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The Rentier Economy Faces “the New Algeria”

Luis Martinez

Abstract

The government of Abdelmajid Tebboune, which took power in 2020, has vowed to renew the Algerian economy and diplomacy. This article argues that this quest will prove very difficult. Over the past two decades, Algeria has seen its diplomatic prowess, in terms of human and information resources, dwindle. While the obstacles are staggering, there is a strong need for fundamentally transforming a country, which since the 1980s has not been able to free itself from its dependence on its rentier economy.

Introduction

In 2020, Confronted with a triple shock—the collapse in crude oil prices per barrel, starting in 2014; the *Hirak* protest movement, and the Covid pandemic—Algeria is facing the risk of economic and financial bankruptcy with devastating political and social consequences for the political regime.³⁶⁸ As it is, around 90 percent of the country’s external revenue comes from the sale of hydrocarbons. To maintain spending and guarantee imports, its authorities have resorted to drawing on foreign exchange reserves, which have fallen from 180 billion USD in 2014 to 42 billion USD in 2021. In 2020,

³⁶⁸ This contribution is published under the [CC BY-NC-ND](#) creative commons license.

President Abdelmadjid Tebboune admitted to the “vulnerability” of the Algerian economy “due to our decade-long failure to diversify away from oil income.” He invoked “the imperative to put an end to bad practices during periods of financial ease, such as waste, laziness, and overconsumption.” In January 2020, at the meeting of the Council of Ministers, he called for the adoption of “a solid and diversified economic model (...) freed from bureaucratic obstacles, which generates wealth and absorbs unemployment.” Faced with falling wealth, the president announced that “the state will be on the side of the middle class and the most vulnerable in society, to offer them a dignified life and increase the purchasing power of all citizens with the abolition of the ‘low income tax’.” Like in the 1990s, the regime once again faces challenges to its stability. While in the short term the regime seems to have succeeded in neutralising the revolutionary potential of the *Hirak* movement and in managing the Covid pandemic, the risk of a collapsing Algerian economy and concomitant deleterious effects at the social level persists.

A Rentier Economy at the Service of Crony Networks

While rich in hydrocarbons, Algeria counts many unemployed young people, graduates or otherwise, who pay the price for the country's failed economic development.³⁶⁹ While poverty levels dropped considerably in 2020, high unemployment and a weak welfare state have resulted in an overall insecure situation for many. Between 1970 and 2000 Algeria saw a demographic explosion, with weak economic growth curbing the absorption of high numbers of newcomers into the labour market. The causes are known: poor governance, corruption, a sclerotic banking system, an economy dependent on the sale of hydrocarbons, lack of economic development strategies, and

³⁶⁹ According to the International Monetary Fund, in 2018, the Algerian population reached 42 million while its GDP in constant dollars represented 165 Billion USD. The unemployment rate was 12 percent (30 percent among young people and 20 percent among university graduates).

weakness of the private sector and the education system.³⁷⁰ The policy choices made in this era raise the question of the general interest, which is the source of much criticism levelled at the state. Among the grievances expressed since the 1980s are a lack of consideration in public policies for general interest. In fact, the state is accused of everything that goes wrong and absorbs the people's resentment and frustrations for actions that are always perceived as acts that are contrary to their interests or to their well-being. Far from pursuing the general interest, the state is accused of protecting and enriching the "clans" that control its functions and its resources. In the wake of independence in 1962, Algeria did prioritise democracy, given the challenges of underdevelopment, the building of a strong state, and the recovery of an identity purportedly lost due to a violent colonisation. Violent riots against the regime broke out in Algiers in October 1988. The violence became symbolic of the unease of a young population angry at a regime led by a single party, the FLN (*Front de Libération Nationale*) and frustrated by a controlled economy incapable of producing goods and basic services.³⁷¹ The army intervened to restore public order at the cost of hundreds of lives. Political reforms were implemented, and, in 1989, a multi-party system was installed. Algeria entered an uncertain political transition process that was halted by the army following the surprise victory of the Islamist party, the FIS (*Front Islamique du Salut*), during the 1991 legislative elections.³⁷² Between 1992 and 1999, Algeria erupted in a devastating civil war: its economy and finances collapsed, resulting in an overwhelming drop in wealth for the whole population. In 1994 the authorities reluctantly entered an International Monetary Fund (IMF) structural adjustment plan in exchange for financial assistance, which enabled the army to hold out and then defeat the Islamist armed groups.³⁷³

³⁷⁰ Goumeziane, Smail, *Le mal algérien : économie politique d'une transition inachevée, 1962-1994*, Paris, Fayard, 1994.

