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# Algeria: Current Issues

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## Summary

U.S.-Algerian ties have grown over the past decade as the United States has come to view Algeria as a key partner in countering Al Qaeda-linked groups in North and West Africa. Algeria is also a significant source of petroleum for the United States and of natural gas for Europe, and its energy sector is a destination for U.S. investment. Congress appropriates and oversees small amounts of foreign aid and reviews notifications of arms sales. Algerian security forces also benefit from U.S. cooperation programs. Obama Administration officials have stated a desire to deepen and broaden bilateral ties, including in the aftermath of a four-day terrorist hostage seizure at a natural gas compound in southeastern Algeria in January 2013, in which three Americans were killed. The attack highlighted the challenges the United States faces in advancing and protecting its interests in an increasingly volatile region.

The terrorist group that seized the hostages is a breakaway faction of Al Qaeda in the Islamic Maghreb (AQIM), a regional network and U.S.-designated Foreign Terrorist Organization with roots in Algeria's 1990s civil conflict. Given Algeria's large military and available financial resources, U.S. officials have expressed support for Algerian efforts to marshal a regional response to terrorist threats. Yet Algeria's relations with neighboring states are complex and sometimes distrustful, at times hindering cooperation. Meanwhile, any U.S. unilateral action in response to regional security threats could present significant risks and opportunity costs.

Algeria's political system is dominated by a strong presidency and security apparatus. Elections are regularly held, but political dynamics appear to be dominated by opaque politico-military elite networks that Algerians refer to as *Le Pouvoir* (the powers-that-be). The political system has remained stable amid regional upheaval since 2011. Yet Algerians face future uncertainty as President Abdelaziz Bouteflika's third term in office draws to a close in 2014, and as key military and intelligence commanders age. President Bouteflika's ill health prompted him to seek treatment abroad for nearly three months in mid-2013. He has since sought to reassert his authority, and appears likely to seek a fourth term in office.

Algeria's macroeconomic position is strong due to high global oil and gas prices, which have allowed it to amass large foreign reserves. Yet wealth has not necessarily trickled down, and the pressures of unemployment, high food prices, and housing shortages weigh on many families. Public unrest over political and economic grievances has at times been evident, though other factors may have dampened enthusiasm for dramatic political change.

Algeria's foreign policy has often conflicted with that of the United States. Strains in ties with neighboring Morocco continue, due to the unresolved status of the Western Sahara and a rivalry for regional influence. The legacy of Algeria's anti-colonial struggle contributes to Algerian leaders' desire to prevent direct foreign intervention, their residual skepticism of French and NATO intentions, and their positions on regional affairs, including a non-interventionist stance toward the uprising in Syria and an ambivalent approach to external military intervention in neighboring Mali. See also CRS Report RS20962, *Western Sahara*.

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## Introduction

Given its size, energy resources, experience in counterterrorism, and large military, Algeria has drawn increasing attention from U.S. officials seeking a regional partner to respond to security challenges in North and West Africa. The Obama Administration has tried to balance a bilateral relationship that is highly focused on counterterrorism cooperation and Algeria's oil and gas sector with measured encouragement of greater political and economic openness. This balance has taken on added significance in this period of ongoing unrest and political transitions in neighboring states, during which Algeria's political structure has remained largely unchanged. Yet the U.S. government may lack well-developed levers of bilateral influence due to the limited nature of U.S. bilateral aid, Algeria's ties to non-Western strategic players such as Russia, and the country's famous resistance to outside pressure. Algeria's claims to regional leadership are also complicated by its leaders' preoccupation with domestic politics, the opacity of its decision-making apparatus, and regional tensions and rivalries.

In October 2012, the United States and Algeria launched a "Bilateral Strategic Dialogue" focusing on four areas of cooperation: Counterterrorism and Regional Security, Political Issues, Economic Issues and Trade, and Education and Civil Society.<sup>1</sup> The concrete outcomes of the dialogue remain to be seen.

U.S. concerns with regional security have heightened as Al Qaeda in the Islamic Maghreb (AQIM)<sup>2</sup>—an Algerian-led regional network—and other violent Islamist extremist groups have exploited regional political instability to expand their activities and influence in North and West Africa. Over the past decade, the United States has attempted to work through regional partners to counter terrorism, with mixed results. This approach has been rendered more challenging by political instability and rising insecurity in places like Tunisia, Libya, and Egypt. U.S. officials have simultaneously debated the degree to which the United States can or should intervene directly against terrorist actors in the region.<sup>3</sup>

Obama Administration officials have indicated in public statements that AQIM does not pose an imminent threat to the United States outside of North and West Africa, but that they remain concerned about its capacity to strike at U.S. and other Western interests in the region, and about its role in arms trafficking and ties to other extremist groups.<sup>4</sup> French military operations in northern Mali since January 2013 appear to have disrupted logistical networks used by AQIM and affiliated groups, but they have not been eradicated. Some leaders appear to have relocated in search of safe-havens and targets, with others reportedly moving further underground.

