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North Africa

Politics, Region, and the Limits of
Transformation

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- 53 See *The New York Times*, 14 December 2004 and *Le Monde*, 20 October 2004.
- 54 See Goldstein, "Morocco's New Truth Commission" and Tuquoi, "Le Maroc." For a compelling and deeply insightful assessment of the political, social, and cultural implications of Morocco's efforts to come to terms with its past human rights violations while still imprisoning and torturing a new generation of Moroccan dissidents, see Susan Slyomovics, *The Performance of Human Rights in Morocco*. (Philadelphia, PA: University of Pennsylvania Press, 2005).
- 55 See <http://www.moroccotimes.com/paper/article.asp?idr=2&id=16849>.
- 56 See John P. Entelis, "Civil Society and the Authoritarian Temptation in Algerian Politics: Islamic Democracy vs. the Centralized State," in A. R. Norton (ed.), *Civil Society in the Middle East* (Leiden, Netherlands: E. J. Brill, 1996), pp. 45–86.
- 57 See Steven A. Cook, "Algeria's Elections: No Democratic Turning Point," Carnegie Endowment for International Peace, *Arab reform Bulletin*, vol. 2, issue 4 (April 2004).
- 58 *Le Monde*, 20 July 2004, p. 4.
- 59 See John F. Burns, "Algeria: Remember that Name." *The New York Times*, 2 January 2003, p. 4 and Craig S. Smith, "Islam and Democracy: Algerians Try to Blaze a Trail." *The New York Times*, 14 April 2004.
- 60 See Murphy, *Economic and Political Change in Tunisia*.
- 61 See Forestier, "Le Ben Laden du Sahel."
- 62 International Crisis Group, "Islamism, Violence and Reform in Algeria," 30 July 2004.
- 63 Sadiki, "Popular Uprisings," p. 87. See also Burhan Ghalioun, "The Persistence of Arab Authoritarianism," *Journal of Democracy*, vol. 15, no. 4 (October 2004), pp. 126–32.
- 64 Robert A. Dahl, *Polyarchy: Participation and Opposition* (New Haven, CT: Yale University Press, 1971).
- 65 Barrington Moore, *The Social Origins of Dictatorship and Democracy* (New York: Penguin, 1966).
- 66 Eva Bellin, "Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries," *World Politics*, vol. 52, no. 1 (January 2000), pp. 175–205. See also Eva Bellin, *Stalled democracy: Capital, Labor, and the Paradox of State-Sponsored Development* (Ithaca, NY: Cornell University Press, 2002).
- 67 Crystal, "Authoritarianism," p. 271.
- 68 *Ibid.*
- 69 This point is made emphatically clear by someone who is well positioned to understand its personal and political meanings. See Saad Eddin Ibrahim, "Islam Can Vote, if We Let It," *The New York Times*, 21 May 2005.
- 70 Stepan, "Twin Tolerations," p. 39.
- 71 *Ibid.*, p. 40.
- 72 *Ibid.*
- 73 Hafez, *Why Muslims Rebel*, p. xv.
- 74 This point was made abundantly clear by Arab leaders at the Forum for the Future conference in Rabat on 11–12 December 2004.
- 75 Brumberg, "Democratization in the Arab World," p. 64.
- 76 *Ibid.*, p. 66.
- 77 *Ibid.*, p. 67.
- 78 Rashid Khalidi, *Resurrecting Empire: Western Footprints and America's Perilous Path in the Middle East* (New York: Beacon Press, 2004), p. 69.

2 Policy Reforms in Algeria

Genuine Change or Adjustments?

Ahmed Aghrout

Algeria has experienced remarkable transformations since the end of the 1980s. This process of transition, with all its societal consequences, has gone through changing sequences. The process has witnessed periods of great success, while other periods were marked by blatant failures. Reforming the political system and introducing multiparty elections were important developments in the country's post-independence history. Yet the annulment in January 1992 of the second round of parliamentary elections held in December 1991 and the decreeing of a state of emergency in March 1992 were indicative of the entrenched resistance to change. With the country having plunged into a chasm of instability—as a result of the brutal conflict and violence that followed the cancellation of the electoral process—it was obvious that the reforms engaged could not be sustained with the same degree of commitment.

The assumption of power by Abdelaziz Bouteflika in 1999 was expected to give impetus to the slow-moving pace of political and economic reforms. Nonetheless, the ending of violence and the rehabilitation of Algeria's image abroad dominated most of the president's first term (1999–2004). In view of that, the country has made significant headway against its international isolation on account of an extensive and vigorous diplomatic effort.¹ The signs of a steady return to normality are discernible in the reduced level of violence, improved stability and security, and some institutional legitimacy. Restoring the country's stability and international standing are indisputably positive steps in the right direction; however, large segments of the Algerian population have become disillusioned with the lack of progress in the reforms that the authorities have promised.² The re-election of Bouteflika in April 2004, deemed as a "mandate for reforms," is another opportunity for the government to speed up the reform drive and deal with popular grievances. With a healthy financial position boosted by rising oil prices, it remains to be seen how Algeria will press ahead with this process of change while taking in hand the significant decline in living standards. Over this period of transition, mobilization of popular support is definitely fundamental and contingent upon how effective public demands are addressed.

It is timely, after more than a decade, to explore some of the changes that have taken place and explore their real and potential outcomes for Algeria. This chapter attempts to bring to light the complex nature of this critical phase in Algeria's development and examines both the achievements made and what lies ahead in terms of structural reforms and their social implications.

From Impasse to Renewed Momentum

Algeria, like many other developing countries, was also affected by the 1980s unparalleled movement toward democratic rule in the developing world. Indeed, the move towards political pluralism came after the riots of October 1988, marking a decisive period in the country's political development. The single-party regime had come in for criticism as a corollary of a mixture of mounting economic, social, and cultural problems.³ What followed such events was described as "ground-breaking" political changes that involved, amongst other things, liberalizing the political system and widening political participation.

In this regard, the Chadli Benjedid regime, in its attempt to respond to the crisis, introduced a number of changes formalized in a revised version of the constitution. These constitutional modifications, approved by referendum in February 1989, constituted a rupture with the then prevailing ideological and political conditions. Not only was the reference to the country's "revolutionary socialist option" abandoned, but also the identification of the state with the single party, the National Liberation Front (FLN), was ended. This separation prompted the opening of the political system with freedom of expression, association, and organization no longer restricted.⁴ As the right to form "associations of a political nature" was legally recognized, this signaled the end of the FLN's 27 years of unchallenged political rule. Opening the door to multiparty politics led to scores of political parties springing up—about 60 parties were officially registered prior to the municipal and provincial elections of June 1990.⁵

These transformations, by prompting significant changes in the country's political life, were seen as a milestone on the road to democratic rule. Yet it turned out to be just a short-lived experience of political liberalization. Multiparty municipal and provincial elections took place without any major incident in June 1990. That was not the case with regard to the legislative elections of December 1991. Once it had become obvious that the Islamic Salvation Front (FIS) was heading toward a sweeping victory after the first round of balloting, these elections were cancelled. Under pressure, President Benjedid resigned and a collegial presidency, the High Council of State, was established to run state affairs temporarily during a transitional period (January 1992–January 1994). The FIS was dissolved and a state of emergency declared. Whatever the justification given for halting the electoral process, the fact is that the political stalemate that resulted was to herald an era of instability and violence. The escalation of violence that followed

caused considerable damage to numerous socioeconomic infrastructures and resulted in the death of thousands of people.⁶ Yahia Zoubir argued that, in the aftermath of the annulment of elections, "the Algerian regime lacked any strategy to overcome the ensuing political crisis. The weakness of the regime led to an intensification of violence that almost destroyed the state in 1993–95."⁷