³⁷¹ El-Kenz, Ali, (ed.), *L'Algérie et la modernité*, Dakar, Codesria, 1989.

³⁷² Ait Aoudia, Myriam, *L'expérience démocratique en Algérie (1988-1992)*. Paris, Presses de Sciences Po, 2015.

³⁷³ Martinez, Luis, *The Algerian Civil War, 1990-1998*, London, Hurst & co, Paris, Karthala, 2000.

At the end of the 1990s, Algeria was a sad spectacle of a crumbling political arena, a civil society fractured by violence, and an economy in tatters. It was not until 2002, thanks to a rise in oil prices, that Algeria regained financial leeway, skilfully exploited by A. Bouteflika. Against the backdrop of economic growth and replenished state coffers (GDP per capita increased from 1.600 USD per year/capita in 1999 to 4.593 USD in 2010, not to mention a massive reduction in unemployment rates, from 30 percent to 10 percent). Oil income helped create a middle class that enjoyed rising living standards until 2014. With the collapse of crude oil prices, this middle class started to mobilise, worried about impoverishment, and denouncing, through the *Hirak* movement, a corrupt state that enriches the richest.

The stability of the political regime under A. Bouteflika (1999-2019) was essentially based on two pillars: the redistribution of abundant oil income, and the loyalty of interest groups. Between 2003 and 2013, when the price of oil was high (100 USD per barrel on average), the government spent half the oil income on social transfers (770 billion dinars) or about 13 percent of GDP, to correct the deleterious effects of the preceding oil 'counter-shock' (1986-2001).³⁷⁴ The financial abundance (2003-2013) allowed for the restructuring of networks essential to the stability of the regime. The political apparatus created by Abdelaziz Bouteflika, on which the interest groups relied, was considerable: political parties such as the FLN and RND (*Rassemblement National Démocratique*), the UGTA (*Union Générale des Travailleurs Algériens*),³⁷⁵ and the veterans' lobby, along with the *Association des moudjahidin* [veterans association], obtained a near tripling of transfers from 900 million USD in 2000 to 2.3 billion USD in 2013. The Business Leaders Forum offered powerful support for the president. The reasons for this are simple: 97 percent of economic entities (businesses and shops) have fewer

³⁷⁴ Algeria's external debt in 1998 amounted to \$30.47 billion, representing 63.2 percent of GDP. In 2008, after early repayment, it amounted to 4 billion USD and represented only 2,39 percent of GDP. See *Economist Intelligence Unit*, "Algeria Country Forecast," 1 July 2008.

³⁷⁵ The Algerian state is the largest employer with two million employees, and public spending is estimated at 500 billion USD.

than 9 employees. They are mainly family structures, which, in 76.6 percent of cases, were created under the Bouteflika presidency, and which, for the most part, benefited from state aid, either through the ANDI (*Agence nationale de développement et d'investissement*), or through that of the ANSEJ (*Agence nationale de soutien à l'emploi des jeunes*). As for the managers of companies with more than 250 employees, their dependence on public authorities was even greater because of the non-transparency of public procurement. In addition to the regime's engagement in the political, administrative, labour, and societal spheres, the army, police and security services play an essential role. Military spending rose from 2.7 billion USD in 2000 to 11 billion USD in 2012. Between 2006-2010, Algeria became the eighth largest purchaser of arms in the world.

The vertiginous drop in income from hydrocarbons sale following the collapse in oil price (112 USD per barrel in June 2014 to 31 USD in January 2016) raised anxiety in a country already very concerned about the health of President Bouteflika and therefore of his succession: Was the country heading towards financial bankruptcy as in 1994? Was its stability threatened by violent social riots like in Venezuela? In March 2014, the Algerian authorities believed they had overcome the main danger: the Arab revolts. Former Prime minister Abdelmalek Sellal affirmed, on 15 March 2014, that: "The Arab Spring is a mosquito that we will eliminate with Fly Tox." In order to contain the revolts, the government spent lavishly: almost all social demands were met: increased salaries for civil servants and pensions. At that time, no one imagined the political and social fallout of collapsing oil prices. How to maintain the stability of the regime and national cohesion? Weakened since a debilitating stroke in 2013, Abdelaziz Bouteflika defied all medical prognoses by staying alive. His survival forced Algeria to maintain an absurd political system, where everyone awaited the death of the President to finally conceive of and come up with changes. His election to a fourth five-year term in 2014 already elicited much criticism as the head of state seemed unable to perform his duties. The trauma of the civil war still

haunted Algerian families who did not wish to engage in political protest for fear of returning to the violence that they had known in the past. The Algerian authorities skilfully exploited this fear and the examples of war in Libya and Syria.

