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# North African Economies: Recent Developments and Linkages with the EU and Austria

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**This policy brief discusses recent macroeconomic developments in the North African economies of Algeria, Egypt, Libya, Morocco, Tunisia, and Sudan as well as recent patterns of trade with the European Union (EU) and Austria, pointing to opportunities as well as challenges. Against a backdrop of supply-chain disruptions, geopolitical fragmentation, and rising vulnerabilities associated with technology dominance, critical raw materials, and energy security, North Africa has acquired renewed strategic relevance for European economic policy. The region combines geographic proximity to the EU along with sizeable markets, a young population, substantial renewable-energy potential, strategic transport corridors, and growing capabilities in sectors linked to the green and digital transitions. For the EU and Austria, deeper economic engagement with North Africa can support the diversification of suppliers, reduce excessive dependencies, and strengthen supply-chain resilience. The potential extends beyond the traditional exchange of fuels and raw materials to environmental technologies and renewable energy. A forward-looking European strategy should therefore combine trade with investment in infrastructure, human capital, renewable-energy systems, and partnerships. Initiatives such as the EU's Global Gateway, Austria's Africa Strategy, and the proposed Hydrogen South Corridor can help to connect North African production and energy potential more closely with European markets while supporting regional integration.**

## 1. Introduction

North Africa is becoming more relevant due not only to its proximity to the EU but also to its various agreements, strategic ports and maritime connectivity, renewable-energy potential, and relatively young population. The International Monetary Fund (IMF, 2026a) documents how Morocco and Egypt have made notable progress in developing logistics, manufacturing, and energy hubs. Algeria and Libya remain highly relevant for alternative sources of energy. Likewise, Tunisia is highly integrated into European industrial value chains, particularly in manufacturing and business services. Sudan, by contrast, faces severe economic, political, and security concerns, so its inclusion in a regional strategy must be understood primarily from a humanitarian perspective and the wider connectivity

environment rather than as an immediate investment or defence partner.

The need for deeper integration of the EU with North African economies also arises from the fact that the geography of trade is increasingly being reshaped by several geopolitical disruptions and economic-security concerns. Recent disputes over critical raw materials (CRMs), technology dominance, and semiconductors have highlighted the need to reduce dependencies. Europe faces a broader structural vulnerability, as market power in critical inputs and technology supply chains is highly concentrated, with China occupying a dominant position in the mining, refining, and processing of several minerals and rare earths, while the US dominates the key upstream technology segments related to semiconductor design, electronic-design automation software, intellectual property, and advanced manufacturing equipment (see Bown, 2026).<sup>1</sup> Furthermore, the 2022 launch of Russia's full-

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<sup>1</sup> The semiconductor supply chain is not a single market but a network of highly specialised stages. The United States dominates high-value upstream inputs. Europe has a predominant role (through firms such as ASML in the Netherlands) in advanced equipment and design-related

inputs. Japan supplies manufacturing equipment and materials. Taiwan and South Korea are big players in the fabrication of memory chips. China plays a major role in assembly, testing, packaging, and mature-node semiconductor manufacturing. The supply chain is

scale war against Ukraine demonstrated the economic consequences of concentrated dependence on external suppliers of specific products (e.g. oil and gas). The resulting shock to energy and food prices placed supply security at the centre of the EU policy debate and exposed the vulnerabilities of interconnected production networks. Recently, the Iran war, conflicts in the Arab region, and the closure of the Strait of Hormuz (with the resulting shortages of oil supplies, price hikes, and rising inflation rates) represent another example of global economic vulnerabilities. Third countries, including North African economies,<sup>2</sup> are directly affected by these rivalries through production disruptions, trade diversion, and higher input costs related to new compliance requirements.

The main lesson for Europe is that resilience is not possible when relying exclusively on a single supplier. Instead, it requires diversified sourcing of essential inputs, coordination among strategic partners, and trustworthy international partnerships. Such relations should not be limited to the extraction of CRMs and key inputs, as they should also support local value creation, employment, environmental standards, the promotion of human capital, and innovation to address future challenges in the long term. Governments have responded to these vulnerabilities with a wide range of industrial policy instruments, including raising tariffs; implementing subsidies, export controls, investment restrictions, and sanctions; and providing state support to strategic sectors. Bown (2026) emphasises the need to diversify strategic supply chains and reduce critical dependencies without causing unnecessary shortages, uncertainty, additional costs, and spillover effects for third countries, with the goal being to create more resilient and better coordinated patterns of interdependence.<sup>3</sup>

The above-mentioned recent geopolitical developments have reinforced the need for the EU to diversify economic partnerships and secure more resilient access to strategic inputs, infrastructure corridors, and production locations. This is particularly relevant in advanced manufacturing, transport equipment, electric batteries, clean energy, and the technologies underpinning the European Green Deal (EGD) as well as for security and defence. Achieving strategic autonomy will require deeper integration with trusted partners capable of contributing to energy diversification, industrial resilience, and regional connectivity. North Africa is viewed as being well placed in the evolving geography of European trade in this respect: situated between Europe, sub-Saharan Africa, and the Mediterranean, it combines proximity to the EU with access to major maritime routes, energy resources, renewable-energy potential, and an emerging skilled workforce (although any potential

admittedly depends not only on private investment but also on institutional quality and reliability). However, as the OECD (2024) emphasises, infrastructure development in the Middle East and North Africa (MENA) region requires effective public administration, sound procurement, credible budgeting, and institutional transparency and capacity.

