسيا والهند والصين وجنوب إفريقيا، بالتركيز على الدور البارز للجزائر في الاقتصاد الأفريقي. من خلال دراسة ديناميكيات الاقتصاد وأنماط التجارة وفرص الاستثمار، حيث تقدم هذه الدراسة تحليلاً مستقبلياً للرهانات التي يواجهها الاقتصاد الجزائري ضمن إطار بريكس. تشير النتائج إلى أن انضمام الجزائر إلى مجموعة بريكس يتيح فرصاً هامة للنمو الاقتصادي وزيادة الاستثمار الأجنبي المباشر وتنويع التجارة. بالإضافة إلى ذلك، يمكن للجزائر الاستفادة من تبادل المعرفة والتقدم التكنولوجي وتطوير البنية التحتية من خلال التعاون مع دول بريكس. ومع ذلك، قد تواجه التحديات المتعلقة بالتوجه السياسي والإصلاحات المؤسسية والتنافسية السوقية صعوبة في ضم الجزائر للمجموعة. وتقدم هذه الدراسة رؤى مهمة لصناع السياسات والاقتصاديين وقادة الأعمال الذين يسعون لفهم رهانات وتداعيات انضمام الجزائر في مجموعة بريكس وأهميتها للتقدم الاجتماعي والاقتصادي.

الكلمات المفتاحية: مجموعة بريكس، اقتصاد جزائري، بريكس، رهانات، دراسة استشرافية.

<sup>1</sup> - Corresponding author: **KHELOUFI Soufyane**, e-mail: kheloufi.soufyane@gmail.com

## 1. INTRODUCTION

In the ever-evolving landscape of global economics, the BRICS nations have emerged as significant players, driving growth and shaping the future of the global economy. Comprising Brazil, Russia, India, China, and South Africa, the BRICS group has garnered attention for its collective economic prowess, influence, and potential to reshape the global order. However, as discussions surrounding the BRICS nations intensify, there is a growing interest in the potential inclusion of Algeria, a prominent North African nation, into this influential group.

Furthermore, Algeria's economic engagement within the BRICS group holds immense significance due to its strategic position, abundant natural resources, and diverse economy. The prospective study of BRICSA (BRICS + Algeria) aims to explore Algeria's potential within this emerging alliance, comprising Brazil, Russia, India, China, South Africa, and Algeria. The country's membership in BRICS presents an opportunity to diversify its economy, expand trade and investment relations, and benefit from the collective expertise and resources of the other BRICS countries. Algeria's strategic location at the crossroads of Africa, Europe, and the Middle East further enhances its potential as a regional economic hub.

**1.1 Study problem:** The stakes of the Algerian economy within the BRICS group and the potential impact of its inclusion in BRICS on Algeria's economic landscape are crucial considerations. As Algeria contemplates its role within the BRICS framework, it is imperative to evaluate the economic implications and opportunities that lie ahead. From this, the following main problem can be formulated:

**Main Question:** What are the stakes of the Algerian economy within the BRICS group?

**Sub-questions:** The main research question leads to the following sub-questions:

1. What are the key economic indicators and sectors in Algeria that make it a potential candidate for inclusion in the BRICS group?
2. What are the potential benefits and challenges for Algeria in joining the BRICS group?
3. How does Algeria's economy align with the existing BRICS nations in terms of trade, investment, and economic policies?
4. How would Algeria's inclusion in BRICSA impact its geopolitical standing and regional influence?
5. How might Algeria's inclusion in BRICS impact its relationships with other regional and global economic organizations?
6. What can Algeria learn from the experiences of existing BRICS nations, and how can it leverage their expertise and resources to strengthen its economy?

**1.2 The importance of research:** Studying the stakes of the Algerian economy within the BRICS group through a prospective study of BRICSA holds immense importance. It allows for a comprehensive understanding of the economic integration among emerging markets and sheds light on the market potential of Algeria, a country with a significant population and abundant natural resources. Analyzing the Algerian economy within BRICSA enables policymakers, economists, and businesses to identify trade and investment opportunities, particularly in the energy sector, and evaluate the impact of such engagements on regional stability. Moreover, this study contributes to the broader discourse on South-South cooperation, exploring avenues for collaboration and sustainable development among emerging economies.

**1.3 Research objectives:** The study aims are as follows:

1. Identify and analyze the key economic indicators and sectors in Algeria to determine its potential candidacy for inclusion in the BRICS group.
2. Explore the potential benefits and challenges for Algeria in joining the BRICS group.
3. Assess how Algeria's economy aligns with the existing BRICS nations in terms of trade, investment, and economic policies.

4. Analyze how Algeria's inclusion in BRICSA would impact its geopolitical standing and regional influence.

6. Assess how Algeria's inclusion in BRICSA would impact its relationships with other regional and global economic organizations.

7. Identify the lessons Algeria can learn from the experiences of existing BRICS nations and explore how it can leverage their expertise and resources to strengthen its economy.

**1.4 Study approach:** study utilized descriptive and analytical methodologies to gain a comprehensive understanding of Algeria's economy and its position in the BRICS group. The descriptive approach systematically documented and clarified the characteristics and behaviors of the Algerian economy. The study also incorporated an analytical methodology to offer a holistic perspective. By combining these approaches, the research aimed to shed light on the economic dynamics, opportunities, and risks associated with Algeria's involvement in the BRICS group. The study aimed to contribute to existing knowledge on this topic.

**1.5 Structure of the study:**

- Key Economic Indicators and Sectors in Algeria
- Alignment of Algeria's Economy with Existing BRICS Nations
- Potential Benefits and Challenges for Algeria in Joining the BRICS Group
- Geopolitical Impact and Regional Influence of Algeria's BRICS Membership
- Implications for Algeria's Domestic Economic Policies and Reforms

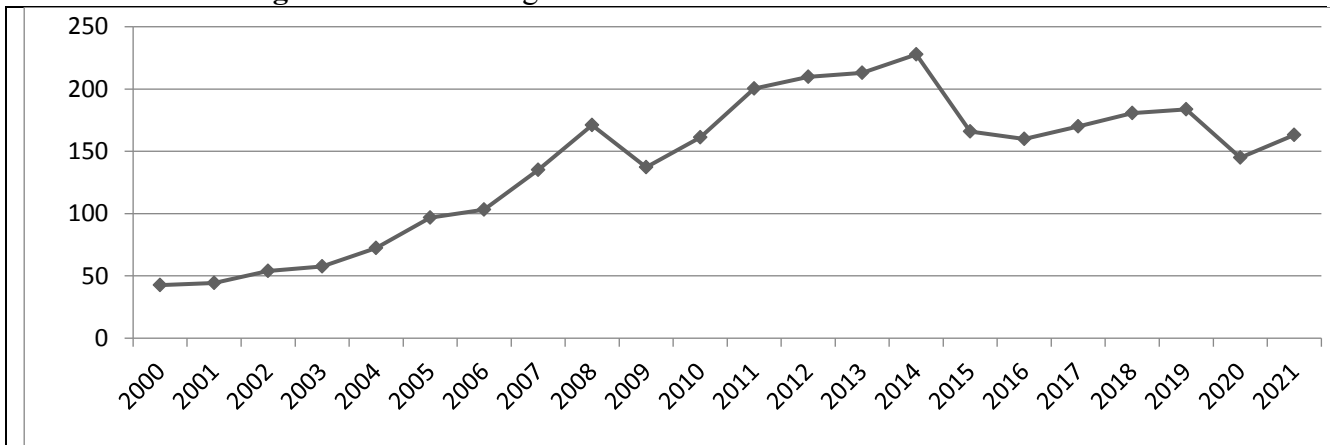
**2. KEY ECONOMIC INDICATORS AND SECTORS IN ALGERIA:**

In this section, we will analyze the key economic indicators and major sectors in Algeria:

**2.1 Analysis of key economic indicators:** In this section, the focus is on examining the key economic indicators that provide insights into Algeria's economic performance and overall health. The analysis will shed light on the following indicators:

**2.1.1. Gross Domestic Product (GDP):** Gross Domestic Product (GDP) serves as a crucial indicator to measure a nation's economic performance during a specific timeframe. It quantifies the total market worth of all final goods and services produced within the country. Typically calculated annually, GDP involves assessing the monetary value added at each stage of production for all end products generated within the nation (Reuben Kira, 2013, p. 149). And The GDP measures the total value of goods and services produced within a country's borders over a specific period. The following figure depicts the evolution of Algeria's GDP from 2000 to 2021:

**Fig.1.** evolution of Algeria's GDP from 2000 to 2021



Source: (The world bank, 2023)

The graph illustrates the evolution of Algeria's GDP from 2000 to 2021. Here are some observations based on the graph:

- **Overall Trend:** The graph shows a general upward trend in Algeria's GDP from 2000 to 2014. During this period, the GDP experienced significant growth, particularly between 2005 and 2014 when it nearly doubled.
- **Fluctuations:** From 2014 onwards, there are noticeable fluctuations in the GDP. The values tend to vary, indicating a degree of volatility in the economy. These fluctuations can be attributed to various factors such as changes in oil prices and economic conditions.
- **Decline in 2020:** The graph shows a significant dip in GDP in 2020. This contraction can be attributed to the impact of the COVID-19 pandemic, which disrupted global economic activity and resulted in reduced oil prices and demand.
- **In 2021:** the value of the gross domestic product increased to 163.04 billion. This value indicates a recovery in GDP compared to 2020 but is still below the levels observed before the pandemic.