But the announcement on 10 February, 2019 of A. Bouteflika's candidacy for a fifth term provoked widespread peaceful popular protests, on an unprecedented scale, causing the president to relinquish his candidacy. Yet in January 2019, representatives of the president's networks such as Abdelmadjid Sidi Said, the UGTA head, declared "in the name of the workers and the retirees (that) A. Bouteflika is our candidate." At the end of the month, Ali Haddad's FCE (Forum des Chefs d'Entreprises - Forum of Business Leaders), the parties of the presidential alliance, FLN, TAJ (*Tajammu' Aml Al-Jaza'ir*), the RND and the MPA (*Mouvement Populaire Algérien*), the *Association des Moudjahidin* and the army chief of staff, Gaïd Salah, welcomed the candidacy of the president. Only the opposition parties, the RCD (*Rassemblement pour la Culture et la Démocratie*) and the FFS (*Front des Forces Socialistes*), announced a "massive, active and peaceful" boycott. On the other hand, the leader of the moderate Islamist party, the MSP (*Mouvement de la Société pour la Paix*), Abderrazzak Makri, announced his candidacy for the presidential election while specifying, in February, that the candidacy of A. Bouteflika "is not in his own interest, but in that of those who profit from this situation. They will take full responsibility for what will follow and the dangers that threaten the country." There is no denying the radical change that occurred in 2019: Algerian society unreservedly and collectively expressed its sense of humiliation, shame and anger at the attempt to impose again, for a fifth term, a seriously ill president who had been out of the public eye since 2013. Forced to give up his candidacy, the president still announced major political reforms with the aim of "renewing the state" and establishing a new Republic. An inclusive national conference was to be held, with "all the prerogatives of a Constituent Assembly", chaired by Lakhdar Brahimi, for leading to a new constitution subject to a

referendum. To lead this transition, Nouredine Bedoui was appointed Prime minister and Ramtane Lamamra, Deputy Prime minister, promising a “broad dialogue with youth and opposition political forces.” But it was too late. Hundreds of thousands of demonstrators were calling for fundamental changes to the political system. After twenty years, Algeria awakened, stripping away the veneer of a deceptive calm.

With the emergence of the *Hirak* movement, the fragile balance put in place by Bouteflika over the years collapsed, dismantling its networks and imprisoning hundreds of politicians, officials, and directors of state-owned companies for corruption and embezzlement of public funds.³⁷⁶ In response to collapsing oil prices, the Algerian government put in place measures to curb spending and reduce deficit. The two-point increase in VAT (from 7 percent to 9 percent and from 17 percent to 19 percent depending on the product) is one example.³⁷⁷ Faced with a steep trade deficit (45 billion USD in 2017), the government had taken certain measures, including the symbolic ban on importing some 900 products. Other structural reforms were announced, like raising the age of retirement beyond 60. But faced with the scale of the mobilisation and the fear of a social uprising, the government backtracked.

Rigid and overly dependent on hydrocarbons, the Algerian economy has once again become truly dependent on volatile oil prices. Under A. Bouteflika, no structural reforms were implemented to diversify the country’s rentier economy.³⁷⁸ Despite its retrograde effect on investment, he maintained the cap on foreign direct investment that required Algerian companies to hold majority controlling ownership. The non-hydrocarbon economy struggled to attract investors, entrenching Algeria’s dependence

³⁷⁶ According to economist Abdelrahmi Bessaha, capital flight between 2000 and 2019 is estimated at 160 billion USD (“40 percent under-invoicing of exports, 50 percent overbilling of imports, and 10 percent transfers”). See <https://www.algerieinfos.com>

³⁷⁷ Algeria, IMF report, 01 June 2017.