Europe is already North Africa's major trading partner. In 2023, Europe accounted for 63% of North Africa's exports and 43% of its imports (IMF, 2026a, Figure 2). Overall, however, North Africa's participation in global value chains remains limited and is still concentrated in raw materials and primary goods, although some diversification is taking place, particularly in manufacturing and renewable energy. The region's value chains remain strongly anchored to Europe, while trade links with sub-Saharan Africa remain comparatively limited.

For Austria, the region offers specific sectoral complementarities with a particular potential for environmental technologies, renewable energy, green hydrogen, sustainable transport, and digital solutions. Strategic projects – such as the Southern Hydrogen Corridor (SouthH2 Corridor), a pipeline that could accelerate the green transition in Africa and Europe and link green hydrogen from Tunisia and Algeria to Austria, Germany, and Italy (European Commission, n.d.-a) – provide a concrete framework for better linking North African capabilities with European markets. Austria's Africa Strategy (BMEIA, 2026), which has been adopted by Austria's federal government, links engagement with African economies to the diversification, resilience, and competitiveness of Austria as a business location. It adopts a partnership approach based on market access, investment initiatives, infrastructure, industrial value creation, skills development, and innovation. The strategy recognises that energy and CRM partnerships can contribute to security of supply and reduce the one-sided dependencies so that technology transfer can bring mutual benefits. Moreover, Austria supports stronger participation in EU instruments, such as Global Gateway (European Commission, n.d.-b) and the development of the SouthH2 Corridor.

## 2. A macroeconomic snapshot of the region

As indicated in Table 1, taken as a whole, the region has a population of 266.4 million and a nominal GDP of USD 1,087 billion, which translates into a GDP per capita of roughly USD 4,080. By way of comparison, the EU is home to some 450 million people and generates a GDP

therefore globally interdependent even if the stages are geographically concentrated; see Bown and Wang (2024).

<sup>2</sup> For the analysis, we consider Algeria, Egypt, Libya, Morocco, Tunisia, and Sudan. Trade data for the Western Sahara are subject to reporting limitations.

<sup>3</sup> Europe cannot efficiently produce every critical mineral, component, and technology domestically. Thus, Europe should aim to build resilient interdependence with a diversified network of trusted suppliers and allied production locations.

of USD 23,040 billion, or USD 51,200 per capita, while Austria, with 9.2 million inhabitants and a GDP of USD 623 billion, has a GDP per capita of USD 67,761.

Table 1 summarises the key macroeconomic indicators by country. Egypt is by some margin the region's largest economy, with a nominal GDP of USD 430 billion and a population of around 110 million. Algeria follows with USD 317 billion and 48 million inhabitants, ahead of Morocco at USD 194 billion and just under 40 million inhabitants. Tunisia ranks fourth, contributing USD 61 billion with a population of 12.4 million, while Libya and Sudan account for the smallest economies in absolute terms. The ranking changes considerably once output is measured per capita: here, Libya leads at approximately USD 7,000, followed by Algeria (USD 6,600), Morocco (USD 5,100), and Tunisia (USD 4,900). Egypt stands at USD 3,900. Sudan trails far behind the rest of the region, at just USD 650 per capita.

**Table 1: Selected macroeconomic indicators**

|         | Population<br>(2026) | GDP nominal<br>2026 | GDP per<br>capita | Real<br>growth<br>2026 |
|---------|----------------------|---------------------|-------------------|------------------------|
| Algeria | ~48.0 m              | ~\$317 bn           | ~\$6,600          | 3.5–3.8%               |
| Egypt   | ~110.0 m             | ~\$430 bn           | ~\$3,900          | ~4.6%                  |
| Libya   | ~7.5 m               | ~\$52 bn            | ~\$7,000          | 4.5–6.7%               |
| Morocco | ~38.5 m              | ~\$194 bn           | ~\$5,100          | 4.2–5.0%               |
| Sudan   | ~50.0 m              | ~\$30–35 bn         | ~\$650            | 1–3%                   |
| Tunisia | ~12.4 m              | ~\$61 bn            | ~\$4,900          | ~2.1%                  |
| Total   | ~266.4 m             | ~\$1,087 bn         | ~\$4,078          |                        |

Sources: IMF WEO (April and July 2026 updates), World Bank, African Development Bank, national statistics offices.