Early initiatives taken by both sides of the political establishment—the regime and the opposition—to put the political process back on track and end the cycle of violence proved to be vain attempts. The "Platform for a Political and Peaceful Solution to the Algerian Crisis," endorsed by a number of opposition parties in their Sant'Egidio (Rome) meeting in January 1995, was an illustrative example.⁸ The regime rebuffed the platform from the start "as interference in Algeria's internal affairs; as a plot of international forces, including the Vatican; and as an attempt to manipulate the Algerian political debate."⁹ In the same way, hardly anything developed from the regime's sponsored 1994 *Conférence Nationale du Consensus*, as the main opposition political parties stayed away from it.¹⁰

As the prospects for reconciling the divergent positions looked remote, if not impossible at that point in time, the regime pressed ahead with its own "normalization" process. An initial step was the holding of the presidential election in November 1995; the first ever multi-candidate presidential election to take place in the country. Liamine Zeroual—who was already serving as head of state since his appointment in January 1994—was elected with 61 percent of the votes cast.¹¹ Irrespective of their reservations about this election, a number of observers were rather optimistic as to its political implications, contending that "many Algerians had cast their votes for Zeroual in the hope that he would use his new legitimacy to find a way out of the crisis,"¹² and that "after the relatively peaceful election, hope arose that Algeria finally was on its way toward authentic re-democratization."¹³ Having acquired legitimate authority, Zeroual used his mandate to revive dialogue with political forces, introduce in 1996 new amendments to the 1989 Constitution, and organize the general and local elections of 1997.¹⁴ The restoration of the institutional process subsequent to these elections has provided a degree of an incipient multiparty political system.

In September 1998, less than three years after his election, Zeroual announced his resignation. The decision to stand down from office was, in all likelihood, motivated by the constraining environment—including press allegations of corruption aimed at some of his close advisers and political allies—that made it difficult for him to carry on with his policy of institutional consolidation.¹⁵ Of the seven candidates in the final race, Bouteflika won nearly 74 percent of the votes cast in the presidential election held in April 1999, according to official figures. Even though six of the candidates decided to withdraw on the eve of polling day, claiming proof of electoral fraud to favor the "national consensus" candidate (referring to Bouteflika),

there was no formal appeal by them for a boycott and voting papers for all candidates were provided at the polls.¹⁶

Regardless of the controversy that surrounded this presidential election, the new leadership was faced with the pressing and challenging task of restoring political stability to the country. Surely this was not an easy business in an environment marked by an armed insurgency, factional conflict within the ruling establishment, and declining socioeconomic conditions. How Bouteflika assumed his new responsibilities in this "perilous political terrain," argues a close observer, "was to depend essentially upon his own political skills and his ability to exploit the potential for legitimacy inherent in the presidential office."¹⁷

The Path to Stability

It is quite possible to assert that the late 1990s have given way to hope rather than despair. Interesting developments have been taking place that, while they have not put an end to the crisis in every respect, can be seen as building blocks towards this goal. A fundamental issue of critical importance to the country's institutional stability has been the organization of elections on a regular basis since 1995. Indeed, after the 1992 aborted legislative elections, the authorities endeavored to rebuild the state's institutional framework and give it a measure of constitutional legitimacy. Presidential, legislative, and local elections have been held to set up institutions that would play a role in resolving or, at least, easing the political crisis and, in due course, providing the context "for a properly working pluralistic democracy."¹⁸ On a number of occasions, there were allegations that some of the elections were marred by fraud, but it appears that this has been less and less the case, as demonstrated by the latest elections.¹⁹ The 2002 legislative election gave rise to no major controversy, whether about its conduct or its results.²⁰ International monitors and observers considered the 2004 presidential election as "peaceful and generally free."²¹ Even the military institution, a central force in Algerian politics, openly declared its neutrality by respecting the election's outcome.²² Having obtained almost 85 percent of the vote, Bouteflika was re-elected for a second term (2004–9).

By and large, the reinstatement of representative and consultative institutions has certainly contributed to a "formal return to civilian rule." Whether this will move Algeria a step further in its arduous effort to promote democratic rule remains to be seen. At this juncture, one can only be tempted to state that there are signs of change in the country's power structure, which might portend a gradual reinforcement of the civilian power. There were claims of power struggle and strained relationship with the army command at particular phases of Bouteflika's first term in office, something that fueled a great deal of speculation over his eventual re-election. By securing a second mandate, this has "entailed a dramatic strengthening of the presidency and has accelerated the army's retreat from the

political stage."²³ The resignation of the chief of staff, Lt-General Mohamed Lamari in August 2004, and Bouteflika's ensuing changes in the army hierarchy a few months after his re-election could lend credence to this ascendant power of a civilian presidency.²⁴ This process may well provide the potential for further change that, if positively exploited by the political forces involved, could smooth Algeria's transition to an environment conducive to democratic development. A state of affairs that also partly hinges on how successful is the range of initiatives taken by the regime so far to end the cycle of violence.

In this context, one should mention that until the election of Bouteflika to the presidency in 1999, there was a predominant tendency within the Algerian regime that favored the military option to deal with the armed groups. Whilst the pursuit of this hard-line policy produced some results, it did limit the scope for conciliatory and peaceful attempts to settle the crisis—the rejection of the Rome peace plan of early 1995 was a case in point. Also the military campaign was the subject of criticism, emanating mainly from some local and international human rights groups. Bouteflika pledged, after his inauguration, to make the restoration of the country's security and stability his agenda's top priority. The truce observed by the Islamic Salvation Army (AIS), FIS armed wing, since 1997 was to pave the way for the president's initiative, the "Civil Concord Law," which was widely approved in a referendum held in September 1999.²⁵ In a nutshell, this initiative offered an official amnesty for militants who laid down their arms and those who had not taken part in "blood crimes." As for those militants who had been involved in serious crimes, reduced sentences were offered to them provided that they surrendered to the authorities within six months. Although some armed groups had rejected the president's offer, it is believed that a significant number of militants took advantage of it.²⁶

The "Civil Concord" was meant as the start of a process of political reconciliation while, at the same time, the army would continue its fight against recalcitrant armed groups. It was clear that this amnesty plan would be objected to or denounced by various parties, including families of victims and certain human rights groups. In spite of that, the fact remains that this plan has had the effect of contributing to the reduction in the level of violence and the improvement in the security situation.

Yet the prospects for promoting peace and stability seemed at some point compromised. The eruption of violence in the Kabylie region in April 2001, initially triggered by the death of a 19-year-old student while in police custody, was to become a broader form of protest soon after. Besides the socioeconomic hardship, evidently common to many parts of the country too, cultural and linguistic matters of particular concern to this region also came to the fore. A 15-point platform, adopted in June 2001 by the local movement (*Coordination des Archs, Dairas et Communes*—CADC) was to serve as a basis for dialogue with the authorities. Notwithstanding the division within the movement between two groups, "dialoguistes" and

"*non-dialoguistes*," a series of talks with the former group was held and, as a consequence, their demands have been met in a number of cases.²⁷ Amongst these were the recognition of Tamazight (Berber) as a national language in March 2002 and the holding of partial new local elections in November 2005. It is plausible that these concessions have relatively helped appease the tensions in the region. At this stage, the expectation that further negotiations will take place raises at least two main concerns. With the recent election of legitimate representatives, this brings into question the status and mission of the CADC delegates. Put differently, it is not clear whether they will continue negotiating on behalf of the region's population. On the other hand, there are still issues of contention, not least the official status of the language.²⁸ In the final analysis, the way these concerns are dealt with, as well as the outcome of forthcoming negotiations, could, to some extent, play a part in the degree of success of the government flagship policy of "national reconciliation" to restore lasting peace and stability in the country.