³⁷⁸ “Economic advantages and disadvantages”, La Documentation Française, *Questions Internationales*, n° 81, 2016.

on hydrocarbons (90 percent of export revenue; 60 percent of the state budget). But what worried Algeria most was the discovery and exploitation of mega-gas fields in the eastern Mediterranean (Egypt, Cyprus, Lebanon, and Israel). As the EU's third largest gas supplier, Algeria, already worried by the liberalisation of the gas market, fears becoming the EU's adjustment variable.³⁷⁹ In February 2017, a report published by the American Enterprise Institute, an American think tank, rightly points out that "Algeria is today in a situation very similar to that of Libya, Tunisia, and Egypt in 2010. With high youth unemployment, a corrupt banking system, unsustainable social protection programmes and an ossified ruling class presided over by a struggling dictator, Algeria is ripe for collapse."³⁸⁰ The story of an Algeria that is rich in hydrocarbons under A. Bouteflika has disappeared under that of an Algeria on the verge of collapse. Many observers fear and expect the country to implode.³⁸¹ The violent repression, on 3 January 2018, of a gathering of more than 15,000 health workers in Oran³⁸² was seen as a sign of panic from the government in the face of growing social discontent. The emergence of the *Hirak* movement in February 2019, Algeria's victory in the African Cup, and the subsequent Covid pandemic, removed the spectre of a violent social explosion comparable to that of 1988. Considering these threats, "L'Algérie nouvelle" [The new Algeria] by A. Tebboune announced structural reforms and a new mode of governance.

³⁷⁹ "The Europeans want a free market: to buy gas when they run into trouble with regard to Russian supplies. But when the situation is more favourable, they no longer want our gas," decries Abdelmoumen Ould Kaddour, CEO of Sonatrach. *Maghreb Emergent*, 1 February 2018.

³⁸⁰ "Algeria's choice: Reform or collapse", 16 February 2017, available at, www.aei.org/publication/algerias-choice-reform-or-collapse

³⁸¹ "When Bouteflika goes, Algeria will probably implode. The Islamists who have been kept at bay by his iron fist will exploit the vacuum. Tensions buried since the civil war will re-emerge. And then Europe could be overwhelmed by another great wave of refugees from North Africa," announced *The Spectator*. "How Algeria could destroy the EU", 3 December 2016. Available at <https://www.spectator.co.uk/2016/12/how-algeria-could-destroy-the-eu/>

³⁸² Benchiba, Lakhdar, "Algérie, une capitale interdite de manifestation", *Orient XXI*, 15 January 2018. Available at <https://orientxxi.info/magazine/algerie-une-capitale-interdite-de-manifestation.2216>

A New Economic Governance?

In the long run, diversifying the economy, reducing the share of hydrocarbons in GDP, and developing Algeria's attractiveness to investors are essential. Such reforms take time and the trust of society. But today the government has neither. The government needs to urgently reorganise the political sphere (reform of the Constitution, organisation of early legislative elections, territorial reforms, and municipal elections), and implement its action plan to address collapsing oil prices and the ongoing pandemic. The government has drawn on the country's foreign exchange funds to make do but reserves are running low and there will not be much left to support spending in 2021 and 2022 as the budget deficit grows. To be sure, an effort is being made to increase ordinary tax revenue (broadening of the tax base and improved collection), but this is clearly insufficient in view of an "ocean of needs." Since 2018, the authorities have been striving to reduce operating and equipment expenditure (-20 percent) and limit imports. However, the authorities cannot afford to go too far. According to some economists, the public sector represents 45 percent of added value creation. More than 400 public entities (state companies) are supported directly, which makes it difficult to end these public subsidies. These cyclical measures are insufficient and the likelihood of the government negotiating new loans, acquiring new debt to compensate for the depletion of foreign exchange reserves, seems increasingly likely.³⁸³ Until now, President Tebboune has ruled out contracting loans from the IMF: "We prefer to borrow, he says, from our citizens... Debt undermines national sovereignty," without explaining how citizens could be brought to lending to the state. Politically, the government is forced to maintain public spending at all costs so as not to plunge Algeria into a social crisis with consequences and effects feared more than the democratic demands of the *Hirak* movement.

³⁸³ Algeria's external debt is very low, at 2 percent of GDP, internal debt is estimated at 45 percent of GDP.

The budget adopted for 2020 was 64 billion USD while estimated revenue amounted to 51 billion USD. The government announced the expected reduction of imports from 41 billion USD to 31 billion USD in 2020; the end of consultancy contracts (7 billion USD) with foreign offices, and the reduction of operating costs for the Sonatrach group from 14 to 7 billion USD. To defuse the “revolutionary” potential of the movement, the authorities are now turning the “moralisation of political life” and the transformation of the state into focal points of government action. Like the government of reformers after the tumultuous riots of October 1988,³⁸⁴ the authorities concluded that the anger on the street originated in the “excesses” of the state, which should be corrected, while the army hoped that it would not be forced to intervene again to correct the “inability” of civilians to transform the state while preserving its interests.³⁸⁵

Moralising Public Life?

