

# Algeria: Between Economic Reforms, Social Movements and Upcoming Political Battles

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Is the Bouteflika chapter about to come to a close in Algeria? To the analyst, this is the diagnosis that common sense dictates. In an article published in last year's edition of the *IEMed Mediterranean Yearbook*, Aurèlia Mañé Estrada was considering the imminent ruptures – historic, economic and political – that the country would be facing, beginning with the end of the rule of a president who had become incapable. She likewise pointed out the uncertainties resulting from the political instability and imbalances caused by a rentier economy.<sup>1</sup> Such caution was undoubtedly appropriate, since the Algerian configuration can be surprising. Indeed, with the 2019 presidential elections on the horizon, the first signs of the mobilization of a fraction of the ruling elites in favour of Abdelaziz Bouteflika running for a fifth term has emerged. The atypical Bahaeddine Tliba, a businessman from Annaba who has become the vice-president of the National Liberation Front (FLN) and the People's National Assembly, announced by surprise the constitution of a national coordination committee for Bouteflika's fifth term last December.

As has been the custom for several years now, it is tempting to say that the forthcoming year will be decisive for Algeria, in a context where emergencies seem to be multiplying. For the sake of brevity, this article will be limited to three topics which are closely interrelated in any case. The first front is

economic and results from the lack of budget revenue due to the fall in oil prices in 2013. The government is striving to prevent an over-indebtedness similar to the one accompanying the country's plunge into civil war during the Black Decade (1992-1999). The social front is likewise particularly sensitive and connected to the economic situation. The context, marked by growing austerity and actively protesting labour organizations, is potentially explosive. And finally, the last point of tension is associated with the upcoming 2019 presidential elections, where the presidency's intentions are unknown. In this regard, Ahmed Ouyahia's return to politics, Ould Abbas' regaining control of the FLN, and the oppositions' efforts to put forth a common front are all signs of yet another political reorganization.

## **Budget Going Dry and Return to Industrialism**

For several years now, the loss of foreign currency reserves (from 192 billion dollars in July 2014 to 98 billion in November 2017)<sup>2</sup> has led to the resurgence of a mobilization discourse marked by the urgency to develop. The government is trying to organize economic restructuring in order to stimulate investment and generate new revenue. Priority has been placed on a number of strategic sectors identified by the National Agency of Investment Development (industry, agriculture, tourism, renewable energy, and communication technologies). Supported by foreign partners anxious to maintain regional stability, this diversification of the Algerian economy should allow

<sup>1</sup> Aurèlia MAÑÉ ESTRADA. "Algeria on the Road towards the End of the Bouteflika Presidency," *IEMed Mediterranean Yearbook* 2017, p. 191-193, [www.iemed.org/observatori/arees-danalisi/arxiu-adjunts/anuari/med.2017/IEMed\\_MedYearbook2017\\_algeria\\_end\\_bouteflika\\_Estrada.pdf](http://www.iemed.org/observatori/arees-danalisi/arxiu-adjunts/anuari/med.2017/IEMed_MedYearbook2017_algeria_end_bouteflika_Estrada.pdf)

<sup>2</sup> *Algérie Presse Service*, 21 December 2017.

the country to decrease its dependence on hydrocarbons and prevent foreign debt from rising. In public addresses, emphasis has been primarily placed on developing the country's industrial capacity, particularly in the automotive sector. Algeria is thus experiencing a new industrialist turn, focusing on replacing importation with local production. This policy of replacing importation, once characteristic of developing countries, is now based on attracting private capital and cooperation in order to boost local technical capabilities. For several years now, the government has been intentionally maintaining a form of protectionism while encouraging foreign enterprises to establish their plants in Algeria. Former Minister of Industry and Mines Abdelham Bouhouareb thus included a special fiscal regime in the text of the 2017 Finance Law, allowing automobile manufacturers with factories in Algeria to enjoy various exonerations as well as a preferential customs tariff of 5%.