That Algerian GDP is mainly influenced by consumption and exports. This indicates that for Algeria's GDP to grow, other factors also have to be stimulated including investments. Algeria has to create development projects aiming to increase the country's investments, including creating an environment to attract Foreign Direct Investments (FDI) and investment in industrialization. In many countries, especially resource-dependent economies (countries with small manufacturing activities mostly known as the Third World Countries), economic growth is chaotic and uneven, with repeated and deep absolute falls and booms.

**2.1.2. Inflation Rate:** Inflation is a critical factor affecting the economic landscape, as every nation strives for sustainable economic growth. The fluctuation in inflation rates poses a challenge in accurately calculating and monitoring monetary policy analysis. Any resulting uncertainty signifies the lack of credibility in policy decisions. Reliable forecasts of inflation rates play a crucial role in guiding monetary policy. To assess and track the impact of inflation levels, several factors must be taken into account, including interest rates, potential output, exchange rates, money supply, wage rates, trade openness, and expectations. Furthermore, the purchasing power of money is never static, highlighting the significance of inflation in the world of economics. “Prichett et al” provided a definition of inflation as: “a rise in the price level of a good or service or market basket of goods and/or services” (Musarat, Alaloul, & Liew, 2021, p. 408). The following figure shows the evolution of Algeria's inflation rate from 2000 to 2022:

Fig.2. evolution of Algeria's inflation rate from 2000 to 2022



Source: (bank of algeria, 2023)

In Algeria, inflation has been a significant economic concern over the years, with varying levels of volatility. From 2000 to 2022, the inflation rate in Algeria experienced fluctuations influenced by factors such as changes in government policies, global economic conditions, oil prices, and domestic economic reforms.

This acceleration in prices reflects the sharp increase in prices for three categories of goods, namely food prices, which saw a rise of 14.43% in the first half of 2022 compared to 6.64% in the first half of 2021. This is due to the significant growth in prices of processed food products, with a rate of 15.67%, followed by an increase in prices of fresh agricultural products, which recorded a 13.16% increase in the first half of 2022. Additionally, the inflation of prices for manufactured goods increased by 7.03% in the first half of 2022, compared to 6.39% in the same semester of the previous year. Similarly, the prices of services grew by 3.27% in the first half of 2022, compared to 1.64% in the first half of 2021 (**bank of algeria, 2022, pp. 29-30**).

To reduce the inflation rate in Algeria, a comprehensive approach is needed. This includes implementing tight monetary policy, maintaining fiscal discipline, and promoting structural reforms to improve productivity and enhance the business environment. Strengthening the agriculture sector, ensuring monetary and financial stability, managing the exchange rate effectively, and promoting trade and economic diversification are also key factors to address inflationary pressures and achieve long-term stability in the economy.

**2.1.3. Unemployment Rate:** The unemployment rate is probably the best-known labour market measure and is certainly one of the most widely quoted by the media. The unemployment rate is a useful measure of the underutilization of the labour supply. It reflects the inability of an economy to generate employment for those persons who want to work but are not doing so, even though they are available for employment and actively seeking work. (**International Labour Organization (ILO), 2023**). The following figure shows the evolution of Algeria's unemployment rate from 2000 to 2022:

**Fig.3.** evolution of Algeria's unemployment rate from 2000 to 2022



*Source: (Office National des Statistiques(ONS), 2022)*

The graph shows the general trend of the unemployment rate in Algeria from 2000 to 2022. Here are some observations about the figure:

- **High initial unemployment:** The unemployment rate in Algeria started at a relatively high level in 2000, with 29.3%. It remained above 25% until 2004, indicating a significant challenge for the labor market.
- **Steady decline:** From 2005 to 2008, there was a consistent decline in the unemployment rate. This period saw a substantial drop from 23.7% in 2004 to 11.8% in 2008, suggesting positive economic development and job creation during that time.
- **Relatively stable period:** Following the decline, the unemployment rate in Algeria remained relatively stable between 2009 and 2014, fluctuating between 9.8% and 11.4%. This indicates a certain level of equilibrium in the labor market during these years.
- **Increase in recent years:** Starting from 2015, there was a gradual increase in the unemployment rate in Algeria. This upward trend continued until 2021, with the rate reaching its highest point in that period at 13.4% in 2021. The increase in recent years may be attributed to various factors such as economic challenges, demographic changes, or external factors.

• **Recent decline:** In 2022, the unemployment rate slightly decreased to 12.7%. While this decrease is positive, further analysis would be needed to determine if it represents a sustainable trend or a temporary fluctuation.

Overall, the provided data indicates a mix of periods with declining, stable, and increasing unemployment rates in Algeria over the past two decades. The country has experienced some progress in reducing unemployment, but challenges remain in achieving sustained job creation and addressing the needs of the labor market.

Algeria has implemented several measures to address the hardships faced by the unemployed population, with a particular focus on young people. One significant step taken by the Algerian government is the introduction of unemployment grants. These grants aim to alleviate the financial burden on individuals who are actively seeking employment but are unable to secure a job. By providing financial assistance, the government aims to support young people during their job search and reduce the impact of unemployment on their well-being. Such measures demonstrate Algeria's commitment to mitigating the challenges faced by the unemployed and fostering economic stability and social welfare within the country.

**2.1.4. Foreign Direct Investment (FDI):** Foreign direct investments (FDI refers to investments made by foreign entities into the domestic economy) have become a prominent topic at both national and international levels. Scholars such as J. Dunning, S. Hymer, and R. Vernon have conducted extensive research on the motivations behind FDI. It is widely believed that FDI plays a crucial role in the economic development of all countries, particularly developing nations. However, empirical studies have revealed that the effects of FDI are intricate. From a macro perspective, FDI is seen as a catalyst for employment, enhanced productivity, competitiveness, and the transfer of technology. Additionally, FDI is particularly beneficial for the least developed countries, as it facilitates increased exports, access to international markets and currencies, and serves as an important financing source, thereby replacing bank loans (**Denisia, 2010, p. 104**).

At the end of December 2021, the net surplus of foreign direct investment amounted to \$921 million, showing a decrease from \$1.11 billion recorded in December 2020. This year, 2021, marked a remarkable shift in foreign investment in Algeria, with the balance falling below the billion-dollar mark for the first time since 2004. Despite the repeal of the investment law 51/49 in 2020 (with exceptions for strategic sectors like fuels and mines), net inflows of domestic investment, including intercompany loans, reached only \$870 million by the end of 2021, indicating a 24% decline compared to the \$1.14 billion recorded in 2020. On the other hand, Algerian investments abroad resulted in net domestic outflows of \$51.54 billion in 2021, while in 2020, net external inflows amounted to approximately \$67.14 billion. It is important to note that no capital outflow from Algeria was registered in 2021 (**Bank of Algeria, 2021, p. 83**).

The decrease in foreign direct investment in 2021, as evidenced by the net surplus of \$921 million compared to the previous year, highlights a significant shift in investor sentiment towards Algeria. This decline, falling below the billion-dollar mark for the first time since 2004, suggests potential challenges or uncertainties that may have deterred foreign investors from allocating capital to the country. It is crucial for policymakers and stakeholders to examine the factors contributing to this decline and address any barriers or concerns that may hinder foreign investment inflows. Attracting foreign direct investment plays a vital role in fostering economic growth, job creation, and technological advancement, so proactive measures should be taken to enhance the investment climate and regain investor confidence in Algeria.

Despite global inflationary pressures, the Algerian economy witnessed significant improvement in 2021. This positive development can be attributed to the concerted efforts of the

Bank of Algeria and the public authorities in mitigating the dual impact of the pandemic and the global economic crisis. As a result, the country's overall financial indicators showed notable progress. Notably, the balance of payments achieved a positive surplus in 2021 for the first time since 2014, amounting to 0.67% of the total GDP. This is a stark contrast to the 9.4% deficit recorded in 2020. Furthermore, the budget deficit was successfully reduced to 3.8% of the total GDP in 2021, down from 6.9% in 2020 (**Bank of Algeria, 2021, p. 6**). These positive trends are accompanied by a decline in external debt and a favorable external position, contributing to the overall economic stability.

**2.2 Exploration of Major economic Sectors:** The main economic sectors in Algeria are as follows:

**2.2.1. Energy Sector:** The energy sector encompasses various industries involved in the production, distribution, and consumption of energy. It includes fossil fuels (oil, gas, coal), renewable energy (solar, wind, hydroelectric), and more:

- **Oil Reserves and Natural Gas:** Algeria has significant oil reserves, estimated at around 12.2 billion barrels as of 2021. It is the largest oil producer in Africa and the third-largest in the continent after Nigeria and Angola. Algeria possesses abundant natural gas reserves, which are estimated to be around 159 trillion cubic feet (Tcf). The country ranks as the tenth-largest natural gas producer globally. Algeria heavily relies on hydrocarbon exports, particularly natural gas and crude oil. These exports play a crucial role in the country's economy, accounting for a significant portion of its revenue.