In March 2020, the government presented an action plan to the ANP (*Assemblée Populaire Nationale*). The document states that the foreign service will “benefit an overall policy of national renewal and the building of a new republic.” At the economic level, Algeria’s foreign policy will be oriented towards a “win-win” approach with foreign partners. On the brink of financial collapse due to the fall in oil prices, the Algeria of President Abdelmadjid Tebboune deems it “imperative to put an end to the bad practices adopted during the period of financial affluence, such as waste and a spirit of laziness and overconsumption.”³⁸⁶ The Government’s Action Plan is a political response to the demands of the *Hirak* movement, incorporating the observation of the necessary “moralisation of public life” as a prerequisite for financial reforms and economic renewal. The feeling that corruption and

³⁸⁴ Hidouci, Ghazi, *Algérie : La Libération inachevée*, Paris, La Découverte, 1995.

³⁸⁵ In 2020, the army’s budget was 10 billion, representing 25 percent of the overall budget.

³⁸⁶ AFP, 11 April 2020.

incompetence reign in Algeria is an old grievance denounced by all political parties since the 1980s. Are President Tebboune and the army ready to open the Algerian economy today?

The “Government Action Plan” is instructive because it starts from a necessary “moralisation of public life” as a prerequisite for financial reforms and economic renewal. The feeling that public life is tainted by corruption and incompetence is an old grievance denounced by all political affiliations since the 1980s.³⁸⁷ In the early 1990s, the reformers attempted to break “the system”. Taking advantage of the financial bankruptcy following the collapse of oil prices, they promoted a structural reform of the Algerian economy. Two schools have since debated reforms. For some, the crisis is cyclical; one needs only to wait for oil prices to rise again. For others, the crisis is structural, revealing economic fault lines that can only be mended by an in-depth transformation of the rentier economy. But it seems difficult to change the hydrocarbon sector, as it continues to inspire. During the 1970s, with the increase in revenue from the sale of hydrocarbons, it enabled external revenue to rise from 0.2 billion USD in 1970 to 12.5 billion USD in 1980. However, with annual revenue maintained at around 5 billion USD between 1986 and 1990, the state can no longer support current expenditure without resorting to incurring massive debt. Between 1985 and 1988, the country’s overall debt doubled to 26 billion USD. Debt payments led Algeria to the brink of bankruptcy in the early 1990s; with debt servicing absorbing most of the hydrocarbon revenue. In 1989, a government of reformers finally set itself the objective of “bringing about irreversible institutional and economic changes,” with discrete support from the IMF. There was a great deal of resistance to the project from beneficiaries of the state’s benevolence, as well as from those who, during the crisis, were accused of benefitting through corruption and embezzlement.

³⁸⁷ Hadjadj, Djillali, *Corruption et démocratie en Algérie*, Paris, La Dispute, 2001.

Under the presidency of Abdelaziz Bouteflika, a new coalition came to power, heavily influenced by “energy-focused” pro-Western elites and modelling its actions on the rentier economies of the Gulf. It was no longer a question of reforming the economy but of increasing the performance of the energy sector. While Bouteflika's Algeria did not aspire to become Malaysia, it clearly showed a desire to link up with other emerging countries. Thus, the third oil shock helped the liberal coalition succeed in marginalising the “Arab socialists”, representatives of the “military-industrial complex” influenced by the Soviet economic model and benefiting from the support of military institutions. For this “energy-minded” group, oil nationalism is no more, never again to be thought of as an ideological weapon. For these new elites, the convergence of interests (energy market) and concerns (war against terrorism) after 11 September 2001, constituted a historic opportunity. The liberal coalition felt capable of transforming Algeria into a market economy in order to join, albeit belatedly, the category of emerging countries like Morocco, Tunisia, Egypt and especially the rich monarchies of the Gulf. The hydrocarbon sector, the pride of 1970s nationalists, no longer seemed to be the key to development. President Bouteflika declared to the James Baker Foundation:

“We resolutely opt for the lifting of monopolies and the establishment of market rules which guarantee fairness and transparency for all national and foreign operators.”³⁸⁸