The IMF (2026b) had projected real GDP growth of 3.7% for North Africa in 2026, with country outcomes ranging from close to 7% in Libya to around 1% in Sudan. In the meantime, the region's economic year has been reshaped by the war involving Iran that broke out in late February 2026 and by the ensuing closure of the Strait of Hormuz, which triggered a spike in crude oil prices and a sharp rise in energy costs more generally. Against this backdrop, the IMF (2026c) lowered its 2026 growth forecast for the MENA region to -0.5% while revising the 2027 forecast upwards, to 7.3%. That revision rests on the assumption that the Strait of Hormuz will gradually reopen starting in mid-July 2026 and that normal conditions will return by March 2027.

The shock divides the region into two camps. The energy exporters (i.e. Algeria and Libya) stand to gain on the revenue side, although Algeria has little spare capacity with which to expand volumes and Libya's windfall is eroded by currency and governance problems. On the other hand, the energy importers (i.e. Morocco, Tunisia, and Egypt) face the opposite prospect: higher import bills, widening trade deficits, mounting pressure on subsidy budgets, and a renewed pick-up in inflation. Sudan falls outside this logic entirely. Now in the fourth year of a war economy, its binding

constraints are conflict, displacement, and institutional collapse rather than commodity prices.

### 3. Trade patterns with the EU and Austria

#### 3.1 Trade with the EU

According to the European Commission (2025), trade in goods between the EU and North Africa amounted to approximately EUR 193.9 billion in 2024, including EUR 102.7 billion in EU imports from North Africa and EUR 91.2 billion in EU exports to the region. North Africa accounted for 4.2% of EU imports and 3.5% of EU exports, while the EU represented 46.4% of North Africa's total goods trade. The relationship is therefore strongly asymmetric: while the EU accounts for a quarter to nearly two-thirds of each partner's total trade, each partner accounts for slightly above 1% or less of EU's trade.

The Southern Mediterranean countries have significant potential for stronger economic integration with the EU through renewable-energy production, electricity linkages, hydrogen-related value chains, and improved transport infrastructure. The OECD (2025) identifies Morocco and Egypt as emerging logistics and green-energy hubs, with important investments in ports, railways, industrial infrastructure, and energy projects. Morocco's port strategy and Tangier Med connections, as well as Egypt's Suez Canal and port-related investments, illustrate this trend.

At the same time, the countries of North Africa continue to face several structural challenges. Connectivity remains fragmented, logistics systems need to be further modernised, and transport-related emissions remain high. In addition, firms and policy makers must adapt to the EU's Carbon Border Adjustment Mechanism (CBAM) while pursuing broader decarbonisation and emissions-reduction goals. Thus, upgraded logistics and stronger regional coordination could enhance competitiveness, facilitate compliance, and strengthen investment incentives (see OECD, 2025).

As concerns trade policies, the EU's trade relations with Africa rest on a differentiated architecture rather than a single framework. Sub-Saharan partners are covered by Economic Partnership Agreements negotiated under the Cotonou and now Samoa framework, complemented by unilateral preferences under the Generalised Scheme of Preferences and, for least developed countries (LDCs), the Everything but Arms initiative. North Africa, by contrast, is governed by the Euro-Mediterranean Association Agreements concluded with Tunisia (1998), Morocco (2000), Egypt (2004), and Algeria (2005) under the Barcelona Process and subsequently embedded in the European Neighbourhood Policy. These agreements established free trade in industrial goods while leaving agriculture,

services, and public procurement only partially liberalised.

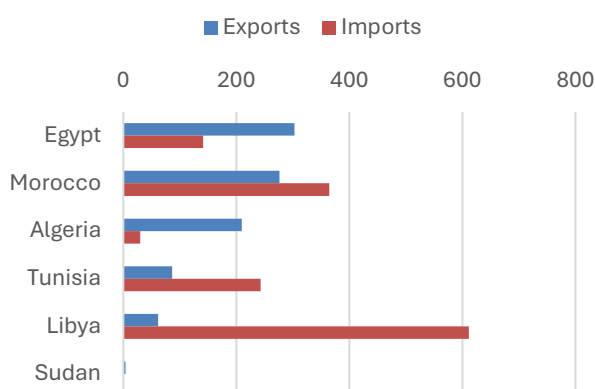
The attempt to close that gap through Deep and Comprehensive Free Trade Areas, launched with Morocco in 2013 and Tunisia in 2015, has been stalled for years amid domestic resistance to asymmetric liberalisation. Libya remains outside the system altogether, trading with the EU on plain most-favoured-nation terms since accession talks were suspended in 2011. Alongside these treaty instruments, the Pan-Euro-Mediterranean Convention on rules of origin, which permits diagonal cumulation and underpins Morocco's and Tunisia's integration into European automotive and textile value chains, as well as the Agadir Agreement provide the technical scaffolding for regional production networks.

More recently, the centre of gravity has shifted towards financially backed political packages, such as the EU–Tunisia Memorandum of Understanding (2023; European Commission, n.d.-c) and the EU–Egypt Strategic and Comprehensive Partnership (2024; European Commission, n.d.-d), as well as towards autonomous regulatory measures, above all the CBAM, whose definitive regime entered into force in January 2026 and bears directly on the region's fertiliser, cement, steel, aluminium, and electricity exports (see Mahjoubi, 2025).