Algeria, positioned as one of Africa's top three oil producers and one of the top ten net oil exporters globally, heavily relies on its oil sector, which serves as the cornerstone of its economy. In 2021, this sector emerged as the primary income source, contributing approximately 30% to the GDP, over 82% to export earnings, and around 60% to the total budget revenues. Similar to other developing nations that export oil, Algeria is poised to reap the benefits of a short-term upswing in oil and gas prices due to prevailing pressures in the global energy markets. Despite the promising start of Algeria's economy in 2022, showcasing notable resilience in the face of COVID-19 waves and their aftermath, the unavoidable consequence of mounting inflationary pressures looms ahead (**BANK OF ALGERIA, 2022, p. 3**).

- **Renewable Energy Potential:** Algeria also holds immense potential for renewable energy, especially solar and wind power. With its favorable climate and geographical location, the country has been focusing on developing renewable energy sources to diversify its energy mix and reduce dependence on fossil fuels. Algeria has been working on diversifying its energy sources and reducing dependence on fossil fuels. The country aims to increase the share of renewable energy in its electricity mix and has set a target to achieve 27% renewable energy capacity by 2030.

- **Electricity Generation:** The electricity sector in Algeria has witnessed significant growth in recent years. As of 2021, the total installed capacity was approximately 23.8 gigawatts (GW). The majority of electricity production comes from natural gas-fired power plants.

In terms of energy consumption, Algeria has been experiencing a steady increase. In 2020, total energy consumption reached approximately 57.4 million tons of oil equivalent (Mtoe), with oil and natural gas accounting for the majority of the energy mix.

Algeria is an active participant in international energy cooperation and has been engaged in partnerships with various countries and organizations to enhance energy security, promote sustainable development, and attract foreign investment in its energy sector.

**2.2.2. Agriculture Sector:** The agriculture sector involves activities related to the cultivation of crops, livestock rearing, and food production. It plays a crucial role in providing food, raw materials, and employment opportunities. The sector faces challenges such as population growth, climate change, and sustainable resource management. Modern farming practices include precision

agriculture, genetic engineering, and sustainable practices to improve productivity while minimizing environmental impact.

The agricultural sector in Algeria is a significant contributor to the country's economy, accounting for about 11% of its GDP as of 2021. It provides employment to around 20% of the workforce. Algeria has a total agricultural land area of approximately 8.2 million hectares, but not all of it is currently utilized for farming.

The main crops grown in Algeria include wheat, barley, durum wheat, oats, corn, potatoes, tomatoes, olives, citrus fruits, and dates. Wine production is also notable, primarily concentrated in the coastal region.

Water scarcity and limited rainfall are challenges faced by Algerian agriculture. To address this, the country has been investing in irrigation systems and infrastructure to optimize water usage and increase agricultural productivity.

The Algerian government has implemented initiatives to support the agricultural sector, such as providing subsidies, loans, and technical assistance to farmers. Encouraging domestic and foreign investments to modernize the sector is also a priority.

Food security is a crucial concern in Algeria, given its reliance on food imports. The government aims to reduce this dependency by increasing agricultural productivity, diversifying crop production, and improving post-harvest handling and storage facilities.

**2.2.3. Manufacturing Sector:** The manufacturing sector involves the production of goods through various processes, including assembly, fabrication, and processing of raw materials. It covers a wide range of industries such as automotive, electronics, textiles, and more. Automation, robotics, and artificial intelligence are transforming manufacturing processes, leading to increased efficiency, reduced costs, and improved product quality. Sustainability and circular economy principles are also gaining attention to minimize waste and environmental impact.

The manufacturing sector in Algeria holds a crucial position in the country's economy, contributing significantly to industrial growth, job creation, and export revenues. Algeria has made concerted efforts to diversify its economy beyond oil and gas, with a particular focus on developing the manufacturing sector. In 2021, manufacturing accounted for around 5.8% of Algeria's GDP, while employing approximately 1.5 million people in 2020.

To foster manufacturing activities, Algeria has established various industrial zones and clusters throughout the country. These zones offer necessary infrastructure, logistical support, and incentives to attract both domestic and foreign investment. Some notable industrial zones include Arzew, Rouiba, Hassi Messaoud, and Tizi Ouzou.

Algeria's manufacturing sector encompasses a range of industries. The automotive sector has experienced substantial growth, with international automobile manufacturers establishing assembly plants in the country. The textile and clothing industry is also significant, serving both domestic consumption and export markets. Steel and metal processing form another important sector, meeting domestic and regional demand. Additionally, food processing adds value to agricultural products, contributing to Algeria's agricultural sector.

Manufactured goods from Algeria play a vital role in the country's export earnings. The government has focused on increasing non-oil exports, and manufactured products such as automotive parts, textiles, electrical equipment, steel products, and processed foods are among the major exported goods.

The Algerian government has implemented various initiatives to support and promote the manufacturing sector. These include tax incentives, preferential loan programs, and the establishment of industrial parks. Emphasizing research and development (R&D), the government seeks to foster innovation and enhance competitiveness within the manufacturing sector.



**2.2.4. Services Sector:** The services sector comprises industries that provide intangible products or services, including finance, healthcare, education, tourism, and more. It plays a significant role in driving economic growth and job creation. Technological advancements have revolutionized the services sector, with digitalization, e-commerce, and online platforms becoming increasingly prevalent. Remote work, telemedicine, and online education are examples of how technology is transforming traditional service delivery.

The service sector in Algeria is a significant contributor to the country's economy, accounting for around 45.7% of the GDP. This sector encompasses various industries such as finance, tourism, telecommunications, transportation, education, and healthcare. It plays a crucial role in generating employment opportunities, particularly in urban areas.

Algeria's banking and finance industry is an essential component of the service sector. It includes commercial banks, insurance companies, and other financial institutions. The sector has been undergoing reforms to strengthen financial stability and promote economic development.

The tourism sector in Algeria has great potential due to the country's rich cultural heritage and diverse natural landscapes. In 2019, around 2.9 million international tourists visited Algeria. Efforts to develop and promote the tourism industry are ongoing to attract more visitors and boost economic growth.

Algeria's telecommunications sector has experienced significant growth, with mobile phone penetration rates increasing rapidly. The country has also made strides in internet connectivity. As of 2021, there were over 52 million mobile subscriptions in Algeria.

Education and healthcare are vital components of the service sector in Algeria. The country has made considerable investments in these areas to improve access and quality. In 2020, the literacy rate stood at approximately 79%.

The transportation and logistics sector plays a crucial role in connecting different regions of Algeria and facilitating trade. The country has been investing in infrastructure development to enhance transportation networks and logistics capabilities.

The economic activity in Algeria experienced a noticeable revival in 2021, recording a significant growth rate of 3,5% in terms of overall size. This came after an unprecedented contraction of 6% in 2020. The non-hydrocarbon sector witnessed a positive turnaround, shifting from a -3,9% decline in 2020 to a 2,4% growth in 2021. It is worth noting that the agricultural sector faced an unprecedented 1,3% decline, the first since 2002. Conversely, the industrial sector demonstrated a robust growth of 5,7 percent in volume, surpassing the pre-crisis pace by a remarkable 9 percentage points compared to 2020. Additionally, both marketed and non-marketed services achieved a cumulative growth rate of 3,2% in 2021, attributed to improved health conditions and the relaxation of lockdown measures (**Bank of Algeria, 2021, p. 5**).

Overall, these major sectors are interconnected and influence each other's growth. For instance, the energy sector is vital for powering agricultural activities, manufacturing processes, and service delivery. Agriculture supplies raw materials for the manufacturing sector and food for the population. The manufacturing sector produces goods utilized by various industries, including the services sector. The services sector, in turn, supports other sectors through financial services, logistics, and more. Understanding and addressing the challenges within these sectors are crucial for sustainable development and economic prosperity.

By analyzing these Key Economic Indicators and Sectors in Algeria, the study seeks to offer a comprehensive understanding of Algeria's economic landscape. The findings will serve as a foundation for subsequent sections, such as evaluating sectoral contributions, assessing alignment with the BRICS nations, and formulating domestic economic policies and reforms.