The "Charter for Peace and National Reconciliation" is actually a key constituent of this policy. Endorsed overwhelmingly in a referendum held in September 2005, this peace charter, as maintained by the government, "will serve as a roadmap to settle definitely the consequences of the crisis that the country had gone through."²⁹ In other words, this paved the way to more appropriate policy measures to deal with the various facets of the crisis. In the main, with the exception of those individuals who perpetrated massacres, rapes, and attacks in public places, this plan offers a broad amnesty, together with the proviso for assistance for families whose relatives joined the insurgency or disappeared.³⁰

The authorities are obviously placing high hopes on this amnesty plan to end the cycle of violence that gripped Algeria for more than a decade, and enable the country to move forward. Like the "Civil Concord" initiative before, this charter has also caused a number of politicians, political parties, associations of victims of terrorism, and human and civic rights groups to object to the measures it consists of.³¹ Whilst there is a consensus on the principle of peace, their criticisms have ranged from denouncing this charter as a breach of the right of victims' families to truth and justice, to presenting it as a way for Bouteflika to consolidate his grip on power.³² No matter what one makes of these allegations, the fact remains that, on the whole, "most Algerians certainly will welcome any gesture which seems to move towards peace and reconciliation."³³ Any efforts to bring in peace cannot be dismissed outright; to the same degree, doing justice to the victims' families cannot be ignored entirely.

The question of the "disappeared" or those missing as result of the brutal conflict—the bulk of which is believed to have occurred between 1994 and 1996—has ultimately been acknowledged by the authorities. The seriousness of this issue persuaded the government to give it due consideration. Surely, Bouteflika can be credited for recognizing the scale of the problem in the early months of his first mandate, but it was not until September 2003 that the establishment of an "ad-hoc commission" to deal with thousands of

cases of missing persons was announced.³⁴ The task entrusted to this entity, headed by Farouk Ksentini, was merely of liaising with the families of victims to verify the "disappearances" and to advise on compensatory provisions. The way the issue has been handled seems to have fallen short of these families' expectations, especially the commission's incapacity to investigate and expose the perpetrators behind the disappearances and to hold them legally accountable; something also shared by some human rights groups. On his part, Nourredine Yazid Zerhouni, Minister of the Interior, stated during a press conference that 70 percent of these families are favorable to the commission's proposal for compensation; as for the remaining families (30 percent) who are against, they can take legal action.³⁵

It is clear that the commission's final report on the "disappearances," submitted to the President in March 2005, was an important ingredient in the drafting of the "Charter for Peace and National Reconciliation." Compensatory measures are, for the moment, the preferred means by which the government is trying to settle this highly serious and sensitive issue, but only time will tell how effective such policy action is.³⁶ Started in September 2006, these compensatory measures have thus far targeted about 42,000 families, according to Djamel Ould-Abbes, Minister in charge of National Solidarity and Employment.³⁷ It should be borne in mind that needy families whose relatives died while part of the insurgency are also concerned about state assistance.³⁸

A final issue of no lesser importance and also worth referring to is the way the regime has dealt with the Islamist movement. Even during the worst years of violence and the regime's hard-line stance towards armed groups, some Islamist organizations were not banned, nor prevented from participating in mainstream politics, once the political process resumed through the holding of elections. Furthermore, the initiation of successive reconciliatory measures—already touched on before—to end the cycle of violence has paid dividends. It is therefore not surprising that one of the most obvious features of this is the appeasement of militant Islamism. At this point it is quite safe to assert that the Algerian regime has now restored much greater control over the political sphere at a time when radical Islamism seems to have lost most of its fervor and more and more militants are less reluctant to work within the system. With security and stability having considerably improved, it remains to be seen how these changes will impinge on Algeria's future political development, and particularly its transition to democratic governance. Certainly, the progress made towards a more stable political environment would normally enable Algeria to focus on much-needed economic reforms.

Facets of Economic Liberalization

In the economic sphere, some reforms were introduced during the early years of the 1980s. These reforms were neither sufficiently substantive nor wide

ranging by market economy standards. In spite of that, they denoted the beginning of a reversal or, more accurately, a change of direction as regards economic policy. As the public sector started to face growing problems and levels of public investment could no longer be sustained, it became clear for the decision makers that a different vision of the conduct of the country's economic affairs needed to be considered. The new leadership, after the death of Houari Boumediene, having spelled out the shortcomings of the previous strategy of economic and social development, embarked on a restructuring process which targeted public enterprises and the state agricultural sector in particular. This amounted to reducing these companies' size to small, functional enterprises and enhancing their autonomy and financial responsibility. The ultimate aim was to remedy these enterprises' poor performance—particularly their accumulated losses—by enabling them to operate on different norms and to improve their efficiency as a result. The state farming sector, made up of self-managed farms and agrarian reform production cooperatives, was also reorganized into large units.³⁹

However, this initial phase of economic restructuring seemed to have had no major impact on the performance and direction of the country's economy, as demonstrated by the mid-1980s slump in oil prices.⁴⁰ This made plain not only the heavy dependence of the Algerian economy on hydrocarbon exports, but also its vulnerability to fluctuating oil prices. As the country's socioeconomic situation deteriorated subsequently—for instance, GDP per capita declined from \$2,752 in 1987 to \$1,607 in 1991—the authorities, coinciding with the premiership of Mouloud Hamrouche, had no alternative but to initiate a series of “self-imposed” reform measures in the late 1980s.⁴¹ This led an observer to remark that “Economic policy set in motion a radical change of the society . . . Algeria could have made an unprecedented achievement; it would have been the first emergent country to undertake a policy of adjustment without the assistance of the IMF.”⁴² Although these measures marked the first genuine attempt at liberalizing the economy, their implementation was to be delayed, if not hampered, by the political crisis, which emerged in the early years of the 1990s.

Governmental instability during these years had not favored the formulation and adoption of a clear plan of economic reforms. As a matter of fact, the rapid change of governments, along with the different visions held by these governments as to the conduct of the country's economic policy, made any reform program rather unsustainable. Prime Minister Sid Ahmed Ghazali's market-oriented “recovery program” of February 1992 was called into question after Belaid Abdesslem was appointed to the premiership in July of the same year. Belaid's opposition to free market reforms and debt rescheduling did not make things better, as the economy continued to deteriorate. He was dismissed in August 1993. His successor, R dha Malek, advocated economic liberalization, and it was under his government that Algeria applied for debt relief to the International Monetary Fund (IMF). The depression of oil prices put the country's economy into the grip of a

severe financial crisis. Debt-servicing reached more than \$9bn—representing about three-fourths of the value of exported goods and services in 1993. By rescheduling its external debt, Algeria committed itself to undertaking comprehensive economic reforms, this time under the auspices of the IMF. A stand-by agreement was concluded with this organization in April 1994. Other arrangements with the Paris and London Clubs enabled Algeria to reschedule a significant part of its commercially held foreign debt. The IMF, under its extended fund facility, agreed to a \$1.8bn structural reform credit for a three-year period (1995–98).⁴³

Consisting of a combination of macro-economic stabilization and medium-term structural adjustment measures introduced from 1994, the program of reforms sought to achieve the following aims: restore sustainable economic growth and reduce unemployment, bring inflation down to reasonable levels, improve the balance of payments situation, and attenuate the impact of the reforms on the most vulnerable sections of the society.⁴⁴