But when the Khélil bill on the “privatisation” of state-owned oil and gas company Sonatrach was debated, it elicited emotional protests from an older generation who saw things differently: “Hydrocarbons constitute the heart and blood of the economy. The privatisation of the hydrocarbon sector is tantamount to putting in other hands the circulation of the blood in one's

³⁸⁸ Quoted by Rebah, A, in *Sonatrach, une entreprise pas comme les autres*, Alger, Casbah, 2007, p. 227.

own heart.”³⁸⁹ In fact, Sonatrach had established itself as the largest and most lucrative oil company on the African continent in 2008. In May of the same year, the Minister of Energy, Chakib Khalil, announced that the company would invest 45 billion USD in the coming years to produce 2 million barrels/day and 85 million cubic meters of gas. In 2020, Sonatrach was producing one million barrels/day.

Presidential speeches have regularly been contradicted by the facts. Contrary to announcements, the country started imposing a right of scrutiny on foreign companies' assets and disposals tightening legislation on conditions for foreign investment and capital transfers. A foreign group could not hold more than 49 percent of the capital of any project. It was thus obliged to team up with national investors. Bouteflika's Algeria failed to open its economy, generalising, instead, a system of corruption. Under Bouteflika, Parliament remained an empty shell, while the Court of Auditors was paralysed. Only the General Inspectorate of Finance seemed encouraged to act. This meant that the use of oil revenue always escaped rigorous and transparent control, to the great despair of the people. Faced with increasing corruption cases in the hydrocarbon sector, Chakib Khelil, Minister of Energy and Mines since 1999, was forced to resign on 28 May. He was replaced with Youcef Yousfi. After public works and hydrocarbons, it was the turn of the port of Algiers to make headlines with the arrest of the main leaders of EPAL (*Entreprise Portuaire d'Alger*). In a period of uncertainty, in particular due to the president's illness since 2013, the omnipresence of his brother Said, the appointment of Yazid Zerhouni, Minister of the Interior and close to the President, as First Deputy Prime Minister, fuelled speculation about the end of the Bouteflika era. Since 1999, with the exception of debt repayments, Algeria has not been able to make itself less dependent on energy exports. Rightly concerned about national reconciliation, the President implemented

³⁸⁹ Benachenhou, M, “Dix arguments contre la privatisation de la Sonatrach”, *Le Jeune Indépendant*, 3 November 2001, and A. Belaid, *Le Jeune Indépendant*, 24 February 2000, quoted by A. Rebah in *Sonatrach, une entreprise pas comme les autres*, op. cit., p. 227.

a policy of amnesia, which worked. The tragedy of the civil war is imprinted in the collective memory, with a tacit agreement not to bring it back. The fear facing the shared responsibility for the violence and destruction paralysed yesterday's protagonists. It is a wound that was closed without having been disinfected. The president's desire to make history the "saviour" of Algeria after the civil war (1992-1999) hid his inability to build legitimate political institutions during this period. The revival of cronyism functioned briefly thanks to oil revenue. But problems remain, among which dependence on oil, weak institutions, unemployment, corruption—all ingredients that undermine future stability.

Algeria's main European trade partners decry a retrograde business climate and hope for far-reaching economic reforms capable of enabling this country of 40 million inhabitants to become attractive to investors. Algeria's main supplier is China, which maintains first place with 4.869 billion USD (nearly 18.7 percent of Algerian imports), up 18.37 percent, followed by France with 2.513 billion USD (9.65 percent), Spain with 1.938 billion USD (7.44 percent), Germany with 1.933 billion USD (7.42 percent) and Italy with 1.867 billion USD (7.17 percent). Each oil crisis (1986-1990, then 2000-2003) raises the question of necessary reforms for Algeria's rentier economy. Each time the price of a barrel of oil starts to rise again, the authorities favour redistribution over investment and diversification. However, ideas are not lacking. The Nabni centre of the *Hirak* movement has produced numerous ideas,³⁹⁰ many of which have been adopted by the government's action plan; a catalogue of projects in education, a "tourism and film industry", a "modern agriculture and fishing" model, to name but a few examples.³⁹¹ But

³⁹⁰ Notre Algérie Bâtie sur de Nouvelles Idées (Our Algeria Built on New Ideas, see www.nabni.org. "Titanic Syndrome: the urgency to start the diversification of the economy... The urgency of diversification is dictated by the prospect of the end of hydrocarbon exports".