### **3. ALIGNMENT OF ALGERIA'S ECONOMY WITH EXISTING BRICS NATIONS**

**3.1 Definition of BRICS group:** There is a strong correlation between the current economic situation and the decision made by Brazil, Russia, India, China, and South Africa to establish closer ties. Similarly, the decline of many advanced economies in recent years and the discovery of significant flaws in global financial institutions have contributed to the rise of these five nations, whose wealth has significantly increased (reaching 20% of global GDP in 2012). However, it would be an oversimplification to attribute this phenomenon solely to "parallel interests." Their collaboration demonstrates a shared aspiration to amplify the influence of this significant region (the BRICS countries collectively represent over 40% of the world's population) (Scaffardi, 2014, p. 141). The term BRICS was coined in the early 2000s to represent a group of economies that were anticipated to exhibit rapid and sustained growth over the next four decades compared to the advanced economies. This acronym was devised to identify countries with the potential to demonstrate significant economic advancement and development in the long term (Nassif, Feijo, & Araújo, 2016, p. 408).

Jim O'Neill introduced the BRICs (with a small 's') acronym, displaying remarkable foresight in recognizing the economic potential of four countries at that time. In doing so, he laid the groundwork for the formation of this conceptual "consortium." Initially, BRIC solely denoted an economic label, leading some scholars to overlook its significance due to the perceived differences within the group. There was skepticism among the initial participants as well, believing that the diverse nature of the member countries would hinder their ability to cooperate effectively. One viewpoint held that "There is minimal common ground among the BRIC countries. Each possesses its own distinct destiny and unique character, making it more challenging for them to reach consensus among themselves than individually with Western nations (Clifford J, 2009)".

A group composed of Brazil, Russia, India, China, and South Africa, known as the BRICS, was initially assembled in a renowned Goldman Sachs working paper. The original acronym, BRIC, represented four prominent emerging market economies believed to possess the capability to surpass the G7 countries. These emerging powers played significant roles in the global economy and proved essential in the negotiation of developmental matters (van Noort, 2017, p. 121).

On April 14, 2011, the third BRICS summit took place in Sanya, located on Hainan Island in China. In addition to the original members—Brazil, Russia, India, and China—South Africa also joined the summit. Subsequent to the meeting, the participants released a collective statement known as the "Sanya Declaration." Since the financial crisis of 2008, the BRICS countries have consistently grown in terms of their global GDP, trade, and foreign currency reserves, making their perspectives a subject of ongoing interest. The first BRICs summit was held on 16 June 2009 in Yekaterinburg, Russia. It was hosted by Russia's president, Dmitry Medvedev, and attended by Brazil's president, Luiz Inacio Lula da Silva, India's prime minister, Manmohan Singh, and China's president, Hu Jintao. The second BRICs summit was held on 15 April 2010 in Brasilia, Brazil. It was hosted by Brazil's president, Luiz Inacio Lula da Silva, and attended by Russia's president, Dmitry Medvedev, India's prime minister, Manmohan Singh, and China's president, Hu Jintao (Sekine, 2011, p. 1).

The BRICS group is an association of five major emerging economies: Brazil, Russia, India, China, and South Africa. It was formed to promote cooperation, development, and economic growth among its members. The BRICS countries have a significant population and collectively contribute a substantial portion of global GDP. They focus on issues such as global governance, trade, investment, infrastructure, and sustainable development. The group has established initiatives like the New Development Bank and the Contingent Reserve Arrangement to support financial cooperation and infrastructure projects. The BRICS group challenges the dominance of developed

economies and provides a platform for emerging economies to address common challenges and promote their interests globally.

**3.2 Analysis of trade patterns and economic relations with BRICS nations:** The BRICS nations, which consist of Brazil, Russia, India, China, and South Africa, are important players in the global economy. These countries have been recognized for their significant contributions to world trade and economic growth. Here's an analysis of the trade patterns and economic relations with BRICS nations:

**3.2.1. Trade Patterns:** Recent developments in the global economy have given rise to a new paradigm in international relations, characterized by the emergence of strong emerging markets, specifically the BRICS economies (Brazil, Russia, India, China, and South Africa). These economies have become a significant counterforce to the established world powers of the Triad (US, EU, and Japan) across economic and political domains. This shift is a result of the global reallocation of economic activities and consumption patterns, leading to changes in import/export destinations favoring emerging and developing nations. As a consequence, the BRICS economies have achieved a high level of integration into international trade, further solidifying their engagement in the global economy (**De Castro, 2013, p. 131**). Here's an analysis of the trade patterns:

- **China:** China is the largest economy among the BRICS nations and one of the world's leading exporters. It has a diverse export base, ranging from electronics and machinery to textiles and furniture. China's imports primarily consist of commodities like oil, minerals, and agricultural products. Moreover, due to China's dominance in the total trade flows of BRICS, the impact of the Chinese Yuan on trade with partners from different groups is more pronounced compared to the effects of other BRICS members' national currencies. China's strong position in trade enhances the influence of its currency on economic relations within the BRICS framework (**Rasoulinezhad & Farkhondeh, 2018, p. 1011**).

- **Brazil:** Brazil is a major exporter of commodities, particularly agricultural products such as soybeans, sugar, and beef. It also exports manufactured goods like automobiles, aircraft, and iron ore. Brazil's imports include machinery, electronics, and chemicals. According to comparative advantage theory, Brazil and Russia exhibit a comparative advantage in the production and export of natural resource-based products. This implies that these countries can produce such goods at a lower opportunity cost compared to other nations (**Javeria, Umer Jeelanie, & Ashok, 2018, p. 1182**).

- **Russia:** Russia's key exports include oil, natural gas, metals, and minerals. It also exports machinery, vehicles, and chemicals. The country's imports mainly comprise machinery, vehicles, pharmaceuticals, and consumer goods. The trade integration of Russia in terms of manufactured goods and raw materials with the five regional groups, based on the Heckscher–Ohlin framework, deviates from that of other BRICS members in accordance with the Linder hypothesis. This indicates that Russia's trade patterns differ significantly from those of its BRICS counterparts (**Rasoulinezhad & Farkhondeh, 2018, p. 1034**).

- **India:** India is a significant exporter of services, particularly in the IT sector. It also exports textiles, pharmaceuticals, and chemicals. India imports machinery, petroleum, electronics, and gold. The proxy of geographical distance, which represents transportation costs, exhibits a weaker negative effect on the trade patterns of manufactured goods and raw materials between China and India when compared to other BRICS countries. This dissimilarity in trade patterns suggests that China and India possess more efficient transport infrastructures than the other three BRICS nations. Furthermore, China's One Belt, One Road initiative is a policy that aims to reduce transportation costs, benefiting both China and India. By lowering transportation expenses, this initiative enhances the trade capabilities of China and India within the BRICS framework and global trade flows (**Rasoulinezhad & Farkhondeh, 2018, p. 1034**). On the other hand, India and China possess a

comparative advantage in the manufacturing and processing of goods. This suggests that these countries can produce and export manufactured and processed products more efficiently and cost-effectively compared to their counterparts (**Javeria, Umer Jeelanie, & Ashok, 2018, p. 1182**).

• **South Africa:** South Africa is a major exporter of minerals, including gold, platinum, and diamonds. It also exports vehicles, machinery, and agricultural products. The country's imports consist of machinery, vehicles, electronics, and petroleum.

Intra-BRICS trade relations positively impact economic performance, fostering strong economic ties among member countries. Market size and economic index contribute to trade flows within BRICS, with larger markets and favorable economic health promoting trade. Manageable trade tariffs and taxes facilitate smooth intra-BRICS trade. Cooperation between BRICS countries has a significant influence on global economic globalization (**Rahman, Zeenat, & Rahman, 2020, p. 6**).

Trade patterns of BRICS countries are characterized by diverse compositions and regional integration. Brazil and Russia demonstrate comparative advantages in natural resource-based products, while India and China excel in manufactured and processed goods. Intra-BRICS trade has grown, with China playing a dominant role. Geographical distance affects trade differently, with China and India having better transport infrastructure. Efforts are underway to strengthen economic cooperation among BRICS nations through investments and multilateral forums.

**3.2.2. Intra-BRICS Trade:** Intra-BRICS trade has witnessed growth over the years. The member countries have been working towards enhancing trade relations and reducing barriers. However, the level of intra-BRICS trade varies among the nations. China's trade with other BRICS countries, particularly Brazil and Russia, is substantial due to its manufacturing prowess and demand for resources. Brazil and Russia also have significant trade ties, primarily related to commodities. India's trade with other BRICS nations has shown steady growth, with a focus on services. South Africa has comparatively lower trade volumes with other BRICS members, but efforts are being made to strengthen economic cooperation.

**3.2.3. Economic Relations:** Overall, the economic relations among the BRICS nations have exhibited dynamic and evolving dynamics, reflecting their collective pursuit of mutually beneficial cooperation and shared prosperity:

• **Investment:** BRICS countries have been involved in cross-border investments among themselves. China has been a major investor in other BRICS nations, particularly in infrastructure projects. Russia has invested in sectors such as energy and mining. Indian companies have made investments in sectors like pharmaceuticals, IT, and automotive in other BRICS countries. Brazil has investments in sectors such as agribusiness and manufacturing. South Africa has been involved in investments in sectors like mining and telecommunications in other BRICS nations.

• **Development Banks:** The New Development Bank (NDB), established by BRICS nations, provides funding for infrastructure and sustainable development projects in member countries. It aims to support economic growth and cooperation among BRICS nations.