In its early assessment of the four-year phase (1994–98) of stabilization and structural adjustment, the IMF considered that “despite the fact that the reform program was launched . . . in a difficult social and political environment, it has been remarkably successful in restoring financial stability and establishing the building blocks for a market economy.”⁴⁵ During a visit to Algeria in March 2005, the IMF Managing Director, Rodrigo de Rato, remarked that “Algeria has made progress over the past decade in moving from a state-controlled to an open, market-based economy. Remarkable success has been achieved in restoring macroeconomic stability, and progress has been made in liberalizing foreign trade and increasing economic growth.”⁴⁶

The reform agenda that Algeria embarked upon has undeniably enabled the country to accomplish some progress in its move towards a market economy (see some indicators in Table 2.1). At the same time, this transitional phase is revealing a number of challenges, either still not seriously addressed or prompted by the reform process itself. The economy has shown signs of an improved response of inflation to monetary policy. Estimated at 39 percent in 1994, inflation fell to around 3.1 percent in 2005, suggesting that it is now under control.⁴⁷

To facilitate their transition to a market-based environment, public enterprises have been the target of a number of restructuring measures. This resulted in the liquidation of many loss-making and non-viable local public enterprises, including state-owned large importing and distribution agencies, while some of these companies simply had their assets transferred to employees. On the other hand, the privatization of the largest publicly owned enterprises, a key element in the reform agenda, has not been a success story.⁴⁸ Only a handful of more or less important transactions have hitherto taken place.⁴⁹ The revamping of the legal and institutional framework in 2001 has had no decisive impact on moving the privatization plan ahead both steadily and quickly. Not only fluctuating government policy

Table 2.1 Selected Economic Indicators

	1994	1998	2000	2002	2004	2005
GDP (\$bn)	42.4	48.2	54.4	56.9	84.8	102.8
GDP growth rate (%)	-0.7	5.1	2.4	4.1	5.2	5.3
GDP per head (\$)	1,542	1,633	1,790	1,816	2,621	3,109
Imports (\$bn)	9.15	8.63	9.35	12.01	17.95	19.50
Exports (\$bn)	8.89	10.14	21.65	18.71	32.22	46.38
of which						
Hydrocarbons	8.61	9.77	21.06	18.11	31.55	45.59
Foreign debt (\$bn)	29.5	30.5	25.3	22.7	21.8	17.19
Debt service/exports (%)	47.1	47.5	19.8	21.7	12.6	8.0

Sources: Ministère des Finances (Algeria), *Principaux indicateurs de l'économie algérienne*, available at: <http://www.finances-algeria.org/dgep/a5.htm>; Banque d'Algérie, *Evolution de la dette extérieure de l'Algérie*, available at: <http://www.bank-of-algeria.dz/docs2.htm>; Banque d'Algérie, *Statistiques monétaires 1965-2005 et statistiques de la balance des paiements 1962-2005*, available at: <http://www.bank-of-algeria.dz/statistiquesmonetaires.pdf>; IMF, Algeria — Staff Report for the 2005 Article IV Consultation, available at: <http://www.imf.org/external/pubs/ft/scr/2006/cr0693.pdf>.

priorities, but also resistance on the part of some stakeholders—particularly the bureaucracy and the trade unions—are to blame for the lack of effective impetus behind the process. In spite of that, the government has repeatedly stated its determination to privatize practically all public enterprises. Abdelhamid Temmar, minister in charge of participation and promotion of investments (minister of privatization for others), remarked that “privatization is the best formula for some 1,230 enterprises.”⁵⁰ Moving privatization beyond the point of stated intentions calls for a coherent policy that takes on board both the particulars of the process and its overall aims and implications within the broader economic reform agenda. For instance, making privatization conditional on maintaining employment and activity in the public enterprises may well act as a disincentive to would-be investors/bidders. The IMF, for its part, suggested the introduction of a safety net as an alternative to cushion against possible job losses.⁵¹

As for the banking sector, the 1990 law on money and credit for the first time allowed for the establishment of private banks.⁵² Even by permitting the setting up of new private banks and the gradual entry of foreign banks into the domestic market, the sector has remained dominated by publicly owned banks, which still account for almost 93 percent of the Algerian financial system's assets.⁵³ Because of their accumulated sizable losses, stemming primarily from the provision of massive non-performing loans to the unprofitable public enterprises, various operations of *assainissement* (stabilization) have been undertaken. Consequently, the banks saw a large influx of liquidity as the government implemented recapitalization and debt takeover measures at a cost of \$30bn.⁵⁴

It was expected that the presence of private banks would help boost competition and so improve the public banks' financial performance.

Nevertheless, the collapse in 2003 of two private banks—Khalifa Bank and Banque Commerciale et Industrielle d'Algérie—has seriously damaged the public image of and confidence in the private-sector banks.⁵⁵ While it will take some time for this sector to regain credibility, new legislation was introduced in 2003 to ensure strict bank licensing and rigorous supervision of their activities by the Bank of Algeria.⁵⁶ Yet one should mention that, in actual fact, this mission of control is far from being properly carried out, as demonstrated by some of the latest financial scandals in the public-sector banks.⁵⁷

The government is now in the process of opening up the capital of three publicly owned banks—Banque Nationale d'Algérie, Banque de Développement Local, and Crédit Populaire d'Algérie—to private-sector participation.⁵⁸ If it does materialize, this gradual approach could pave the way for a greater role for this sector in the banking system.⁵⁹ For the time being, it seems that the authorities are more intent on pursuing the IMF analysts' recommendation to quickly sell one healthy public bank to a reputable foreign one.⁶⁰ In the same way, the modernization of the banking sector is equally a high priority on the government's agenda.⁶¹ This sector's role and capacity in financing investment and growth will depend on the improvement of its operational capacity, of which privatization is certainly a key ingredient. Promoting this industry and its fair distribution of credit is vital if one considers the excess of liquidity—about \$10bn in 2005—in public banks.⁶²

In relation to the external financial position, improvement in the country's stock of foreign exchange reserves and foreign debt is clearly perceptible. In 2003, these reserves stood at \$32.9bn, and reached an unparalleled level of about \$80bn at the end of December 2006.⁶³ This is mainly due to the favorable international market prices for oil since 2005. Also Algeria seems to have managed its debt burden efficiently. In 1994, the total external debt was around \$29.5bn, corresponding to just about 70 percent of the country's GDP.⁶⁴ Surely, the rescheduling of the debt under the stabilization and adjustment programs did provide some breathing space, but more importantly, it was the contribution of other factors—such as the availability of foreign exchange reserves and the recent government decision to anticipate the repayment of some of the outstanding debt—that made it possible to reduce the debt levels, leading to the reclassification of Algeria from severely indebted to less indebted.⁶⁵ As a corollary, the debt service or ratio, which was more than 47 percent at the end of 1994, dropped to less than 10 percent in 2005.⁶⁶ The latest official figures for 2006 show that the total foreign debt has decreased from \$15.5bn to about \$4.7bn, indicating the country's enhanced debt-management control.⁶⁷

Besides dealing with the domestic economic and social issues, Algeria's program of reforms is also faced with the challenge of managing opening up to the global economy. Substantial progress has so far been made in reforming the country's external trade regime, with a commitment to press

ahead with regional and multilateral trade liberalization. Within the framework of the Euro-Mediterranean Partnership, launched in Barcelona in 1995, Algeria concluded an association agreement with the EU in April 2002. Entered into effect in September 2005, the agreement has, as its core component, the gradual phasing in of a free trade area between the two parties over a 12-year period.⁶⁸ This new phase in the relationship would amount to Algeria unilaterally liberalizing its trade *vis-à-vis* the EU by progressively removing all tariff and non-tariff barriers to goods imported from Europe. At the multilateral level, negotiations to join the World Trade Organization (WTO) are believed to be, at the present time, at an advanced stage.⁶⁹ Nevertheless, the most recent round in October 2005 was, in a way, a missed opportunity since nothing of substance was achieved. According to *Le Quotidien d'Oran*, influential members of the organization—especially the EU and the US—still seem not entirely satisfied with the efforts Algeria has made at opening its market and bringing its legislation in line with the WTO rules.⁷⁰ The tenth round has yet to take place, having been postponed on a number of occasions during 2006.