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Throughout the course of 2017, this policy of economic diversification ran up against various limits, one of the most significant being private partner calculations. Starting in January 2017, Bouhouareb distinguished himself by criticizing in the press groups enjoying state support but not developing their activities quickly enough, in particular the French oil concern, Total. Later, in March, a major scandal hit the automotive industry: a series of snapshots published by some whistle-blowers revealed that the Tahkout group was simply adding the wheels to

Hyundai vehicles that had already been completely assembled at their factory in Tiaret.<sup>3</sup> It was in this context that the IMF published its economic forecast of a decrease in growth (1.3% in 2017, 0.8% in 2018)<sup>4</sup> and called for major structural reform.

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The Algerian economy thus has continued to be under pressure and the government has begun to take action to find new sources of foreign currency, for instance, by launching coral-growing farms. In late 2017, the offensive focussed on the tourism sector, particularly thanks to the activism of the new Minister Hacène Mermouri. After following Bouhouareb's lead by threatening investors with expropriation if they didn't carry out their projects quickly enough, Mermouri is now negotiating agreements promoting tourism coming from China and Russia. In any case, these efforts bear witness to a widely shared sense of urgency. In the absence of conclusive results, austerity remains the preferred path for partisans of budgetary orthodoxy. Unsurprisingly, the 2018 finance law included a section announcing a tax increase.

### **Postcolonial Pact and Social Market Economy**

Budget austerity and the government's will to develop a competitive economy clash with one of the fundamental realities of the Algerian system. Indeed, the authoritarian system in Algeria, as elsewhere in the Arab world, is based on the promise of development and redistribution of wealth. This has sometimes been described as a 'populist social

<sup>3</sup> BOUKHLEF, A. "Soupçons de tricherie chez l'usine Hyundai de Tiaret," *el Watan*, [www.djazairress.com/fr/elwatan/541962](http://www.djazairress.com/fr/elwatan/541962)

<sup>4</sup> IMF. *Algeria: Staff Report for the 2017 Article IV Consultation*, 11 May 2017. [www.imf.org/en/publications/cr/issues/2017/06/01/algeria-2017-article-iv-consultation-press-release-staff-report-and-statement-by-the-44960](http://www.imf.org/en/publications/cr/issues/2017/06/01/algeria-2017-article-iv-consultation-press-release-staff-report-and-statement-by-the-44960)

contract.<sup>5</sup> This founding principle of relations between governors and the governed is at the antipodes of the structural reforms demanded by international partners, whether they target the labour market or consumer product subsidies.

The employment market is thus characterized by both a deficit of qualified workers and a high unemployment rate, which the national statistics office recorded as 12.3% in April 2017. This reveals “a clear increase over the past year, whereas the percentage of unemployed is still particularly high among youth (29.7% in the 16-24 age bracket). In order to adapt the supply of workers to company demand, the government is putting forth initiatives to develop professional training and involve private enterprise in university courses. However, it is the passing of a new labour code introducing greater flexibility that the international financial institutions and employers’ organizations are demanding. The bill currently being considered is awaited with apprehension and a law threatening workers’ rights would most certainly run up against the independent labour unions, which defeated a retirement reform bill in autumn 2016.

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With the support of the IMF, the government is likewise working on reforming the subsidies system in order to reduce the budget deficit. In any case, Algerian leaders are well aware of the role historically played by the suspension of this type of aid in uprisings that have shaken Arab authoritarian regimes since the mid-1970s. When presenting his action plan in June 2017, ephemeral Prime Minister Abdelmadjid Tebboune thus announced that the progressive adaptation of the subsidy system would be

compensated by social transfers. In the 2018 finance law, the main increases are in fuel and cigarettes, while essential goods have been spared for the time being.

The desire not to frontally offend the population can be explained by the permanent presence of a virulent social movement. Conflicts have been spread over time and attest to tensions between those governing and the governed. Students of advanced teacher training colleges (*écoles normales supérieures*) started a strike in November 2017, demanding university equivalence for their qualifications. The situation was still at a deadlock in March 2018, despite the paternalist discourse of the minister in charge enjoining the strikers to demonstrate “good sense” and “return to [their] universities. During this time, the resident doctors’ protest has continued to paralyze hospitals. Beginning in October 2017 to protest the deteriorating conditions of treatment and the obligation of completing a civil service, the movement met with brutal repression during a demonstration in early January.