• **Multilateral Forums:** BRICS nations often collaborate in multilateral forums like the World Trade Organization (WTO), G20, and the United Nations. They work together to promote their common interests, advocate for reforms in global institutions, and address issues related to trade, finance, and sustainable development.

Overall, trade patterns and economic relations among BRICS nations have shown positive growth, but there are variations in the level of engagement and areas of focus. These countries continue to explore opportunities for collaboration, investment, and policy coordination to strengthen their economic ties and promote sustainable development.

**3.3. Comparison of economic policies, investment climate, and regulatory framework:** Algeria, although not a member of the BRICS (Brazil, Russia, India, China, and South Africa), can be

compared to the BRICS countries in terms of economic policies, investment climate, and regulatory framework. However, it's important to note that the BRICS countries are diverse and have different economic structures, policies, and regulatory environments:

**3.3.1. Economic Policies:** Algeria has historically pursued a state-led economic model, where the government plays a significant role in the economy through state-owned enterprises and control over key sectors such as energy. The government has implemented policies to diversify the economy beyond oil and gas, focusing on sectors like manufacturing, agriculture, and tourism. However, progress in diversification has been limited.

The BRICS countries, on the other hand, follow a range of economic models. Brazil has a mixed economy with a strong private sector, while Russia has a more centralized economic system with state dominance in key industries. India and China have embraced market-oriented reforms, with China implementing a hybrid system of state capitalism.

**3.3.2. Investment Climate:** Algeria has faced challenges in attracting foreign direct investment (FDI) due to bureaucratic hurdles, complex regulations, and limited transparency. The business environment has been characterized by state intervention, a heavy bureaucratic apparatus, and restrictions on capital flows. However, Algeria has made efforts to improve the investment climate, including reforms to simplify procedures and encourage FDI.

The BRICS countries have varying investment climates. Brazil has made efforts to improve the business environment by reducing bureaucracy, enhancing legal frameworks, and implementing economic reforms. Russia has faced challenges related to corruption, legal uncertainties, and state intervention in the economy. India has implemented several reforms to attract FDI, including liberalizing sectors such as defense and retail. China has established Special Economic Zones and implemented policies to attract foreign investment, although there are still concerns about market access barriers and intellectual property rights protection.

**3.3.3. Regulatory Framework:** Algeria has a complex regulatory framework characterized by bureaucratic procedures, legal complexities, and administrative barriers. The government plays a dominant role in various sectors, which can create challenges for private businesses. However, Algeria has taken steps to simplify regulations, improve transparency, and enhance the rule of law.

The BRICS countries have different regulatory frameworks. Brazil has a comprehensive legal system, but bureaucratic red tape and complex tax regulations can be a challenge for businesses. Russia has faced concerns related to corruption, inconsistent enforcement of laws, and lack of transparency. India has made efforts to simplify regulations and streamline bureaucratic processes, although there are still regulatory challenges in certain sectors. China has a unique regulatory framework, with a mix of state control, market-oriented reforms, and a complex legal system.

Overall, while Algeria shares some similarities with the BRICS countries in terms of state intervention and challenges in the investment climate, there are also significant differences in their economic policies and regulatory frameworks. The BRICS countries have experienced varying degrees of success in attracting foreign investment and improving their business environments, but they have also implemented reforms to address these challenges.

**3.4. Identification of areas of alignment and divergence:** When comparing Algeria with the BRICS countries (Brazil, Russia, India, China, and South Africa) in terms of trade volumes, investment flows, and policy harmonization, there are both areas of alignment and divergence:

**3.4.1. Trade volumes:** Algeria has trade relations with several BRICS countries. It has significant trade volumes with China, primarily in the energy sector, as China is a major importer of Algerian oil and gas. Algeria also has trade ties with India, especially in the pharmaceutical sector. Additionally, Brazil has been an important market for Algerian exports such as fertilizers.

The trade volumes between Algeria and the BRICS countries, excluding China, are relatively lower compared to the trade volumes within the BRICS countries themselves. Algeria's trade with Russia and South Africa, for example, is relatively limited.

**3.4.2. Investment flows:** Algeria has received investment from some BRICS countries. Chinese companies have made substantial investments in Algeria's energy and infrastructure sectors. Russian companies have also shown interest in investing in Algeria, particularly in the energy industry. India has made investments in sectors such as pharmaceuticals and agriculture.

Overall, the investment flows from the BRICS countries to Algeria have been relatively limited compared to their investments within the BRICS group. Algeria has faced challenges in attracting foreign investment due to its investment climate and regulatory framework, which has affected investment flows from all BRICS countries.

**3.4.3. policy harmonization:** Algeria and the BRICS countries share some common policy goals and interests, such as economic diversification, infrastructure development, and energy cooperation. They have emphasized the importance of South-South cooperation and have participated in forums like the BRICS-Africa Dialogue to enhance cooperation and coordination.

Despite some areas of alignment, there are significant policy divergences between Algeria and the BRICS countries. The economic models, investment climates, and regulatory frameworks of Algeria and the BRICS countries differ. Algeria's state-led economic model, for instance, contrasts with the market-oriented approaches of countries like Brazil, India, and China.

Overall, while there are certain areas of alignment between Algeria and the BRICS countries in terms of trade, investment, and policy harmonization, the differences in economic models, investment flows, and regulatory frameworks contribute to notable divergences. Enhancing trade volumes, investment flows, and policy harmonization between Algeria and the BRICS countries would require addressing these divergences and creating an enabling environment for increased cooperation.

#### **4. POTENTIAL BENEFITS AND CHALLENGES FOR ALGERIA IN JOINING THE BRICS GROUP:**

Algeria, as a country, could potentially experience several benefits and challenges if it were to join the BRICS group (Brazil, Russia, India, China, and South Africa). Here are some potential benefits and challenges for Algeria in joining the BRICS:

**4.1. Potential benefits for Algeria in Joining the BRICS Group:** Here are potential benefits for Algeria in joining the BRICS group:

**4.1.1. increased trade opportunities:** Joining the BRICS group, which consists of Brazil, Russia, India, China, and South Africa, can potentially bring several benefits to Algeria, including increased trade opportunities. Here are some specific ways in which Algeria could benefit:

- **Access to a large market:** The BRICS countries collectively represent a significant portion of the world's population and have a combined GDP that accounts for a substantial share of the global economy. Joining the group would provide Algeria with access to a large market for its exports, potentially leading to increased trade volumes and economic growth.
- **Diversification of export destinations:** Currently, Algeria heavily relies on hydrocarbon exports, particularly oil and gas. By joining the BRICS group, Algeria could diversify its export destinations and reduce its dependence on a limited number of markets. This diversification would make the Algerian economy less vulnerable to fluctuations in oil prices and global demand.
- **Enhanced economic cooperation:** The BRICS countries often engage in discussions and initiatives to promote economic cooperation among themselves. Algeria's participation would allow it to be part of these collaborative efforts, including joint investment projects, technology transfers,

and trade agreements. This cooperation can lead to the development of new industries, improved infrastructure, and increased foreign direct investment in Algeria.

- **Knowledge sharing and capacity building:** The BRICS countries possess diverse expertise and experiences in various sectors, including agriculture, manufacturing, technology, and infrastructure development. Through joining the BRICS group, Algeria would have the opportunity to learn from these countries and access knowledge, best practices, and technical assistance. This knowledge sharing could contribute to the growth and modernization of Algeria's economy.

- **Political and diplomatic influence:** As a member of the BRICS group, Algeria would have the opportunity to participate in high-level meetings and forums where important global issues are discussed. This involvement could enhance Algeria's diplomatic standing and provide a platform for it to advocate for its interests, influence decision-making processes, and strengthen its position in regional and international affairs.

It's important to note that joining the BRICS group also comes with certain responsibilities and challenges. Algeria would need to align its policies and strategies with those of the other BRICS members, navigate potential differences in interests, and actively contribute to the group's agenda.

**4.1.2. access to capital:** One potential benefit for Algeria in joining the BRICS group is access to capital. Here's how Algeria could benefit from increased access to capital through its membership:

- **Foreign direct investment (FDI):** The BRICS countries, particularly China, have been major sources of foreign direct investment globally. Joining the BRICS group would potentially attract more FDI from these countries into Algeria. Increased investment can support the development of infrastructure, industries, and other sectors of the Algerian economy, leading to job creation, technology transfer, and economic growth.

- **Infrastructure financing:** BRICS members have established various initiatives to finance infrastructure projects, such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB). These institutions provide funding for infrastructure development in member countries. By joining the BRICS group, Algeria could access financial resources to support its infrastructure projects, including transportation networks, energy facilities, and telecommunications systems.

- **Trade finance and credit facilities:** The BRICS countries have been exploring mechanisms to enhance trade finance and provide credit facilities to promote trade among member nations. Algeria's membership in the BRICS group could enable it to access trade finance instruments, such as credit lines, export guarantees, and insurance services. These financial tools can facilitate and stimulate trade activities, allowing Algerian businesses to expand their operations and engage in international trade more effectively.