The external trade liberalization, to be triggered by the association arrangement with the EU and membership of the WTO, is indeed a major step towards integration into the world economy. It is, however, the case that the potential impact of this opening up on the Algerian economy has still not been rigorously investigated. A range of studies conducted on individual and/or groups of developing countries has come up with different conclusions as to the potential benefits and costs stemming from trade liberalization. To the extent that Algeria is concerned, it is inevitable that this liberalization will cause disruption to its economy, at least in the near future. The sectors likely to be affected the most are in industry. At an early stage, this will be felt in terms of labor force displacement. About 50,000 jobs will be lost as a result of the implementation of the association agreement with the EU, as confirmed by El-Hachemi Djaaboub, Minister of Commerce.⁷¹ But the minister remains positive as to the numerous jobs that will be generated by this agreement as a result of new investments, especially from the European partners.⁷²

By and large, more than a decade after the introduction of the World Bank and IMF-sponsored reforms, the case is still not one of a strong and prolonged economic recovery. The record of these reforms on growth has been mixed. Economic growth, measured in real GDP increase, shows that the average annual growth rate had not exceeded 2.7 percent over the period 1994–98, and even remained within the region of 2.6 percent during the succeeding three years of the post-adjustment era (1999–2001).⁷³ From 2002, nevertheless, Algeria started to experience improved rates of growth: 4.1 percent (2002), 6.8 percent (2003), 5.2 percent (2004), and 5.3 percent (2005).⁷⁴ Yet it remains to be seen whether these good years of recorded growth can be sustained, given the prevailing structural nature of the economy. Even though the agricultural, construction, and services sectors

registered some good performance during the years in question, the contribution of the hydrocarbon sector was—and will certainly be for some time to come—preponderant in the country's economy.

This sector has witnessed a phase of increasing liberalization, which started since the mid-1980s. However, the liberalization trend has, to some extent, been reversed following a recent revision of the 2005 legislation.⁷⁵ The amendments endorsed give Sonatrach, the state-owned oil company, at least a 51 percent stake in future oil and gas ventures concluded with foreign companies.⁷⁶ There is also a case for imposing a windfall tax, ranging from 5 to 50 percent, on these companies' profits when the monthly average of Brent crude prices exceeds \$30 a barrel, something that could earn Algeria \$500m to \$600m in 2006 and about \$1bn in 2007.⁷⁷ At this juncture, it seems less likely that these amendments could cause too much concern amongst foreign oil firms operating in Algeria and thus prove detrimental to Algeria's hydrocarbon sector. For instance, recent reports about Anadarko's plans to divest its operations in Algeria have been denied; and the company has confirmed its intention to continue doing business in the country.⁷⁸ Also the foreign firms are cognizant of the need to adjust to these changes as they echo the growing trend of resource nationalism among producer countries.⁷⁹

On the whole, it is important to note that the recorded growth performance mentioned above coincided with the 2001–4 economic recovery plan (PSRE), which the government embarked on in the second half of 2001.⁸⁰ This \$7bn plan of public investment was intended to provide a stimulus for economic growth.⁸¹ From the authorities' perspective, the PSRE's ultimate goal was "to attenuate the negative effects of a deep crisis and create the conditions propitious for a genuine long-lasting development strategy."⁸² That being so, a more ambitious follow-up five-year program (PCSRE), with an initial allocation of \$55bn, was launched in 2005 to give a stronger boost to the economy and alleviate more of the current social problems.⁸³ For instance, more than about 45 percent of this financial package is aimed at improving the living conditions of the population in areas such as housing, health, education and vocational training, and water.

The Welfare Impact

It is evident that the structural reforms Algeria has gone through within the context of the stabilization and structural adjustment programs have and may still continue to have social costs, particularly affecting the lower-income population groups. The economic restructuring, notably its main process of privatization—liquidation of public-sector enterprises, has resulted in considerable numbers of layoffs. For instance, between 1995 and 1997 more than 400,000 workers lost their jobs and 400 firms were liquidated.⁸⁴ With the public sector's low capacity for generating jobs becoming a reality, this has contributed to the contraction of the domestic labor market, with

its upshot of a rise in the proportion of unemployed population. In addition, first-time job seekers entering the labor market have been on the increase, something that has, to a large extent, played a part in the aggravation of the unemployment problem. Over the period 1990–2003, the average annual growth rate of the labor force was almost 4 percent.⁸⁵

As indicated by a government official, the unemployment rate was in the region of 30 percent in 1999.⁸⁶ A figure of this scale is to blame for the deterioration in living conditions, with poverty becoming a salient feature in society, mainly in rural areas—the rural population represented 41 percent of the total population in 2003.⁸⁷ Furthermore, one should not lose sight of the fact that the abolition of subsidies, the devaluation of the local currency, and the state's deficit in the provision of public services have also been amongst the causes that severely affected the purchasing power of large sections of the population, including the middle class (today, there are many in Algeria who would argue that the middle class is in decline and, in many cases, is not doing better than poor families).⁸⁸ This partly explains the migration in the period 1992–96 of close to 0.5 million highly educated Algerians to Europe and North America.⁸⁹ A recent report by the Algerian-based National Centre for Study and Analysis of Population and Development (CENEAP) claims that the proportion of the population living on \$1 a day fell from 12.1 percent in 2000 to 5.7 percent in 2005.⁹⁰ However, this downward tendency in the ratio of poor population “remains transitory because of the fragile social and economic conditions and the vulnerability of certain households,” the report reveals.

It is quite apparent that the implementation of the PRSE has led to some progress in social conditions. As well as helping fuel the fairly solid economic growth recorded over the last years, this plan of public expenditure also induced an upturn in terms of job generation. The latest estimates of the Office National des Statistiques put the unemployment rate at 12.3 percent in 2006, against 15.3 percent in 2005 and 17.7 percent in 2004.⁹¹ The authorities consider that, because of increased social transfers and boosted incomes, the living conditions of the population have improved on the whole. Moreover, some 45.5 percent of the PCSRE financial package is to be devoted to raising living standards (health, education, water, housing, and so forth) in the period 2005–9. For the moment, social tensions remain a feature of Algerian life, and their persistence reflects the limited effect of government policy actions so far, including its economic recovery plan (PSRE). In their debate of the 2006 financial bill, deputies in the national assembly warned against possible social explosion, which they impute to “the blatant imbalance in the distribution of the country's wealth and in the marginalization of the society's less well-off groups who cannot manage to provide for the basic needs.”⁹²

The second phase in the government public investment program (PCSRE) is, therefore, faced with the great challenge of delivering public services together with promoting the conditions that underpin a real and

sustained economic take-off. There is no doubt that tackling and lessening the many and varied problems experienced by large segments of the populace are of crucial importance to the country's social stability and cohesion.