### 3.2 Trade with Austria

The region accounts for about 0.5% of Austrian exports (EUR 940 m) and 0.7% of Austrian imports (EUR 1.388 bn). However, Austria's trade with North Africa (see Figure 1) is particularly concentrated in a few partner countries and shows a clear asymmetry between export and import relations. In 2025, Egypt (EUR 303 m) and Morocco (EUR 276 m) accounted for the largest shares of Austrian exports to the region, while Libya (EUR 611 m) dominated imports because of crude petroleum.

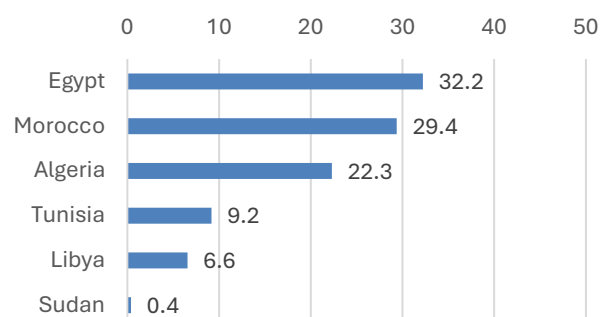
**Figure 1: Austria–North Africa exports and imports, 2025, in EUR m**



Source: Statistics Austria, own calculations.

Figure 2 displays the geographic structure of Austria's exports to the six North African economies in 2025. Egypt was the most important destination, accounting for 32.2% of Austria's exports to the group, followed by Morocco (29.4%), Algeria (22.3%), and Tunisia (9.2%). Libya accounted for 6.6%, while exports to Sudan were negligible, at around 0.4%. The concentration of exports in Egypt and Morocco suggests that Austria's commercial presence in North Africa is driven primarily by the larger and more economically diversified markets, whereas the limited shares of Libya and Sudan reflect weaker trade and investment links as well as greater political and economic uncertainty.

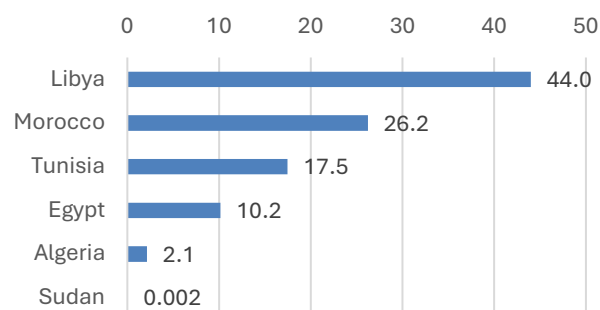
**Figure 2: Austrian exports to North Africa in 2025 (shares in %)**



Source: Statistics Austria, own calculations.

Similarly, Figure 3 displays Austria's imports from the six North African economies in 2025. Libya was by far the largest source, accounting for 44% of Austria's imports from the group, followed by Morocco (26%), Tunisia (18%), and Egypt (10.2%). Algeria contributed 2.1%, while Sudan only represented a negligible share. The contrast with the export structure is striking: whereas Austria's exports are concentrated in Egypt and Morocco, its imports are dominated by Libya, reflecting the importance of mineral and energy-related products in Austria's sourcing from that country. This asymmetry points to both a supply-chain vulnerability and a potential rationale for diversification through stronger industrial and investment links with Morocco, Egypt, Tunisia, and Algeria.

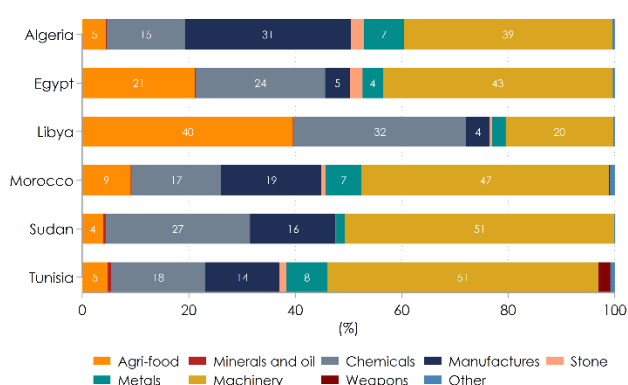
**Figure 3: Austrian imports from North Africa in 2025 (shares in %)**



Source: Statistics Austria, own calculations.

Figure 4 illustrates the heterogeneous patterns of Austria's exports to North African economies in 2025. The composition of Austrian exports differs considerably across partner countries. Machinery accounts for the largest share of exports to Algeria, Egypt, Morocco, Sudan, and Tunisia (representing approximately 39%, 43%, 47%, 51%, and 51% of exports, respectively). Exports to Algeria and Egypt also include substantial shares of manufactures<sup>4</sup> and chemicals, while Morocco combines a large machinery component with manufactures and chemicals. Sudan and Tunisia also show a particularly strong concentration in machinery, although chemicals and manufactures account for important shares. In contrast, exports to Libya are mainly dominated by agricultural and food products as well as chemicals, which together represent most Austrian exports to that market.