- **Development assistance and loans:** BRICS members have demonstrated their willingness to provide development assistance and loans to other countries. Algeria could benefit from such assistance in areas such as agriculture, education, healthcare, and technology. These funds can support Algeria's efforts to address socio-economic challenges, improve public services, and advance its development agenda.

- **Currency cooperation and financial integration:** The BRICS countries have been exploring initiatives to enhance currency cooperation and reduce dependence on the US dollar in international transactions. As a member, Algeria could benefit from increased financial integration within the BRICS framework, potentially leading to reduced transaction costs, enhanced currency swap agreements, and greater stability in cross-border trade and investment.

Algeria's accession to BRICS could potentially provide an opportunity for the country to enhance its borrowing capabilities. This is because the organization aims to strengthen its New

Development Bank, an alternative financing institution to established bodies like the World Bank and the International Monetary Fund. In addition to bolstering its diplomatic standing and augmenting its financial reservoirs, Algeria's membership in BRICS would create avenues for technological exchanges with specific member nations, such as India. This would enable Algeria to reinforce its existing partnerships, as emphasized by Jitendra Singh, the Indian Union Minister of State for Science and Technology, in September 2022 (**Rahmouni, 2023**).

It's worth noting that accessing capital is subject to various factors, including Algeria's economic policies, investment climate, and the attractiveness of its market. Algeria would need to create a conducive business environment, implement reforms, and maintain stability to fully leverage the potential benefits of increased access to capital through its membership in the BRICS group.

**4.1.3. Technological cooperation:** Joining the BRICS group can offer Algeria several potential benefits in terms of technological cooperation. Here's how Algeria could benefit:

- **Technology transfer:** The BRICS countries, particularly China, have made significant advancements in various sectors, including technology and innovation. Joining the BRICS group would provide Algeria with opportunities for technology transfer, allowing it to acquire advanced technologies, expertise, and knowledge from other member countries. This transfer can help Algeria improve its industrial capabilities, enhance productivity, and foster innovation in key sectors of the economy.

- **Research and development collaboration:** The BRICS countries have been actively collaborating in research and development (R&D) activities. As a member, Algeria could participate in joint research projects, exchange scientific expertise, and benefit from shared resources and facilities. This collaboration can lead to the development of new technologies, breakthrough innovations, and scientific advancements that have practical applications in Algeria's industries and sectors.

- **Educational and academic exchanges:** The BRICS countries have established various programs and initiatives to promote educational and academic exchanges among member nations. Algeria's membership in the BRICS group would facilitate student and scholar exchanges, joint degree programs, and research partnerships with universities and educational institutions in other BRICS countries. This exchange of knowledge and expertise can contribute to the development of Algeria's human capital and enhance its educational system.

- **Collaboration in emerging technologies:** The BRICS countries have shown interest in emerging technologies, such as artificial intelligence (AI), blockchain, renewable energy, and biotechnology. Joining the BRICS group would provide Algeria with opportunities to collaborate with other member countries in these cutting-edge areas. This collaboration can foster innovation, stimulate the growth of high-tech industries, and position Algeria as a player in the global technology landscape.

- **Technology-enabled solutions for development challenges:** The BRICS countries have demonstrated their commitment to addressing development challenges through technology-enabled solutions. Algeria, as a member, could benefit from sharing experiences, best practices, and innovative approaches employed by other BRICS countries to tackle similar challenges. This exchange can help Algeria find effective technological solutions to its own development priorities, such as agriculture, healthcare, water management, and sustainable energy.

It's important to note that technological cooperation requires a conducive policy environment, investment in research and development, and a supportive ecosystem for innovation. Algeria would need to foster an environment that promotes collaboration, protects intellectual property rights, and incentivizes research and innovation to fully leverage the potential benefits of technological cooperation through its membership in the BRICS group.



**4.2. Potential challenges for Algeria in Joining the BRICS Group:** Algeria's potential inclusion in the BRICS group presents both opportunities and challenges for the country. As Algeria considers joining this influential alliance comprising Brazil, Russia, India, China, and South Africa, several key areas of concern emerge. Adapting to the economic policies of the existing BRICS members will be crucial for Algeria's integration. Additionally, addressing infrastructure gaps and managing competition in various sectors will require strategic planning and implementation. Furthermore, geopolitical considerations and logistical challenges stemming from Algeria's location will need to be carefully navigated. Moreover, ensuring sustainable development aligning with the environmental goals of the BRICS group will be essential. In this context, this discussion explores the potential challenges that Algeria may encounter on its journey to joining the BRICS group and the actions needed to overcome them successfully:

**4.2.1. Adapting to BRICS economic policies:** While joining the BRICS group can bring potential benefits to Algeria, there are also several challenges that Algeria may face, including the need to adapt to BRICS economic policies. Here are some potential challenges in this regard:

- **Policy alignment:** The BRICS countries have their own economic policies, trade strategies, and priorities. Algeria would need to align its economic policies with those of the BRICS group, which may require adjustments to its existing frameworks. This alignment could involve changes in trade regulations, investment laws, and market openness, among other aspects. Adapting to new policies while maintaining domestic interests and objectives can be a complex task.

- **Market competition:** Joining the BRICS group would expose Algeria to increased market competition from the other member countries. Algeria's industries may face challenges from more competitive and technologically advanced sectors in the BRICS nations. This competition could require Algeria to enhance its competitiveness, productivity, and innovation to effectively participate in the BRICS market and protect its own industries.

- **Economic diversification:** The BRICS group encompasses diverse economies with various sectors and industries. Algeria, which heavily relies on hydrocarbon exports, would need to diversify its economy to align with the broader economic landscape of the BRICS countries. This diversification would require investments in non-oil sectors, such as manufacturing, technology, agriculture, and services, which may require substantial resources, policy reforms, and long-term planning.

- **Balancing national interests and group dynamics:** Each BRICS member country has its own national interests and priorities. Algeria would need to balance its national interests with the collective interests and decision-making processes of the BRICS group. This may involve engaging in negotiations, compromises, and finding common ground with other member countries, which can be a complex diplomatic task.

- **Capacity building and institutional strengthening:** Joining the BRICS group would require Algeria to strengthen its institutional capacity to effectively engage with the group and benefit from its initiatives. This may involve enhancing administrative capabilities, regulatory frameworks, and governance structures to align with the BRICS standards. Strengthening institutional capacity can be time-consuming and resource-intensive.

It is crucial for Algeria to assess these challenges and develop strategies to address them effectively. Flexibility, adaptability, and proactive measures will be essential for Algeria to navigate the potential hurdles and derive maximum benefits from its membership in the BRICS group.

**4.2.2. Addressing infrastructure gaps:** One of the potential challenges for Algeria in joining the BRICS group is addressing infrastructure gaps. Infrastructure development is a crucial aspect for economic growth and stability, and it often requires significant investments. Algeria may face challenges in terms of modernizing its infrastructure to meet the standards of the BRICS countries.

This includes improving transportation networks, energy infrastructure, telecommunications systems, and other essential facilities:

- **Funding:** Developing and upgrading infrastructure requires substantial financial resources. Algeria would need to secure adequate funding to invest in the necessary infrastructure projects. This might involve attracting foreign direct investment, seeking loans or grants from international financial institutions, or forming partnerships with other BRICS members to access financing opportunities.

- **Project planning and management:** Implementing large-scale infrastructure projects requires efficient planning, management, and coordination among various stakeholders. Algeria would need to enhance its project management capabilities to ensure effective execution of infrastructure initiatives. This involves conducting feasibility studies, adhering to international standards, and employing skilled professionals with expertise in infrastructure development.

- **Overcoming bureaucratic hurdles:** The process of implementing infrastructure projects can often be hindered by bureaucratic red tape and regulatory challenges. Algeria would need to streamline its administrative procedures and create a conducive business environment that promotes investment and encourages collaboration with international partners. This may involve enacting supportive legislation, improving governance structures, and reducing administrative bottlenecks.

- **Sustainability and environmental concerns:** In today's global context, sustainable development and environmental considerations are of paramount importance. Algeria would need to ensure that its infrastructure projects align with international sustainability standards, minimizing the negative environmental impact. This might involve adopting renewable energy sources, implementing efficient waste management systems, and integrating climate change mitigation and adaptation measures into infrastructure planning.

- **Regional integration:** Joining the BRICS group would require Algeria to foster regional integration, especially in terms of infrastructure connectivity. This involves collaborating with neighboring countries to develop cross-border infrastructure projects, such as transport corridors and energy networks. Enhancing regional cooperation can lead to mutual benefits, including increased trade, economic growth, and stability.

Overall, addressing infrastructure gaps is a critical challenge for Algeria in joining the BRICS group. By effectively tackling these challenges, Algeria can improve its infrastructure capacity and create a solid foundation for sustainable economic development and integration with the BRICS countries.