Conclusion

Algeria is emerging from the chaotic situation that it endured over the last decade. At the present time there is a new sense of stability in the country and a considerable relief within society that security has, in the main, been restored. Even though criticized by some human rights groups in particular, it is evident that the successive amnesty measures taken—Clemency (*Rahma*) Law, Civil Concord Law, and the Charter for Peace and National Reconciliation—have had an impact on reducing the level of a decade-long violence that left the country in deep crisis. The resumption of the electoral process has enabled the country to publicly reinstate legitimate institutions of government, albeit allegations of vote-rigging were made at an early stage.

However important the above issues may be for a smooth political transition, there are yet major challenges lying ahead. Reforming the state's institutions and strengthening their independence and prerogatives, and increasing the freedom of association and expression are all key ingredients for future democratic development.⁹³ Clearly, democracy is an evolutionary process that “is fundamentally shaped by the historical and cultural context out of which it emerges.”⁹⁴ And it is these domestic factors which contribute to explaining how smooth or difficult a transition is. It remains to be seen whether the imminent constitutional reform, hailed “as an advanced and complementary stage in the process of reform and modernization of the state's structures,”⁹⁵ together with the holding of municipal and parliamentary elections in 2007, will represent a step further towards promoting institutions and practices of a democratic nature. To be sure, these coming political developments are likely to be significant in the sense that they will give an indication of the level of commitment to the democratic process as well as the direction the reform path is taking.

A related and parallel development in the country's return to stability is the undertaking being made to transform the country's economy. Certain progress has, indeed, been made in terms of market-based economic reforms, and present economic performance is quite encouraging. Obviously, this performance is very much the result of the energy sector and the favorable oil market conditions—for instance, this sector earned a total of almost \$54bn in 2006.⁹⁶ Yet some measures of relatively good economic performance are projected to peter out. Not only may oil prices dip below their 2006 level, but there may be some slowing down in GDP growth rate as well—an expected slowdown in the economy to 3 percent in 2006 according to the latest World Bank estimate.⁹⁷ Hence, further commitment to speeding up the pace of market reforms remains necessary, including the

privatization program and modernization of the financial sector, to raise economic growth and generate much-needed job opportunities for the unemployed, especially for the young people who are the most affected by this problem.⁹⁸ It is imperative that the current program of public investment (PCSRE) is soundly managed to allow the country to move away from a hydrocarbon-based economy. The oil windfall should be managed in a manner that is conducive to the development of the non-hydrocarbon sector, particularly by improving business conditions and giving a boost to private-sector-led growth. In this respect, there is a pressing need to tackle prevailing bureaucracy and corruption practices that are amongst the chief apprehensions of existing and prospective investors.⁹⁹ The year 2007 has witnessed a number of important trials for corruption and fraud, one of which is Algeria's biggest financial scandal ever, involving the former Khalifa Group.

In short, it is in Algeria's interest to make up for the lost time as it is attempting to move further down the path of political and economic reforms. The process of sustaining and deepening these reforms entails a credible policy to which the government must pledge itself. Meanwhile, the availability of financial resources would make it easier to address some of the challenging social problems and, in so doing, could secure broader social adherence to and support for the reform policies.

Notes

- 1 For a more recent account on this issue see Yahia H. Zoubir, "The Dialectics of Algeria's Foreign Policy, 1992 to the Present," in Ahmed Aghrout and R. M. Bougherira (eds), *Algeria in Transition: Reforms and Development Prospects*, London and New York: RoutledgeCurzon, 2004, pp. 151–82; "The resurgence of Algeria's foreign policy in the twenty-first century," *The Journal of North African Studies*, vol. 9, no. 2, summer 2004, pp. 169–83.
- 2 A good assessment of Bouteflika's first presidential term in office is provided by Robert Mortimer, "Bouteflika and the Challenge of Political Stability," in Aghrout (ed.), *Algeria in Transition*, pp. 183–98.
- 3 For further details on these problems, see Keith Sutton, Ahmed Aghrout, and Salah Zaimeche, "Political Changes in Algeria: An Emerging Electoral Geography," *The Maghreb Review*, vol. 17, no. 1–2, 1992, p. 5.
- 4 A law passed on 5 July 1989 laid down the rules by which these political organizations or parties could be officially legalized.
- 5 Sutton, Aghrout, and Zaimeche, "Political Changes," p. 7.
- 6 The most recent official figures estimate the loss of life to be 150,000.
- 7 Zoubir, "State and Civil Society in Algeria," in Yahia H. Zoubir (ed.), *North Africa in Transition: State, Society, and Economic Transformation in the 1990s*, Gainesville, FL: University Press of Florida, 1998, p. 39.
- 8 Amongst the proposals made in this platform was the call for the respect of a multiparty system, the resumption of the political process through free and pluralist elections, and the rehabilitation of the banned FIS; for further details about this platform, see Robert Mortimer, "Islamists, Soldiers, and Democrats: The Second Algerian War," *Middle East Journal*, vol. 50, no. 1, winter 1996, pp. 35–8.

- 9 Marco Impagliazzo, *The St Egidio Platform for a Peaceful Solution of the Algerian Crisis*. Available at: http://www.usip.org/pubs/peaceworks/smook20/chap3_20.html.
- 10 Françoise Germain-Robin, "Pas de consensus à Alger." Available at: <http://www.humanite.presse.fr/journal/1994-01-27/1994-01-27-693103>.
- 11 The other candidates were the late Mahfoud Nahnah (25 percent), Said Saadi (10 percent), and Nouredine Boukrouh (3 percent).
- 12 William B. Quandt, "Algeria: How Pivotal Is It? And Why?" Available at: <http://www.people.virginia.edu/~wbq81/pivotal.html>.
- 13 Phillip C. Naylor, *France and Algeria – A History of Decolonization and Transformation*, Gainesville, FL: University Press of Florida, 2000, p. 230.
- 14 The constitutional changes were mainly concerned with the institution of a bicameral legislature, provision for the revision of the legislation on political parties and elections, and redefinition and strengthening of presidential powers; see Robert Mortimer "Algeria: The Dialectic of Elections and Violence," *Current History*, vol. 96, no. 610, May 1997, p. 233.
- 15 General Mohamed Betchine, president's adviser, and Mohamed Adami, minister of justice, resigned following a media campaign against them.
- 16 Lucy Dean (ed.), *The Middle East and North Africa 2006 – Regional surveys of the world*, 52nd edn, London: Europa, 2005, p. 175.
- 17 Mortimer, "Bouteflika," p. 184.
- 18 Youcef Bouandel, "The presidential election in Algeria, April 1999," *Electoral Studies*, vol. 20, no. 1, 2001, p. 158.
- 19 At the presidential election in April 1999, Bouteflika's six rivals pulled out on the eve of polling day amid charges of widespread electoral fraud. Similarly, the 1997 legislative elections were also marred by fraud allegations.
- 20 Ahmed Aghrout, "The 2002 Algerian Parliamentary Elections: Results and Significance," in Ahmed Aghrout (ed.), *Algeria in Transition*, pp. 199–211.
- 21 Bruce George, representing a group of observers from the Organization for Security and Cooperation in Europe, was reported to have said "It was not a perfect election but by the standards of the region it was excellent," cited in *Keesing's Record of World Events*, vol. 50, no. 4, April 2004, p. 45983.
- 22 Some have claimed that this "neutrality" was meant to signal "implicit acquiescence for Bouteflika's re-election," see Azzedine Layachi, "Algeria's presidential election: a post mortem." Available at: http://www.dailystar.com.lb/article.asp?edition_id=10&categ_id=5&article_id=2108.
- 23 Hugh Roberts, "Political Issues and Developments in Algeria," written evidence submitted to the UK Parliament Select Committee on Foreign Affairs, 25 January 2005. Available at: <http://www.parliament.the-stationery-office.co.uk/pa/cm200405/cmselect/cmfaif/36/5020105.htm>.
- 24 Major-General Salah Ahmed Gaid was appointed as army chief of staff, replacing Lt-General Mohamed Lamari who, according to some commentators, "retired for political reasons and noted recent differences with Abdelaziz Bouteflika," *Keesing's Record of World Events*, vol. 50, no. 7–8, July 2004, pp. 46181–2.
- 25 Law 99-08 of July 1999. This was followed by a presidential decree in January 2000, called *grâce aministiantie*, which exempted militants of two armed groups from prosecution following their agreement to lay down their arms and disband.
- 26 About 5,500 militants were believed to have taken advantage of the "Civil Concord Law," according to official authorities cited by Human Rights Watch. Available at: http://hrw.org/backgrounder/mena/algeria0905/2.htm#_ftnref11. For details, see, Yahia H. Zoubir and Louisa Ait-Hamadouche, "Between Democratization and Counter-Terrorism: Penal Reform in Algeria," in Chris Ferguson and Jeffrey O. Isima (eds), *Providing Security for People: Enhancing*