³⁹¹ In his orientations to members of the Government, the Head of state insisted on "the imperative of a profound reform of our tax system with all that ensues in terms of the regulation of tax incentives for the benefit of companies, in particular of startups and SMEs, by ensuring tax relief for companies that generate jobs". The President of the Republic insisted, in his orientations to the Government, on the importance of establishing a link between universities and the professional world of work so that they can be "the locomotive for building a solid national economy, whether in

Algeria remains 20 years behind Morocco in these sectors. Do Algerian authorities really want to reform Algeria? Is the economic level, Algeria's foreign policy wants to orient itself towards a "win-win" approach with foreign partners? Moreover, the document underlines a diplomatic initiative aimed at "using our diplomatic and consular network for the construction of a strong and diversified national economy, generating inclusive growth and creating jobs and added value." On the brink of financial collapse with falling oil prices, Tebboune's Algeria aims to harness Algerian diplomacy to "take full advantage of the economic spaces it takes part in, particularly the African continental free trade area and the large Arab free trade area." For the first time, the authorities wish to promote Algeria as a tourist destination: in this sector as well, Algeria lags thirty years behind its Tunisian and Moroccan neighbours.

An Economically-Oriented Foreign Policy?

In March 2020, the government presented an action plan to the People's National Assembly.³⁹² The document stated that the diplomacy of the "new Algeria" will be "at the service of a global policy of national renewal and the building of a new Republic". The Algeria of president Tebboune pays particular attention to Africa and its regional neighbourhood, the Maghreb, and the Sahel. Criticised for its lack of interest in regional institutions, the document nonetheless underlines that Algeria will "have to invest fully and as a priority in the promotion of the dynamics of cooperation, association and integration in all the groups to which Algeria belongs—which are the Maghreb, the Sahel, Africa, the Arab world, the Islamic community, and the Mediterranean area." In a fundamental shift, Algeria intends, like Sisi's Egypt,

the traditional economy or in the knowledge economy, and this through the creation of university centres of excellence." Algérie Presse Service, January 2020.

³⁹² 6 February 2020, *Government Action Plan for the implementation of the programme of the President of the Republic*. A 60-page document in French.

to deploy its foreign policy in the region first. After the Arab revolts of 2010, the rhetoric of Algerian authorities has focused on threats and plots against the territorial integrity of Algeria. Seen from Algiers, the overthrow of the Qaddafi regime was a worst-case scenario: jihadist groups spread throughout the region, with the Sahel becoming the theatre of a French-led war. Under Bouteflika, the authorities became convinced that a plot was underway against Algeria; one that France was somehow involved in. Instead of taking advantage of the “vacuum” in the Sahel caused by the end of Qadhafi’s regime, the Algerian authorities focused their attention on the internal situation. A media offensive associated the protesters of the “Arab Spring” with agents aiming to destabilise the region. Algeria’s major challenge since independence has been safeguarding its territorial integrity. Territorial fragmentation across the Arab world puts this concern in a new light: from Libya to Iraq, Syria and South Sudan, separatist threats are a political reality. The document recalls that Algeria's doctrine has not changed: “respect for the sovereignty, independence and integrity of states, non-interference in the internal affairs of states, respect for the rules of good neighbourliness, the peaceful settlement of disputes and support for just causes”. In short, Algeria will not intervene militarily in the Sahel alongside France. Concretely, France’s then Minister of Foreign Affairs, Jean-Yves Le Drian, made two trips to Algeria to revive France’s hopes and expectations for a more open Algeria economically speaking (reform of investment laws) and more committed at the regional level as underlined by his remarks to the press: “President Tebboune has expressed an ambition for Algeria; in-depth reforms to strengthen governance, the rule of law and freedoms; and also to revive and diversify the economy in accordance with the aspirations that Algerians have expressed for over a year.”³⁹³ The participation of Abdelmadjid Tebboune in the Berlin Conference on Libya and the 33rd Summit of the African Union illustrates the desire for a diplomatic renewal. On 23 January, at Algeria’s initiative, a meeting in Algiers brought together

³⁹³ See Algerie Med Info: <https://algerie-medinfo.dz/>

foreign ministers and diplomats from countries neighbouring Libya (Tunisia, Egypt, Chad, Niger and Sudan) with the aim of reinitiating a political solution. Unfortunately, the initiative failed.