**4.2.3. Managing competition:** Another potential challenge for Algeria in joining the BRICS group is managing competition within the group. The BRICS countries (Brazil, Russia, India, China, and South Africa) are all major emerging economies with diverse strengths and interests. While joining the group can bring potential benefits to Algeria, it may also present challenges related to competition in various areas:

- **Economic competition:** As a member of BRICS, Algeria would be competing with other member countries for investment opportunities, access to markets, and trade deals. Each BRICS country has unique economic strengths and industries, and Algeria would need to identify its competitive advantages and develop strategies to leverage them effectively within the group.

- **Political influence:** The BRICS group operates as a platform for member countries to discuss and coordinate on global economic and political issues. Algeria would need to navigate its way through existing power dynamics within the group to ensure its voice is heard and its interests are represented. Managing relationships with established BRICS members and building alliances with like-minded countries within the group may be crucial in this regard.

- **Geopolitical considerations:** Joining the BRICS group could also have implications for Algeria's geopolitical position. As the group includes countries with diverse geopolitical interests and alignments, Algeria may need to carefully assess how its BRICS membership might impact its relationships with other regional and international players. Striking a balance between its BRICS commitments and existing partnerships could be challenging.
- **Economic diversification:** BRICS countries often cooperate in areas such as technology, manufacturing, and trade. For Algeria to effectively compete within the group, it may need to focus on diversifying its economy, reducing dependence on traditional sectors, and investing in research and development to promote innovation and modernization.
- **Domestic reforms:** To keep up with the competitive environment within BRICS, Algeria may need to undertake significant domestic reforms to improve its business climate, attract foreign investment, and enhance its economic competitiveness. This could involve addressing issues related to corruption, bureaucratic inefficiencies, and regulatory hurdles.
- **Balancing regional and global priorities:** Algeria may face challenges in balancing its regional priorities, especially within the African continent, with its new global commitments as a BRICS member. Ensuring that its BRICS engagement complements and supports its existing regional initiatives will be crucial for maintaining coherence in its foreign policy.

In conclusion, managing competition within the BRICS group presents various challenges for Algeria. Successfully navigating these challenges requires a clear understanding of its competitive advantages, effective diplomacy, domestic reforms, and a coherent strategy that aligns its regional and global interests. By addressing these challenges, Algeria can seize the opportunities offered by BRICS membership and enhance its economic and geopolitical standing on the global stage.

An important hurdle lies in devising a comprehensive approach for Algeria to seamlessly integrate this endeavor into its long-term strategy, avoiding any perception of it being merely a short-lived tactical maneuver. The potential benefits that Algeria stands to gain from aligning with BRICS are substantial, necessitating a multifaceted strategy that incorporates preparatory measures, concurrent actions, and subsequent initiatives alongside the decision to join. The reality is that Algeria confronts imminent regional challenges that surpass its capacity to address independently, compelling the pursuit of an international alliance with a global reach (Si Bachir, 2022).

It is important to note that the decision to join the BRICS group is a complex one, requiring careful consideration of the potential benefits and challenges, as well as an evaluation of Algeria's long-term strategic goals and priorities.

## **5. IMPLICATIONS FOR ALGERIA'S DOMESTIC ECONOMIC POLICIES AND REFORMS:**

Algeria's inclusion in the BRICS group holds the potential to significantly impact domestic economic policies and reforms, fostering new avenues for growth and shaping the country's trajectory in a globalized economy:

**5.1. Examination of potential effects on domestic economic policies and reforms:** Algeria's accession to the BRICS group could have several potential effects on domestic economic policies and reforms:

- **Trade and Investment Opportunities:** Being part of the BRICS group may open up new avenues for trade and investment for Algeria. It can lead to increased economic cooperation, trade

agreements, and partnerships with other BRICS nations. This can result in expanded markets for Algerian goods and services, leading to economic diversification and enhanced competitiveness.

- **Infrastructural Development:** The BRICS countries often collaborate on infrastructure projects, such as transportation networks, energy initiatives, and telecommunications. Algeria's participation in the group could attract foreign investment and expertise in infrastructure development, which can stimulate economic growth and improve domestic connectivity.

- **Access to Capital and Financial Resources:** Algeria's membership in the BRICS group may provide access to additional financial resources, such as development banks and funds established by the BRICS nations. This can support domestic initiatives for economic development, including infrastructure upgrades, industrialization, and innovation-driven projects.

- **Policy Reforms and Best Practices:** Joining the BRICS group can encourage Algeria to adopt policy reforms and best practices from other member countries. This could involve implementing measures to enhance economic governance, promote market liberalization, streamline regulatory frameworks, and improve business environment transparency.

- **Knowledge Exchange and Capacity Building:** Algeria's participation in the BRICS group can facilitate knowledge sharing and capacity building initiatives. It offers opportunities for collaboration in sectors such as education, research, technology transfer, and skills development. This exchange of expertise can contribute to the advancement of Algeria's human capital and boost innovation-driven economic growth.

- **Enhanced Regional Integration:** Algeria's inclusion in the BRICS group can strengthen its ties with other BRICS member nations, as well as with the wider African continent. This can potentially lead to increased regional integration efforts, such as trade blocs, economic partnerships, and cross-border cooperation, fostering economic stability and shared prosperity.

It's important to note that the specific effects on Algeria's domestic economic policies and reforms will depend on the country's engagement within the BRICS group, its ability to leverage opportunities effectively, and its commitment to implementing necessary reforms to maximize the benefits of membership.

## **5.2. Assessment of need for policy adjustments or reforms to align with BRICS nations:**

Aligning policies and reforms in Algeria with those of the BRICS countries would require careful consideration and strategic adjustments. Here are some factors to assess:

- **Trade and Market Liberalization:** The BRICS countries generally promote open trade and market liberalization. Algeria may need to review its trade policies, reduce barriers, and adopt measures to enhance competitiveness. This could involve reducing tariffs, streamlining customs procedures, and facilitating cross-border trade to align with the principles of the BRICS group.

- **Investment Climate:** Creating an attractive investment climate is crucial for attracting foreign direct investment (FDI). Algeria may need to review its investment policies, regulations, and legal frameworks to provide a favorable environment for both domestic and foreign investors. This could involve simplifying bureaucratic procedures, ensuring transparency, protecting property rights, and promoting investor-friendly policies.

- **Infrastructure Development:** The BRICS nations emphasize infrastructure development as a key driver of economic growth. Algeria may need to prioritize and invest in infrastructure projects, such as transportation networks, energy facilities, and digital connectivity, to improve domestic connectivity and enhance its competitiveness within the BRICS group.

- **Economic Diversification:** Many BRICS countries have successfully pursued economic diversification strategies. Algeria could benefit from diversifying its economy beyond hydrocarbons and investing in sectors such as manufacturing, services, technology, and agriculture. This would

require policies that promote entrepreneurship, innovation, and skills development to drive economic diversification and reduce dependence on oil and gas.

- **Financial Sector Reforms:** Algeria may need to consider financial sector reforms to align with the practices of the BRICS countries. This could involve enhancing banking regulations, promoting access to finance for businesses and individuals, developing capital markets, and strengthening financial institutions to support economic growth and investment.

- **Governance and Institutional Reforms:** Good governance and effective institutions are crucial for economic development. Algeria may need to focus on improving governance structures, transparency, accountability, and the rule of law. This could involve reforms in public administration, regulatory frameworks, anti-corruption measures, and strengthening institutions responsible for economic policymaking.

- **Knowledge and Innovation:** The BRICS countries emphasize knowledge-based economies and innovation. Algeria may need to invest in research and development, promote collaboration between academia and industry, and create incentives for technological advancement and innovation. This would help Algeria harness its intellectual capital and promote competitiveness within the BRICS group.

It's important for Algeria to carefully assess the specific policies and reforms of the BRICS countries and evaluate their relevance and applicability to its own socio-economic context. Consideration should be given to the country's unique challenges, resources, and development goals. Collaboration and knowledge sharing with other BRICS members can also play a crucial role in understanding best practices and adapting them effectively.

Overall, joining the BRICS group can act as a catalyst for economic reforms and provide Algeria with opportunities to strengthen its economy, attract investment, diversify industries, and enhance regional integration. However, it would require strategic planning, policy adjustments, and effective implementation to reap the potential benefits and navigate the challenges associated with joining the group.

## **6. CONCLUSION**

In conclusion, the stakes of the Algerian economy within the BRICS group are substantial but complex. As Algeria looks to diversify its economy, enhance its global competitiveness, and address developmental challenges, its collaboration with the BRICS countries presents a promising avenue for growth and prosperity. However, realizing this potential will require strategic planning, comprehensive reforms, and proactive engagement with the BRICS countries to foster mutually beneficial partnerships and capitalize on emerging opportunities in the dynamic global economic landscape. And she came the study findings and recommendations are as follows:

**6.1. Results:** The study yielded the following results:

- Algeria, is not a member of the BRICS group but is often considered as an important player within the African Union (AU) and the Arab world. Algeria is the largest country in Africa by land area and has substantial energy resources, particularly in natural gas and oil. Historically, the Algerian economy has been heavily reliant on hydrocarbon exports.