- Security through Police, Justice, and Intelligence Reform in Africa*, Swindon, UK: Global Facilitation Network for Security Sector Reform, 2004, pp. 75–84.
- 27 Service du Chef du Gouvernement (Algeria), *Accord pour la mise en œuvre de la plateforme d'El-Kseur*, 15 January 2005. Available at: <http://www.cg.gov.dz/actualites.htm>.
- 28 President Bouteflika was reported to have opposed this demand, arguing that "There is no country where two official languages exist. Arabic is the official national language. This does not prevent us from learning the Amazigh language with its dialects: Kabyle, Targui, Mozabite and Oranian," see *El-Watan* (Algerian daily), 24 September 2005. Bouteflika overlooked the fact that Switzerland has four official languages and Belgium two.
- 29 *La Tribune* (Algerian daily), 3 October 2005.
- 30 See *Projet de la Charte pour la Paix et la Réconciliation Nationale* for a more detailed explanation of the measures and their underlying principle.
- 31 Fayçal Oukaci, "Le référendum sur la Charte pour la Paix et la Réconciliation Nationale – Les opposants, qui sont-ils? Que veulent-ils?" *L'Expression* (Algerian daily), 29 September 2005, p. 2.
- 32 Hocine Ait Ahmed, the leader of the *Front des Forces Socialistes*, was reported to have branded this charter as "new aggression against the Algerian society and whose aim is nothing than to pave the way for a constitutional revision to allow Abdelaziz Bouteflika a third mandate," quoted in *Liberté* (Algerian daily), 22 September 2005.
- 33 *The Estimate*, Political and Security Intelligence Analysis of the Islamic World and its Neighbors, vol. 11, no. 14, 2 July 1999.
- 34 The commission was a temporary body operating within the existing institutional framework, that is the Commission Nationale Consultative de Promotion et de Protection des Droits de l'Homme set up in March 2001.
- 35 Reported by *Le Quotidien d'Oran* (Algerian daily), 26 September 2005.
- 36 Presidential Decree no. 06-93 (28 February 2006) relating to compensation of victims of the national tragedy.
- 37 Cited in *L'Expression*, 23 September 2006.
- 38 Presidential Decree no. 06-94 (28 February 2006) concerning state aid to needy families affected by the involvement of their relatives in terrorism.
- 39 These units were called *Domaines Agricoles Socialistes*.
- 40 Michael Hodd, "Algeria: Economic Structure, Performance and Policy, 1950–2001," in Ahmed Aghrout (ed.), *Algeria in Transition*, pp. 35–57.
- 41 The series of legislative measures adopted were concerned with, amongst other things, the ending of state monopoly over external trade, liberalization of prices, granting autonomy to public enterprises, and subjecting them to market-place discipline, establishing the independence of the central bank and opening the financial sector to private investment.
- 42 Omar Akala, "L'économie algérienne, de l'ère des réformes (1989–1991) à celle de l'ajustement structurel (1994–1998)," in Ahmed Mahiou and Jean-Robert Henry (eds), *Où va l'Algérie*, Paris: Editions Karthala, 2001, p. 166.
- 43 IMF, "IMF Approves Credit under Extended Fund Facility for Algeria," *Press Release*, 95/31, 22 May 1995.
- 44 For more details on the policy measures adopted to achieve the reform program targets, see for instance Abdelouahab Keramane, "Algeria: Present Economic Situation and Prospects," *Euro-Mediterranean Partnership*, no. 2, 1997, p. 27; Karim Nashashibi, Patricia Alonso-Gamo, Stefania Bazzoni, Alain Feler, Nicole Laframboise, and Sebastian Paris Horvitz, "Algeria: Stabilization and Transition to the Market," IMF Occasional Paper no. 165, IMF, Washington DC, 6 August 1998; and Brahim Guendouzi and Khelifa Kadri, "Les retombées de l'ajustement structurel sur le développement local en Algérie," *Les Cahiers du Cread*, no. 46–7, 1998, pp. 135–52.
- 45 Martha Bonilla, "Algeria's Reform Program Promotes Economic Growth and Transition to the Market," *IMF Survey*, vol. 27, no. 17, 31 August 1998, p. 277.
- 46 Statement quoted in *Press Release*, 05/49, 2 March 2005.
- 47 Banque d'Algérie, *Tendances monétaires et financières au premier semestre 2005*. Available at: <http://www.bank-of-algeria.dz/notes2.htm>; see also IMF, "Statement by IMF Mission in Algeria," *Press Release*, 05/233, 19 October 2005.
- 48 A review of the privatization process can be found in Ahmed Aghrout, Mohamed Bouhezza and Khaled Sadaoui, "Restructuring and Privatization in Algeria," in Ahmed Aghrout (ed.), *Algeria in Transition*, pp. 120–35.
- 49 These transactions included, amongst other things, the opening up of the capital of three public sector enterprises (Eriad in the agro-food, Soidal in the pharmaceuticals, and the El-Aurassi Hotel) on the Algiers Stock Exchange and the establishment of joint ventures with foreign companies in the areas of the steel industry, chemicals, and telecommunications.
- 50 Cited in *El-Moudjahid* (Algerian daily), 11 October 2005.
- 51 IMF, Algeria: Staff Report for the 2004 Article IV Consultation, *IMF Country Report*, 05/50, February 2005, p. 21.
- 52 See Law 90-10 of 14 April 1990 on Money and Credit.
- 53 Speech by Mohamed Laksaci, governor of the Bank of Algeria, delivered to the *Assemblée Populaire Nationale* (parliament) on 24 October 2004. Available at: <http://www.bank-of-algeria.dz/communicat.htm>.
- 54 Figure given by the governor of the Bank of Algeria; cited in *Liberté*, 19 October 2005.
- 55 The banks were accused of fraud and money laundering and the authorities decided to withdraw their licenses to operate and put them into administrative receivership. For instance, the collapse of Khalifa Bank is believed to have caused the Algerian government a loss of \$1.5bn; see Farid Alilat, "Où sont passés les milliards?" Available at: http://www.jeuneafrique.com/jeune_afrique/article_jeune_afrique.asp?art_cle=LIN04125osontsdraill.
- 56 Ordinance 03-11 of 26 August 2003.
- 57 Salima Tlemçani, "La BNA au centre d'un grand scandale: Un préjudice estimé à 15 milliards de DA," *El-Watan*, 29 October 2005; "Etablissements bancaires: La tirelire des scandales à répétition," *El-Watan*, 7 November 2005; "Procès du détournement des 12 milliards de dinars de la BADR," *El-Watan*, 23 September 2006; Farid Alilat, "Où sont passés les milliards?" *El-Watan*, 23 September 2006; Ahcene Aribi, the Islah deputy, was reported to have said that \$12bn have illegally been transferred, see *La Nouvelle République* (Algerian daily), 15 November 2005.
- 58 *El-Khabar Weekly* (Algerian newspaper), 12–18 February 2005; *El-Watan*, 5 September 2005; *Liberté*, 7 November 2005.
- 59 BNP Paribas, Société Générale, Natexis Banque, Crédit Lyonnais, Crédit Agricole Indosuez, Crédit Industriel et commercial, and HSBC are believed to be interested in the Crédit Populaire d'Algérie, *La Tribune*, 23 October 2006; "L'ouverture du capital du CPA est fixée pour le premier semestre 2007," *Le Soir d'Algérie* (Algerian daily), 6 November 2006.
- 60 For the IMF analyst, this "would be important for its demonstration effect, including by transferring know-how to the sector, and would help contain the cost of restructuring other public banks"; see Jules J. De Vrijer, "New Roles for Banks in Algeria." Available at: <http://www.imf.org/external/np/speeches/2005/020305.htm>.
- 61 The President himself was reported to have said that "I expect the banks' managers to speed up banking reforms in order to provide our economy with a