**Figure 4: Austrian exports: product composition 2025 (shares in %)**



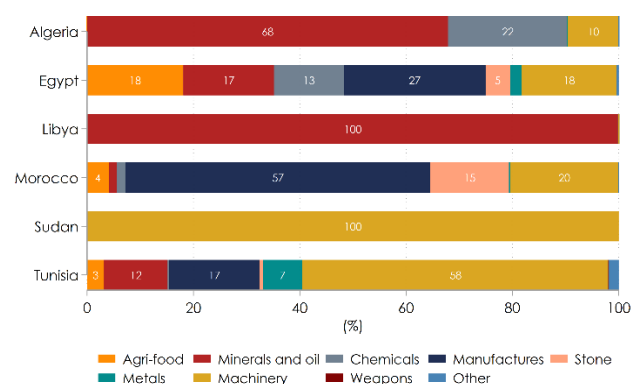
Sources: EUROSTAT Comext; own calculations.

These export patterns underline the differentiated nature of Austria's economic relations with North Africa. Austria's exports to several North African partners are concentrated in machinery, manufactures, chemicals, and metals, sectors which are relevant to industrial upgrading, infrastructure development, and the green transition. This heterogeneity points to both a vulnerability and an opportunity. While mineral dependence exposes Austria to disruptions in energy and commodity supply, the strong concentration of exports to Libya in agricultural and food products indicates a more narrowly based trade relationship. Overall, the composition of exports points to opportunities for deeper commercial and project-based cooperation, particularly in machinery, transport, energy, and environmental technologies while also showing that there is potential for industrial cooperation.

Figure 5 shows that Austria's imports from North Africa were concentrated in a relatively small number of sectors, although the structure differed substantially

across partner countries. Imports from Libya are completely dominated by minerals and oil. Imports from Algeria were also highly concentrated in minerals and oil, which represented around 68% of total imports, followed by chemicals (approx. 22%) and machinery (10%). Imports from Sudan were entirely dominated by machinery, while Tunisia's imports were led by machinery, which accounted for approximately 58% of the total, followed by manufactures (17%), minerals and oil (12%), and metals (7%).

**Figure 5: Austrian imports: product composition 2025 (shares in %)**



Source: EUROSTAT Comext; own calculations.

This sectoral trade composition suggests that Austrian trade with North Africa is not uniform and reflects the different resource endowments, production structures, and development needs of the North African economies. Trade with Algeria and Libya remains closely associated with mineral and oil products, while imports from Morocco, Egypt, and Tunisia include a broader range of manufactures, machinery, and chemical products. Imports from Sudan are mainly concentrated in machinery. These differences suggest that Austria's economic engagement with the region cannot be treated as uniform: whereas energy and commodity links remain important for some partners, the more diversified trade structures of Morocco, Egypt, and Tunisia provide a stronger basis for industrial cooperation, supplier development, and more resilient regional value chains.

### 3.3 Austria's comparative advantages in the region

Figure 4 highlighted that Austria's exports to most of the countries in the MENA region are dominated by machinery, chemical products, and other manufactured goods. Comparing the structure of Austrian exports to these countries with the structure of all EU countries indicates that Austria shows a revealed

<sup>4</sup> This category comprises products including raw hides, skins, leather and furs, wood and wood products, paper and paper products, textiles, and footwear and headgear.

comparative advantage (RCA) in various product categories, including manufacture of wood and articles of wood (HS section 9); prepared foodstuffs, beverages, and tobacco (HS section 4); articles of stone, cement, ceramic, and glass (HS section 13); optical, precision, and medical instruments (HS section 18); chemicals and allied industries (HS section 6); live animals and animal products (HS section 1); machinery and electrical equipment (HS section 16); plastics and rubber (HS section 7); and pulp of wood, paper, printing industry products (HS section 10). However, though these patterns of revealed comparative advantages are to some extent similar across countries (except Sudan) there are distinct differences across the individual North African partner countries for specific product categories (see Appendix Table A.1).

## 4. Selected industries

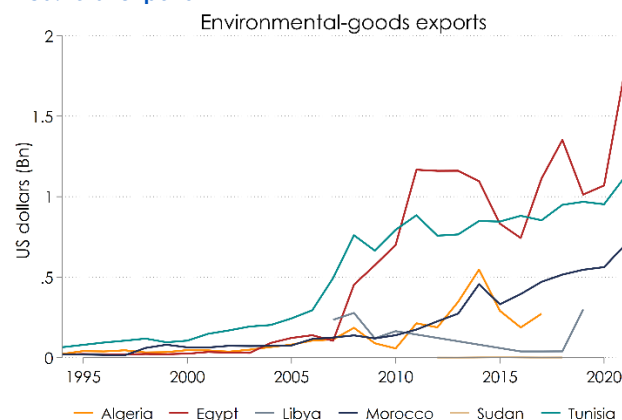
A few sectors are important for future integration, including trade in green goods and energy-related trade. Energy is likely to remain the most strategic area of economic relations between the EU and North Africa, with the nature of this relationship being rapidly changing. Historically, the connection has been dominated by fossil fuels, particularly through Algeria and Libya. The EU has been an important destination for North African energy exports. The energy shock following the launch of Russia's full-scale war against Ukraine reinforced the importance of diversification and placed North Africa more firmly within European discussions about energy security and defence. At the same time, the European Green Deal (EGD) and the EU's decarbonisation objectives have gained momentum in recent years, but attention has also shifted towards renewable electricity, electricity interconnections, green hydrogen, and the development of low-carbon industrial value chains.

