Algeria on the Road towards the End of the Bouteflika Presidency

Since Tunisia triggered the so-called Arab Spring, which has dashed so many hopes and caused so much misfortune throughout the Arab and Muslim world, Algeria seems to be on standby. As oil prices fall – with no credible indication of a rise in the medium term – and the health of President Abdelaziz Bouteflika deteriorates, there is mounting anxiety and fear among analysts of a fresh escalation in social discontent and violence in the country. Such is the extent of these feelings, that some analysts are predicting that before negotiations begin on Brexit, the European Union may have effectively collapsed because of Algeria’s hypothetical implosion. Nonetheless, recent months have seemingly been like the months before them and perhaps those to come will continue in the same vein; but, this year, one factor has become clear: a change in the presidency cannot be far off. On 4 May this year, further proof came in the form of images of a wheelchair-bound Bouteflika, apparently unable to speak and making only slight gestures with his arm, to the extent that one of the family’s children had to put his voting paper in the ballot box. This pathetic display is also a sign that le Pouvoir is yet to find a suitable candidate for his replacement.

Signs of the End of an Era

Two recent events stand out, which indicate that the Bouteflika era is coming to a close. The first and most evident is the constitutional reform adopted on 7 February 2016. This, notably, included limiting presidential terms to two years, after this same limitation was dropped in 2008. It is also significant that, for the first time, the Parliament has been given the job of choosing a Prime Minister. The first of these measures clearly indicates that Bouteflika’s leadership is as good as over, and the second could be interpreted as the President’s attempt at getting some kind of compensation or retaining a degree of control, should the future candidate not be to the liking of le Pouvoir. The second is the reform of the security forces, which culminated, at least officially, in December 2015. It began in 2013, sparked by the tragic incidents at the In Amenas gas facility, when the brutal and blunderous operation by the Department of Intelligence and Security (under the French acronym, DRS) internationally discredited the security forces, which, since 2001, had weaved a solid network of relations with Western intelligence services. The presidency’s response to the botched operation was to restructure the DRS, which eventually led to the creation of a new replacement service, the Security Services Department (DSS). With this process, the security services were placed under the “civilian” guardianship of the Presidency of the Republic. The interpretation of a large part of the Algerian press and many analysts is that this all conspired to giving victory to the presidential clan and, therefore, strengthening civilian power with respect to military power. However, there are also those who believe the opposite is the case, and claim that the whole process is the result of a reconfiguration designed by army generals themselves, to adapt to modern times.

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In a context such as Algeria’s, both interpretations are possible, but what cannot be ignored is that the reform has taken place. 2016, therefore, began with one issue resolved: the hierarchical status of the security services within the framework of the power structure. We do not know whether or not the reform has been considered successful internally, although from an international perspective it seems to have reinvigorated the regime. A good example of this can be found in the last EU-Algeria Joint Working paper, in which it was said that the Algerian government has positioned itself for several years now as a leading security exporter to the region and that Algeria now has enable the country to effectively counter threats, particularly regarding terrorism and cross-border crime.

The external hypothesis of a newly strengthened regime is further corroborated by the near total absence of critical commentary surrounding the elections, which displayed clearly visible signs of irregularities and banned the presence of major foreign media, like Le Monde. This improvement of the regime’s external image has once again strengthened its reputation abroad, but in other areas things have not gone quite so well.

The End of the Founding Myths

President Bouteflika undertook a policy of national reconciliation which began in 1999 with the Civil Concord Law, followed in 2005 by a law on national reconciliation, which was ratified in a referendum. Significantly, this element also appears in the preamble to the new Constitution in 2016. Furthermore, throughout this year, and with deliberate insistence from levels close to the presidency, celebrations were held for the 60th anniversary of the Soummam Conference (1956). Within Algeria’s nationalist mythology, this event is seen as the constituent process for a national, unified organizational structure, which paved the way to the country’s independence and laid the foundations for the creation of the new Algerian State in 1962. However, it is unclear whether this reconciliation has been achieved; at least in terms of what was expected.

It is true that, during the year, the divide between radical Islamist parties and regime supporters has narrowed. But the hoped-for reconciliation has not been accomplished.