- While Algeria is not formally part of BRICS, it has maintained economic and diplomatic relations with some of the BRICS member countries. For example, Algeria has significant trade relations with China and has benefited from Chinese investments in infrastructure projects and energy development. Additionally, Algeria has engaged in economic cooperation with Brazil and Russia in various sectors, including energy and agriculture.

- Joining BRICS could open up opportunities for increased trade and investment between Algeria and the existing BRICS members. The group represents a significant portion of the world's population and GDP, so increased economic ties could lead to enhanced market access, diversified trade partners, and potential economic growth for Algeria.
- BRICS members have often collaborated on infrastructure projects and investment initiatives. Algeria, being a developing country, could benefit from financial support and expertise in areas such as energy, transportation, telecommunications, and industrial development, which could boost its infrastructure and economic development.
- BRICS is not only an economic grouping but also a platform for political dialogue and cooperation among its members. By joining BRICS, Algeria could have a stronger voice in global affairs and potentially influence decision-making processes on important international issues, including those related to trade, climate change, and regional security.
- BRICS countries often share experiences, best practices, and knowledge in various sectors, such as science, technology, education, and healthcare. Algeria could gain access to expertise and technology from other BRICS members, which could contribute to advancements in different fields within the country.
- BRICS emphasizes South-South cooperation, promoting collaboration among developing countries. Joining the group could facilitate partnerships and collaborations between Algeria and other developing nations within and outside the BRICS framework, fostering shared development goals and mutual support.
- Algeria might need to divert its attention and resources towards global issues and priorities discussed within the BRICS framework. This could potentially shift focus away from regional concerns and cooperation within Africa.
- Joining BRICS might require Algeria to align its policies and positions with the collective stance of the BRICS members. This could potentially limit Algeria's flexibility to pursue independent regional interests or objectives.
- Algeria's industries might face increased competition from BRICS member countries, particularly in sectors where these countries have comparative advantages. This could pose challenges for Algerian businesses and potentially impact domestic industries.
- The existing BRICS members have different levels of economic development, with some being major global economic powers. Algeria, as a relatively smaller economy, might face challenges in maintaining a balance of power and influence within the group.
- The BRICS group comprises countries with diverse interests, priorities, and geopolitical strategies. Algeria might need to navigate potential differences and conflicts among the member countries, which could impact its ability to pursue its specific national interests.

**6.2. Study recommendations:** The study yielded the following recommendations:

- **Diversification of the economy:** Algeria should prioritize diversifying its economy beyond the traditional reliance on oil and gas. This can be achieved by promoting sectors such as agriculture, manufacturing, renewable energy, and tourism. By reducing its dependence on a single sector, Algeria can enhance its resilience to global economic fluctuations and strengthen its overall competitiveness.
- **Policy reforms:** Comprehensive policy reforms are essential to create a business-friendly environment, attract foreign investment, and stimulate economic growth. This includes streamlining regulations, improving infrastructure, enhancing the ease of doing business, and ensuring a transparent and efficient legal framework. By implementing these reforms, Algeria can foster an environment conducive to entrepreneurship, innovation, and sustainable economic development.
- **Trade facilitation:** Algeria should focus on improving trade facilitation measures with the BRICS

countries, such as reducing trade barriers, simplifying customs procedures, and enhancing logistics and transportation infrastructure. This will enable easier access to BRICS markets, promote bilateral trade, and encourage the exchange of goods and services.

- **Investment promotion:** Algeria should actively promote itself as an attractive investment destination for BRICS countries. This can be achieved through targeted investment promotion campaigns, participation in trade fairs and exhibitions, and establishing bilateral investment treaties. By attracting foreign direct investment from the BRICS countries, Algeria can benefit from technology transfer, job creation, and increased productivity.

- **Knowledge sharing and capacity building:** Algeria should actively engage in knowledge sharing and capacity building initiatives with the BRICS countries. This can involve collaborations in areas such as research and development, education and training, and technology transfer. By leveraging the expertise and experiences of the BRICS countries, Algeria can enhance its human capital, improve its technological capabilities, and promote innovation-driven growth.

- **Regional integration:** Algeria should explore opportunities for regional integration within the BRICS framework. This can involve participation in regional trade agreements, infrastructure development projects, and cross-border initiatives. By strengthening regional economic integration, Algeria can benefit from increased market access, economies of scale, and enhanced regional stability.

- **Sustainable development:** Algeria should prioritize sustainable development in its collaboration with the BRICS countries. This includes promoting environmentally friendly practices, adopting renewable energy sources, and integrating sustainability considerations into policymaking and business operations. By embracing sustainable development, Algeria can position itself as a responsible global player and contribute to the achievement of global development goals.

In conclusion, by following these recommendations, Algeria can maximize the potential benefits of its collaboration with the BRICS countries. Strategic planning, comprehensive reforms, and proactive engagement will be crucial in capitalizing on emerging opportunities and fostering mutually beneficial partnerships in the dynamic global economic landscape.

## **7. BIBLIOGRAPHY LIST:**

1. *BANK OF ALGERIA. (2022, November). INFLATION DYNAMICS AND DETERMINANTS IN ALGERIA: AN EMPIRICAL INVESTIGATION. BANK OF ALGERIA WORKING PAPERS 01-22 , 1-16. BANK OF ALGERIA.*

2. *bank of algeria. (2022). Note de conjoncture Premier semestre 2022. Publications . bank of algeria.*

3. *Bank of Algeria. (2021). Rapports annuels. Rapport annuel 2021.*

4. *bank of algeria. (2023). Statistiques. Consulté le 6 20, 2023, sur IPC et Inflation: <https://www.bank-of-algeria.dz/>*

5. *Clifford J, L. (2009, June 15). Emerging Powers Prepare to Meet in Russia. Retrieved 6 22, 2023, from New York Times: <https://www.nytimes.com/2009/06/16/world/europe/16bric.html>*

6. *De Castro, T. (2013). Trade among BRICS countries: Changes towards closer cooperation? Ekonomická revue – Central European Review of Economic , 16, 131–147.*

7. *Denisia, V. (2010). Foreign direct investment theories: An overview of the main FDI theories. European Journal of Interdisciplinary Studies , 2 (2), 104-110.*

8. *International Labour Organization (ILO). (2023). The leading source of labour statistics. Retrieved 06 20, 2023, from Statistics on unemployment and labour underutilization: <https://ilostat.ilo.org/topics/unemployment-and-labour-underutilization/>.*

9. *Javeria, M., Umer Jeelanie, B., & Ashok, M. (2018). Trade Intensity and Revealed Comparative Advantage: An Analysis of Intra-BRICS Trade. International Journal of Emerging Markets , 13 (5), 1182-1195.*

10. Musarat, M. A., Alaloul, W. S., & Liew, M. (2021). Impact of inflation rate on construction projects budget: A review. *Ain Shams Engineering Journal* , 12 (1), 407-414.
11. Nassif, A., Feijo, C., & Araújo, E. (2016). Structural change, catching up and falling behind in the BRICS: A comparative analysis based on trade pattern and Thirlwall's Law. *PSL Quarterly Review* , 69 (278), 373-421.
12. Office National des Statistiques(ONS). (2022). *Statistiques Sociales*. Retrieved 06 21, 2023, from Nouveautés: <https://www.ons.dz/>
13. Rahman, M. N., Zeenat, F., & Rahman, N. (2020). Quantitative dynamics of intra-BRICS trade. *BRICS Journal of Economics* , 4 (1), 6–23.
14. Rahmouni, Z. (2023, May 09). *Is Algeria Ready to Join BRICS?* . Retrieved 06 27, 2023, from Tahrir Institute for Middle East Policy: <https://timep.org/2023/05/09/is-algeria-ready-to-join-brics/>
15. Rasoulinezhad, E., & Farkhondeh, J. (2018). Do BRICS countries have similar trade integration patterns? *Journal of Economic Integration* , 33 (1), 1011-1045.
16. Reuben Kira, A. (2013). The Factors Affecting Gross Domestic Product (GDP) in Developing Countries: The Case of Tanzania. *European Journal of Business and Management* , 5 (4), 148-158.
17. Scaffardi, L. (2014). BRICS, a Multi-Centre “Legal Network”? *Beijing Law Review* , 5 (2), 140-148.
18. Sekine, E. (2011). The Impact of the Third BRICS Summit. *Nomura Journal of Capital Markets* , 3, 1-6.
19. Sekine, E. (2011). The Impact of the Third BRICS Summit. *Nomura Journal of Capital Markets Summer* , 3 (1).
20. Si Bachir, M. (2022, Aug 30). *Weighing up options: Will Algeria join BRICS?* Retrieved 07 01, 2023, from <https://www.newarab.com/opinion/weighing-options-will-algeria-join-brics>
21. The world bank. (2023). *GDP (current US\$) - Algeria*. Retrieved 6 20, 2023, from World Bank national accounts data, and OECD National Accounts data files.: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=DZ>
22. van Noort, C. (2017). Study of Strategic Narratives: The Case of BRICS. *Politics and Governance* , 5 (3), 121–129.