In this context, the authorities are thus attempting to organize the transition towards a globalized economy while shielding themselves against a multi-sectoral social movement that could endanger political balance. When presenting his action plan, Tebboune called for an economic transformation that would allow Algeria to remain a welfare state. A sign of this search for a new paradigm, the theme of a ‘social market economy’ is flourishing in both the public and private press.

### **Battle Disarray**

The search aiming to ensure the survival of the Algerian system in the long term continues, on both the economic and political levels. At this point at the end of Bouteflika’s fourth term in office, government instability has taken on new proportions, given that the year 2017 saw no less than three prime ministers succeed one another in the Government Palace. After five years in office, Abdelmalek Sellal was removed in May, clearly the victim of socio-economic circumstances marked by social protest, austeri-

<sup>5</sup> Raymond HINNEBUSCH. “Authoritarian persistence, democratization theory and the Middle East: An overview and critique,” *Democratization*, Volume 13, 2006, pp. 373-395.

ty, a slowdown in growth and growing discord between capitalists and the government.

For three months, the Tebboune Administration ran up against the reality of the balance of powers. In order to obtain as broad a support as possible for his reform programme, the Prime Minister announced the desire for national dialogue. He likewise promised to tackle the collusion between political and economic powers. These positions garnered him a certain success among liberal circles and the support of certain independent unions. They also resulted in the constitution of a hostile camp that included the president of the Business Leaders Forum, Ali Haddad, the national secretary of the General Union of Algerian Workers, Abdelmadjid Sidi-Saïd, and the President's brother, Saïd Bouteflika. Together, these three figures of the collusion between political power and money succeeded in getting Tebboune removed by mid-August.

And this was how Ahmed Ouyahia began his fourth term as head of the Algerian government (after his 1995-1998, 2003-2006 and 2008-2012 terms). In his characteristic register, Ouyahia justified the reforms in the name of the double imperative of making society moral (the 'work ethic' must be regained) and combatting the chaos that is supposedly threatening the nation. In addition to the announced reform of the labour code, the new Prime Minister announced his intention to use Algeria's central bank to pay civil servants' salaries. Known as a go-to man for dirty work, Ouyahia has thus returned to deal with the budgetary emergency and take the helm until the 2019 presidential elections.

In this perspective, the manoeuvres extend to the political arena as well, in particular to the FLN, where the secretary-general, Ahmed Ould Abbas, has focussed in recent months on strengthening his authority. After having made various senior party members, including Bahaeddine Tliba, stand before a disciplinary committee accused of organizing dis-sidence, Mr. Ould Abbas announced in March 2018

that the FLN would be "cleaned up."<sup>6</sup> The old nationalist party is the only one to take up battle formation. As for partisan oppositions, debates are raging more than ever on the strategy to adopt with regard to the upcoming presidential elections. Divisions remain numerous, on the economic (socialists against liberals), cultural (Berberists, nationalists or Islamists) and strategic levels (participation or boycott). The Opposition Coordination and Follow-Up Body (ISCO) and the Coordination Committee for Liberties and Democratic Transition (CLTD) have for the moment failed to bring a semblance of unity. While some are demanding a single candidacy, namely members of the Jil Jadid liberal party, others, mainly in the Islamist camp, leave the possibility of negotiation with the regime open.

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Thus, 2017 has brought no answers regarding Algeria's future, and 2018 looks like it will be marked by the same uncertainty. This does not mean that no choices will be made, since a decision will have to be announced regarding the possibility of a fifth term. While waiting to know more about the form of the future political leadership, economic issues will remain at the heart of the debate, with increased pressure from foreign partners and local supporters of a neoliberal shift. In any case, it is certain that successful or aborted reforms will continue to fuel power struggles, and that the Algerians will take action to defend the rights they inherited from their anti-colonial revolution.

<sup>6</sup> L'Expression, 5 March 2018.