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The clearest evidence of this is the widespread disaffection of the vast majority of the population when it comes to any political initiative driven by the regime’s leadership, as became clear with the low turnout for the last legislative elections. Despite the intense campaign to encourage people to vote, turnout stood at 35.37%; a figure very similar to that of 2007, but lower than in 2012. The most significant aspect of this abstention, however, is not the high percentage, but rather what it tells us about the year. For the first time, this was a militant abstention aimed at creating an alternative political organization away from the “values” and historical forms of the “revolutionary family.” Furthermore, to these new parties, led by young people, such as, for example Jil Jadid, must be added the increase in social protest movements, which reveal the discontent of all those who have been gradually excluded from the system. These are gathering strength and are set up around autonomous unions or “single-cause” movements, organized to accomplish specific objectives (salary hikes, job creation, halt shale gas prospection...). Although, for the time being, they neither converge with the demands of the new parties nor seem to be integrated with them, they do share two characteristics: they are formed by young people – thereby demonstrating a generational divide with the country’s leaders – and do not share the values of the “revolutionary family.” The distance is becomingly increasingly clear, therefore, between the “old” financial-military oligarchy and the new forms of political activism, in which the old forms of governance and precedents for political legitimation, based on a mythical past, are no longer valid.

It is in this context that the country’s economic situation is of growing concern, as, since 2014, oil prices have either fallen or remained at low levels; 2016, in this respect, being a very poor year which began with a price of roughly $30 per barrel and ended at around $50. Although at the end of 2016, Algeria had reserves for 22 months of imports and a practically non-existent foreign debt (2.5% of GDP), the situation of the hydrocarbon sector implies that, from now on, the regime will find it increasingly hard to “buy” social peace and keep power rivals at bay through the redistribution of hydrocarbon rents.

The End of the Hand of Plenty

Beyond the global evolution of oil prices, which show no sign of recovery in the medium term, the situation of the hydrocarbon sector in Algeria is nothing like it was a few years ago, thanks to the sweeping transformations that have taken place in the international energy industry. A few statistics suffice to illustrate this phenomenon: Algeria has lost export markets such as oil to the US, where in 2010 it exported 53% of its oil, and in 2014, just 7.5%. It has also seen reductions in the amount of gas exported to Europe, as, in the last five years, Algeria’s gas pipelines have transported 80% less than in the past. In another area, while they could be construed more as threats than reality, CEPSA announced in September 2016 that it would sell its stake in the MEDGAZ gas pipeline, and ENI, in the spring of 2017, declared that instead of renegotiating the contract with the Algerian company SONATRACH it would draw up a new one with the Azerbaijani company, SOCAL. It therefore appears that, beyond the evolution of international hydrocarbon prices, Algeria’s financial lung is not in its best moment.

It is in this context that the Algerian regime, while not explicitly mentioning austerity, has begun announcing measures that reveal fears that its foreign-exchange reserves may run out and that recovery will not be easy. In September 2016, a new Finance Law was passed that foresaw a reduction in public spending (9% in relation to the 2015 budget), but in January 2017, bolder measures were announced: on 1 April 2017, restrictions were announced on industrial and agricultural goods and on 10 April, the Finance Minister published a document titled The New Growth Model, which, surprisingly, was written in July 2016, but which contemplates a structural transformation of the Algerian economy.

The “tune” of most of the measures under consideration is nothing new in the history of the Algerian economy. It could be likened to that of the end of the 1980s, when the economic situation was particularly dire and the only solution was to initiate reforms – which, as the black decade demonstrated, bore no fruit. The situation today, however, while more stable in economic terms, raises more doubts than before, as at the end of the 1980s a return to the previous – energy – situation was a feasible possibility. In 2017, however, it is not. The oil and gas world has undergone major transformations with the appearance of new markets and new types of contracts; OPEC is falling apart at the seams, the European Union has no clear gas policy and many of the economies that buy Algerian hydrocarbons are moving to replace fossil fuels.

All in all, this points to 2017 as being the year when Algeria’s long-awaited reforms may finally have begun. So, as we have seen elsewhere, it may be Algeria’s difficult times which lead to the implementation of measures, which, although unpopular, have been pending for a long time. Nonetheless, the pessimists among us might say that behind these measures is, once again, a power play in anticipation of the imminent presidential replacement. In Algeria, where political discussion is always held in the language of economics, to say, as The New Growth Model says, that the spending of the last 15 years – i.e. practically Bouteflika’s entire mandate – to create economic and social infrastructure has been ineffective, inefficient and anti-economic, is, beyond a simple analysis of the situation, an attack on the presidential clan and those who have profited from the million-dollar infrastructure and service contracts of recent years. It therefore remains to be seen whether or not 2017 will be the year of reforms or continuing power struggles.

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6 Algeria Oil & Gas Report Q3, 2016