### 4.1 The green transition and trade in environmental goods

Starting with trade in green goods, environmental-goods<sup>5</sup> exports (see Figure 6) increased substantially across most North African economies over the 1995–2021 period, although the expansion was uneven across countries and subject to considerable volatility. Egypt and Tunisia display the largest export values in the figure, while Algeria, Libya, Morocco, and Sudan remain at lower levels.<sup>6</sup> The broad upward movement suggests that environmental goods have become

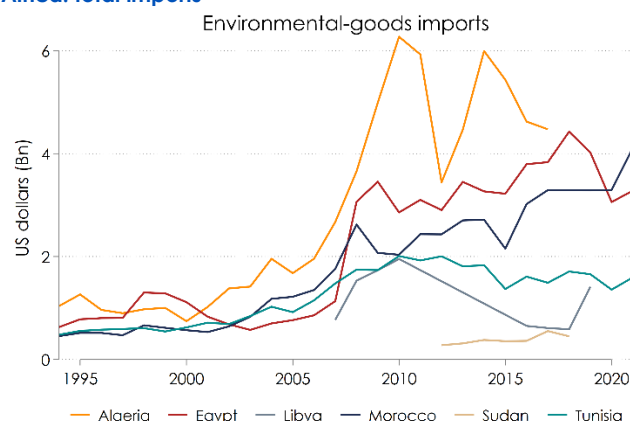
more visible within the region's external trade, but the fluctuations indicate that exports are not yet developing along a smooth or consistently diversified trajectory.

**Figure 6: Evolution of trade in environmental goods in North Africa: total exports**



Source: IMF Macroeconomic Climate Indicators,<sup>7</sup> own calculations.

**Figure 7: Evolution of trade in environmental goods in North Africa: total imports**



Source: IMF Macroeconomic Climate Indicators, own calculations.

Figure 7 shows that North African imports of environmental goods increased substantially over the period of investigation, although the expansion was uneven and marked by considerable volatility. Algeria recorded the highest values during much of the period, reaching approximately USD 6 billion in its peak years, while Egypt and Morocco also experienced significant growth. Tunisia followed a more moderate upward trend, whereas Libya and Sudan remained at lower and more irregular levels. Rising imports may reflect growing demand for renewable-energy equipment,

<sup>5</sup> Environmental goods fall into two main categories: those designed for environmental protection (e.g. pollution control and resource management tools) as well as adapted goods, which are standard products redesigned to be cleaner. For further details on the methodology of environmental goods, see IMF: [https://climatedata.imf.org/datasets/8636ce866c8a404b8d9baeaffa2c6cb3\\_0/about](https://climatedata.imf.org/datasets/8636ce866c8a404b8d9baeaffa2c6cb3_0/about).

<sup>6</sup> The increase should not be viewed as evidence of a fully established domestic renewable-technology industry. Environmental-goods

exports may include products assembled domestically, intermediate goods, re-exports, and equipment linked to wider manufacturing or infrastructure projects. For this reason, the export series is best read as an indicator of participation in environmental-goods markets rather than as a direct measure of domestic technological capability.

<sup>7</sup> See <https://climatedata.imf.org/>

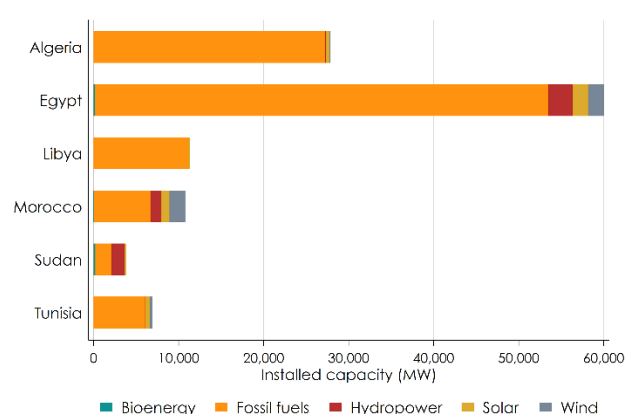
electricity-grid infrastructure, water-management technologies, and other inputs required for the green transition. They therefore represent not only external dependence but also potential evidence of investment and market formation.<sup>8</sup> Nevertheless, the volatility of the series and the comparatively limited expansion of exports suggest that North African economies remain dependent on foreign suppliers.