- framework that is favorable to growth and investment ... For this reason, the delay in the banking reforms is not tolerated any more." See Presidency website (Algeria) at: <http://www.elmouradia.dz/francais/president/activites/PresidentActi.htm>.
- 62 President Abdelaziz Bouteflika mentioned this figure in his speech delivered on 7 April 2005; see *El-Watan*, 9 April 2005.
- 63 The recent figure was quoted in *Liberté*, 25 January 2007.
- 64 Banque d'Algérie, *Evolution de la dette extérieure de l'Algérie 1994-2004*. Available at: <http://www.bank-of-algeria.dz/docs2.htm>.
- 65 World Bank, *World Development Indicators 2005*, Washington DC: World Bank, 2005.
- 66 *Liberté*, 28 October 2005.
- 67 *La Tribune*, 28 December 2006.
- 68 The agreement covers political and security; economic and financial; and social, cultural, and human dimensions. Yet it is the economic and the financial dimension that is central to the whole association agreement; see Ahmed Aghrou, *From Preferential Status to Partnership – The Euro-Maghreb Relationship*, Aldershot: Ashgate Publishing Limited, 2000; "The EU-Algeria Partnership Agreement: A Preliminary Assessment," *ESRI Working Paper*, University of Salford (UK), 31 July 2005.
- 69 Algeria applied to join the WTO on 3 June 1987 and a working party entrusted with the negotiations was set up two weeks later. Its first meeting took place in April 1998.
- 70 *Le Quotidien d'Oran*, 26 October 2005.
- 71 Quoted in *El-Watan*, 11 October 2005.
- 72 On the issue of foreign investment, see Ahmed Aghrou and Michael Hodd, "FDI in North Africa: A Comparative Perspective," in Sima Motamen-Samadani (ed.), *Capital Flows and Foreign Direct Investments in Emerging Markets*, London: Palgrave Macmillan, 2005, pp. 115–32.
- 73 Ministère des Finances, *Principaux indicateurs de l'économie algérienne*. Available at: <http://www.finances-algeria.org/dgep/a31.htm>; World Bank, *Algeria Data Profile*. Available at: <http://devdata.worldbank.org/external/CPProfile.asp?PTYPE=CP&CCODE=DZA>.
- 74 *Ibid.*
- 75 See the Hydrocarbons Law no. 05-07 of 28 April 2005. Amongst its aims are: establishing competition in a free market; establishing transparency in contract awards; improving environmental standards; providing a clear, simple and competitive fiscal regime and contractual conditions; separating the government's regulatory role in order to enable Sonatrach to focus on its commercial role; liberalizing price controls. Its scope covers all upstream and downstream activities (except natural gas distribution, being governed by different legislation), becoming open to all investors, private or public, and national or international. This law was published in the *Journal Officiel de la République Algérienne (JORA)*, no. 50, 19 July 2005. For more details about the amendments made to it, see the Presidential Ordinance no. 06-10 of 29 July 2006, published in the *JORA*, no. 48, 30 July 2006.
- 76 The above-mentioned law proposes an optional right of 20 to 30 percent only.
- 77 Figures cited by Chakib Khelil, energy and mines minister, in a statement given in a meeting with foreign oil companies representatives; see "Les amendements à la loi sur les hydrocarbures expliqués aux partenaires de Sonatrach," *El-Moudjahid*, 23 November 2006; "Chakib Khelil rencontre les compagnies pétrolières – La taxe sur les superprofits n'est pas une injustice," *El-Watan*, 23 November 2006.
- 78 "We won't sell our assets in Algeria. We stay here and we hope for a good future in your country," David Holmes, vice president for international operations of Anadarko, was reported to have said; see *United Press International* at: <http://www.upi.com/Energy/view.php?StoryID=20061122-071026-6202r>; "Anadarko ne quittera pas l'Algérie," *La Tribune*, 23 November 2006.
- 79 This resource nationalism gathered pace in Latin America (Bolivia and Venezuela), and now includes Russia, Algeria, and Chad.
- 80 The *Programme de Soutien à la Relance Économique* (PSRE) was aimed at favoring spending on modernizing infrastructure and services, restructuring of public enterprises, developing human capital, and improving living conditions.
- 81 For a detailed account on the impact of this program, see *Bilan du Programme de Soutien de la Relance Économique*. Available at: <http://www.cg.gov.dz/psre/bilan-psre.htm>.
- 82 *El-Watan*, 11 April 2005.
- 83 The current financial package earmarked for the *Programme Complémentaire de Soutien à la Croissance Économique* is estimated to be around \$114bn according to the World Bank.
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3 Libya

Reforming the Economy, not the Polity

Ronald Bruce St John

The government of the Great Socialist People's Libyan Arab Jamahiriya, commonly known as Libya, underwent a remarkable transformation over the past decade. Once an international outcast, Libya re-established commercial and diplomatic relations with most nations of the world, including the United States. Domestically, it began to evolve from a socialist command economy to a Western-style free market system in which its citizens were increasingly expected to fend for themselves. Only the domestic political arena escaped meaningful change.

African Initiatives

In August 1998, a decade after the bombing of Pan Am flight 103 over Lockerbie, Scotland, the Libyan government accepted a joint American-British proposal to try two Libyan suspects in the case, Abdel Basset Ali Mohammed al-Megrahi and Al-Amin Khalifa Fhimah, in the Netherlands under Scottish law. Once the two suspects were remanded into UN custody in April 1999, the UN Security Council suspended the multilateral sanctions, in place since 1992. The United States government pursued a separate course of easing, but not suspending, the bilateral sanctions that had been in place since the late 1970s. In a minor concession, Washington permitted the sale of food and medical supplies to Libya, policies long advocated by farm-state lawmakers. The UN Security Council later reaffirmed in July 1999 that the multilateral sanctions would be lifted permanently only after Libya had complied with all outstanding Security Council demands.¹

Responding immediately to the suspension of multilateral sanctions, Mu'ammarr al-Qaddafi launched a series of fresh initiatives in Africa, designed to end Libya's economic and political isolation. At the July 1999 Organization of African Unity (OAU) summit in Algiers, he was feted as a long-lost brother by fellow African heads of state. In response, Qaddafi resurrected his vision for African unity, calling for the creation of a Pan-African Congress to boost political unity, together with an Integration Bank to accelerate implementation of a treaty for the Economic Community of Africa. He also invited African leaders to attend an extraordinary