Does the president Abdelmadjid Tebboune bring policy changes at the regional and international levels? Contested by the *Hirak* movement, the Algeria of Tebboune nevertheless aspires to assume its role of “regional power” and “balancing power”.³⁹⁴ The political weakness of the new president affords him little space at the internal political level. Conversely, the new president and the army have calculated that Algeria’s engagement on the regional and international scenes can help minimise internal criticism from civil society. However, it should be remembered that the accession of Abdelaziz Bouteflika to the presidency in 1999 also raised hopes for the revival of Algeria’s foreign policy after a decade of civil war (1991-1999). Under Abdelaziz Bouteflika, former Minister of Foreign Affairs under president Houari Boumediene (1965-1979), Algeria turned in on itself, aware of its internal weaknesses. During his twenty-year-long presidency (1999-2019), except for cooperation in the international struggle against terrorism, no major foreign policy doctrine was developed. Algeria reluctantly ratified the partnership agreement with the European Union in 2002, expressing little interest in the EU.³⁹⁵ Algeria has not engaged in any initiative under the umbrella of UMA (*Union du Maghreb Arabe*) for the implementation of regional integration. Unlike Morocco, Algeria has invested very little in Africa, except for the fight against terrorism (Caert, Afripol, Cissa, Cemoc), and the 2015 Algiers agreements on the crisis in Mali, which the Algerian authorities has never followed up with implementation, to the dismay of the French authorities frustrated with the French army's stalemate in its war in the

³⁹⁴ <https://www.aps.dz>, 10 February 2020.

³⁹⁵ According to the president of the National Association of Algerian Exporters, Ali Bey Nasri, Algeria imported 283 billion USD (240 billion EUR) of goods from the EU between 2005 and 2017. However, for the same period, exports amounted to only 12 billion USD, mainly petroleum derivatives. Kamel Rezig, Minister of Commerce, deplored that “the trade agreements signed by Algeria maintained, for years, the national economy in a state of dependence and continuous consumption of everything that is imported,” *AFP*, 10 August 2020.

Sahel. Relations with Morocco have deteriorated. Finally, on the Libyan conflict, Algeria has remained focused on the principle of an intra-Libyan political solution, steadfast in its refusal of foreign interference without the ability to enforce it. In fact, Algeria has maintained good relations with Putin's Russia, becoming the third-largest buyer of Russian arms. After years of absence, Algeria aims to play its role of "balancing power" in its immediate neighbourhood, in Libya and Mali. Beyond this close neighbourhood, Algeria intends to consolidate its relations with China and Turkey³⁹⁶ at the economic level, and with Russia at the military level. Contradictory European and American policies in Libya, Syria and Iraq have sown serious doubts among the Algerian authorities regarding the reliability and loyalty of the Western powers. Weakened by the *Hirak* movement, the regime is aware that it must develop a foreign policy capable of preventing any international support for the demands of the *Hirak*.

Conclusion and Perspectives

The planned economic and diplomatic renewal in Algeria will be very difficult to implement. Staring at an economic and financial crisis, Algeria has few means at its disposal; over the past two decades, Algeria has seen its diplomatic prowess, in terms of human and information resources, dwindle. The fact remains that this difficult situation constitutes a welcome opportunity to fundamentally transform a country, which since the 1980s has not been able to free itself from its dependence on its rentier economy. In the short term however, authorities are hoping for a rise in oil prices to escape looming financial bankruptcy. But such a short breath of air would be illusory: while hydrocarbon income made it possible after independence to fuel economic nationalism during the Boumediene regime (1965-1979),

³⁹⁶ Algeria and Turkey are discussing a free trade agreement. 1200 Turkish companies are in Algeria. Algeria is Turkey's second largest trading partner in Africa.

Algeria has struggled thereafter to transform its burdensome and costly heritage.³⁹⁷ In a founding document, the website of think tank Nabni imagines the desired Algeria as follows: “The Algeria we dream of, the one we want to build, will be a more prosperous, more just, more egalitarian country, in which each Algerian will be able to become a true citizen, participate in the development of his country, live in security, and find his place in a harmonious society open to the world; receive a quality education, find a job that allows her or him to build their life, found a family, educate their children, access quality public services, access quality healthcare at an affordable cost, live in a state of law, and to be listened to by institutions and protected from their arbitrariness.” It will take much time and patience before the “new Algeria” of A. Tebboune matches the *Hirak* movement’s “dream Algeria”.

³⁹⁷ Martinez, Luis, *The Violence of the Petro-Dollar Regime. Algeria, Iraq and Libya*, London, Hurst publishers, 2013.