## 4.2 Electricity

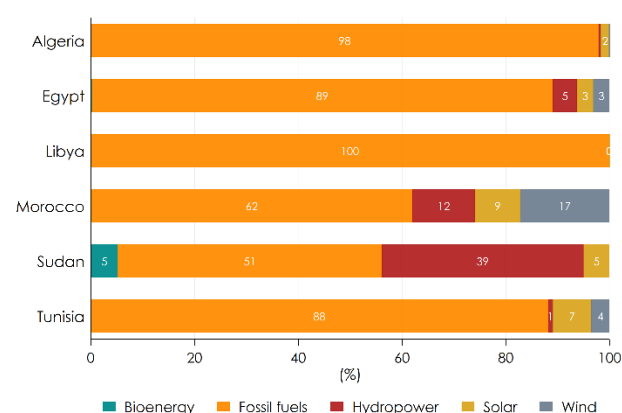
A second important area is trade in electricity. The installed-capacity data from the IMF (2026) demonstrate both the opportunity and the remaining transition challenge (see Figure 8).<sup>9</sup>

**Figure 8: North Africa's renewable-electricity installed capacity, 2023**

Megawatts



Shares in %



Source: IMF; own calculations.

<sup>8</sup> For many environmental goods, creating opportunities for EU and Austrian firms in specialised equipment, engineering, project development, and maintenance may foster cooperation while also supporting local capabilities and value creation.

<sup>9</sup> Based on IMF Climate Data, Figure 8 shows that Egypt had the largest total installed electricity capacity among the selected North African

The North African electricity systems continue to include substantial fossil-fuel capacity, but wind, solar, and hydropower are becoming increasingly important components of the region's energy mix. Morocco and, to some extent, Tunisia are particularly relevant in this context: Morocco's combination of high solar and wind potential, proximity to EU markets, and existing logistics infrastructure gives it the characteristics of a potential platform for renewable-energy production and export. Egypt also has significant potential owing to its large domestic market, geographic position, and renewable-energy resources, while Algeria and Libya possess major energy assets but face greater institutional and infrastructure constraints.

For the EU, cooperation in renewable energy with North African economies can contribute to several objectives simultaneously. Specifically, it can diversify energy supplies, reduce exposure to concentrated external dependencies, support the achievement of climate targets, and create new markets for European engineering and infrastructure firms while fostering integration and capacity-building. It may also strengthen the resilience of European supply chains in sectors such as electrolyzers, power systems, grid equipment, storage, and industrial machinery. Nevertheless, the strategic value of North African renewable energy should not be understood simply as a substitute for imported fossil fuels. The more important opportunity lies in developing integrated value chains that include generation, transmission, hydrogen production, storage, industrial use, skills, and local manufacturing.

## 4.3 Hydrogen

The Hydrogen South Corridor is particularly relevant for linking these agendas. Its underlying logic is to connect production of renewable energy and hydrogen in North Africa with European demand through hydrogen-related infrastructure and industrial partnerships. This is particularly relevant for Austria, where the needed import share of hydrogen is expected to increase to 45% by 2040.

The SouthH2 corridor – on which Italy, Austria, Germany, Algeria, and Tunisia signed a Joint Declaration of Political Intent (SouthH2Corridor, 2025) – is slated to become a 3,300-km-long dedicated hydrogen pipeline (and is essentially a project to repurpose existing pipelines). However, construction seems to still be at the very beginning even in the EU countries involved in the project, and the corridor is not expected to be operational until the early 2030s at the earliest. Nonetheless, the corridor is expected to

countries in 2021, at approximately 60,068 MW. Algeria followed with 27,809 MW, while Morocco and Libya had comparable capacities of around 10,780 MW and 11,239 MW, respectively. Tunisia had a total installed capacity of 6,889 MW, and Sudan had the smallest capacity, at 3,805 MW.

support EU energy-diversification efforts while creating opportunities for North African investment, employment, and industrial upgrading. Its success, however, will depend on more than resource availability. Neither Algeria nor Tunisia has any commercial-scale green-hydrogen production in operation; both are at the strategy, MoU, and feasibility-study stage, with the first pilot units not expected before the late 2020s.<sup>10</sup> Other challenges are related to the creation of stable regulations, credibility in the agreements, appropriate certification and validation within EU standards, cross-border infrastructure, financing, and local value creation, all of which will be crucial for establishing the supply of green hydrogen.

## 5. Conclusions: Opportunities and challenges for Austria

In conclusion, this policy brief highlights three stylised facts. First, North Africa's role in EU trade has become more strategic as firms and governments seek to shorten supply chains and reduce exposure to policy shocks and distant disruptions. Second, for some countries, the composition of trade is changing gradually from a predominantly fuel-based and agricultural pattern towards a broader and more diversified mix of products, including machinery-related trade, transport equipment, chemicals, and clean-energy inputs, whereas trade with Libya and Algeria is still characterised by a large share of raw materials. Third, there is considerable potential for trade in green products and energy. EU and Austrian engagement should support projects that expand renewable capacity, strengthen domestic electricity systems, and create local capabilities alongside export potential. Regional cooperation within North Africa will play a key role, since fragmented electricity markets, weak interconnections, and limited regulatory harmonisation raise the cost of developing cross-border energy projects. A stronger regional energy system would make North Africa a more reliable partner for Europe while also improving energy access, industrial competitiveness, and resilience within the region.

For Austria, the relevance of this agenda is not limited to the direct import of electricity or hydrogen, as Austrian firms could engage in areas such as energy technology, engineering, grid management, rail and transport infrastructure, water management, and environmental services that can support the development of renewable-energy systems in North Africa. As indicated, Austrian firms can further exploit their comparative strength in higher-tech industries, including machinery, chemicals, and other manufactured products. These already account for a large share of the EU's and Austria's exports to North

Africa and will be needed in the ongoing industrialisation and infrastructure developments in these countries. Austria's Africa Strategy therefore places emphasis on renewable energy, green hydrogen, infrastructure, and environmental technologies while also encouraging Austrian participation in EU instruments, such as Global Gateway.

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<sup>10</sup> See e.g. <https://gh2.org/countries>

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**Appendix Table A.1 / Symmetric RCA indicator for Austrian exports relative to EU exports, average 2024 and 2025**

| HS chapter | Description                                                | Algeria | Egypt | Libya | Morocco | Sudan | Tunisia | North Africa |
|------------|------------------------------------------------------------|---------|-------|-------|---------|-------|---------|--------------|
| 9          | Wood and Articles of Wood                                  | 0.49    | -0.68 | 0.23  | 0.73    | -0.32 | 0.49    | 0.47         |
| 4          | Prepared Foodstuffs, Beverages, Tobacco                    | 0.12    | 0.64  | 0.38  | -0.07   | -0.39 | 0.52    | 0.47         |
| 13         | Articles of Stone, Cement, Ceramic, and Glass              | 0.35    | 0.52  | 0.18  | -0.24   | -0.59 | -0.17   | 0.26         |
| 18         | Optical, Precision, Medical Instruments                    | 0.12    | 0.31  | -0.30 | 0.22    | 0.38  | 0.19    | 0.25         |
| 6          | Chemicals and Allied Industries                            | 0.07    | 0.13  | 0.44  | -0.12   | -0.08 | 0.05    | 0.17         |
| 1          | Live Animals, Animal Products                              | -0.95   | -0.79 | 0.66  | 0.51    |       | -0.47   | 0.15         |
| 16         | Machinery and Electrical Equipment                         | 0.14    | 0.10  | -0.07 | 0.21    | 0.27  | 0.23    | 0.15         |
| 7          | Plastics and Rubber                                        | -0.06   | -0.17 | -0.57 | 0.32    | 0.59  | -0.08   | 0.05         |
| 10         | Pulp of Wood, Paper, Printing Industry Products            | -0.62   | -0.13 | 0.73  | 0.15    | 0.05  | 0.15    | 0.04         |
| 19         | Arms and Ammunition                                        |         |       |       |         |       | 0.84    | 0.01         |
| 15         | Base Metals and Articles of Base Metal                     | -0.14   | -0.14 | 0.18  | -0.20   | -0.51 | -0.09   | -0.13        |
| 11         | Textiles and Textile Articles                              | -0.20   | 0.07  | -0.26 | -0.16   | -0.30 | -0.33   | -0.26        |
| 20         | Miscellaneous Manufactured Articles                        | -0.16   | -0.18 | -0.61 | -0.21   | -0.98 | -0.32   | -0.28        |
| 17         | Vehicles, Aircraft, and Vessels                            | -0.21   | -0.33 | -0.20 | -0.53   |       | -0.62   | -0.34        |
| 8          | Raw Hides, Skins, Leather, and Furskins                    | -0.72   | -0.55 | -0.92 | -0.84   | -0.43 | -0.45   | -0.63        |
| 14         | Pearls, Precious Stones, and Metals                        |         | -0.44 |       | -0.98   |       | -0.53   | -0.77        |
| 21         | Works of Art, Collectors' Pieces, and Special Transactions |         | -0.29 |       |         |       |         | -0.79        |
| 12         | Footwear, Headgear, Umbrellas                              | -0.99   | -0.64 | 0.33  | -0.92   |       |         | -0.86        |
| 2          | Vegetable Products                                         | -0.88   | -0.95 | -0.93 | -0.99   |       | -0.96   | -0.93        |
| 5          | Mineral Products                                           | -0.99   | -0.99 |       | -0.97   |       | -0.84   | -0.97        |
| 3          | Animal or Vegetable Fats and Oils                          |         |       |       |         |       |         |              |

Note: This indicator is calculated as the share of Austrian exports by product category in total Austrian exports compared to the share of EU exports by product category in total EU exports to these countries (Balassa's revealed comparative advantage indicator) and normalised between -1 and 1. Values larger than 0 indicate a revealed comparative advantage of Austrian products compared to its peers. Missing values indicate that no trade flows are reported.

Source: EU Comext, own calculations.

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