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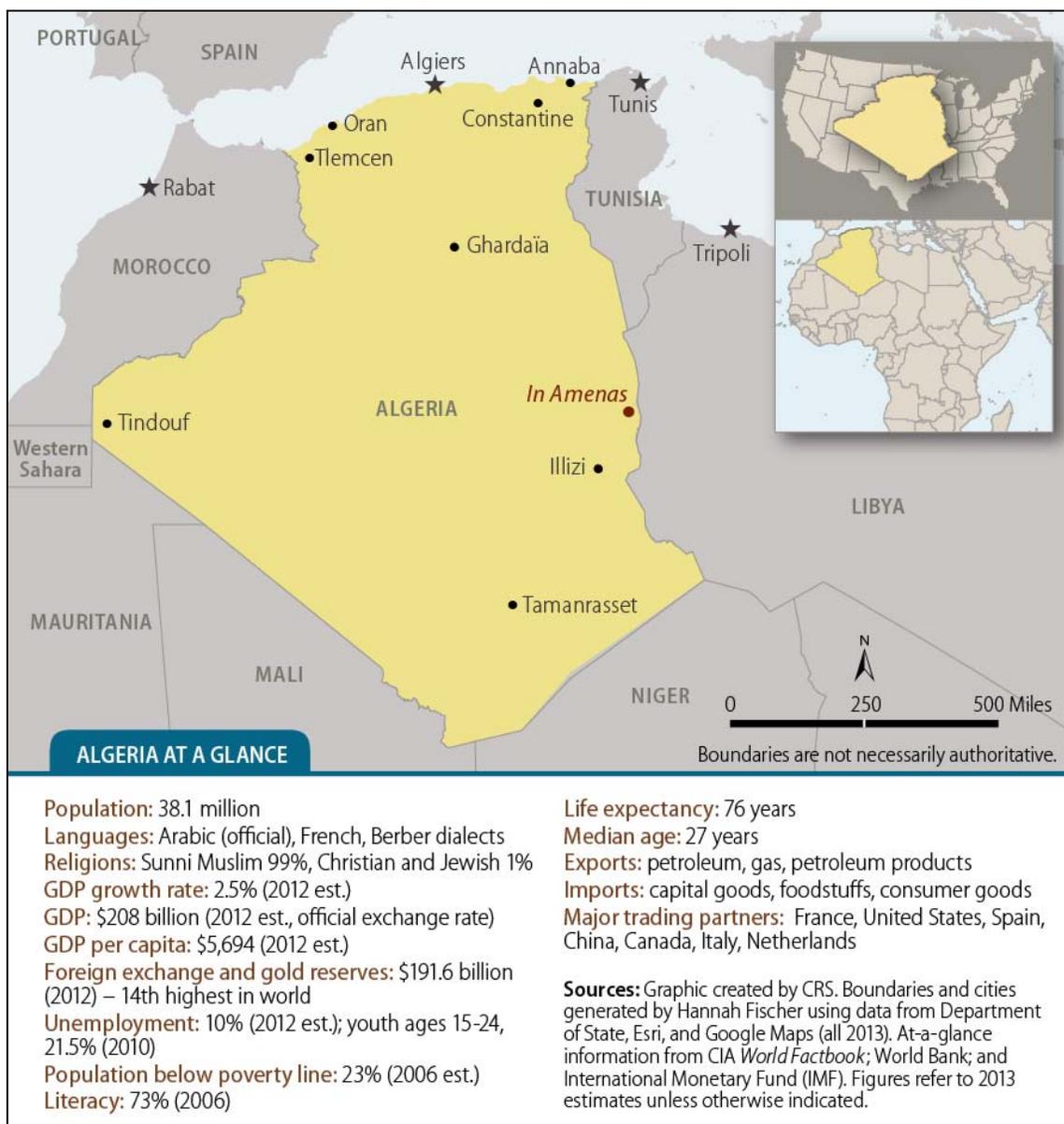
<sup>1</sup> State Department, "Summary of Agreements of the First Session of the United States-Algeria Strategic Dialogue."

<sup>2</sup> The term *Maghreb* has historically referred to the western edge of Islamic civilization. It centers around Morocco, Algeria, Tunisia, Libya, and Mauritania.

<sup>3</sup> See, among others, *The Wall Street Journal*, "Algeria Attack Shows the Reach of Militants," January 22, 2013; and *New York Times*, "U.S. Raids in Libya and Somalia Strike Terror Targets," October 5, 2013.

<sup>4</sup> See for example *The New York Times*, "Clinton Cites Clear Link Between Al Qaeda and Attack in Libya," September 26, 2012; R. Clapper (Director of National Intelligence), Select Committee on Intelligence, U.S. Senate, "Worldwide Threat Assessment of the U.S. Intelligence Community," hearing, March 12, 2013; General David Rodriguez (U.S. Army), Committee on Armed Services, U.S. Senate, "Nomination Hearing for Gen. Lloyd Austin and Gen. David Rodriguez," hearing, February 14, 2013. On AQIM links with the Nigerian FTO Boko Haram, see CRS Report RL33964, *Nigeria: Current Issues and U.S. Policy*, by Lauren Ploch Blanchard.

Figure I. Map of Algeria



**Source:** CRS

## Politics

Algeria's political system is dominated by a strong presidency and security apparatus. The military views itself as the heir to Algeria's long struggle for independence from France, and has remained a political force since independence in 1962. Following Algeria's bloody counterinsurgency against Islamist groups in the 1990s (see "Background," below), the military backed Abdelaziz Bouteflika for the presidency in 1999. Bouteflika, a former foreign minister, was first elected as an independent, but he is also strongly connected to the National Liberation Front (FNL), the former sole ruling party and nationalist movement. Bouteflika was reelected for

a third term in April 2009, after the constitution was altered to remove term limits. He is in poor health, and has no clear successor ahead of elections scheduled for 2014.

Algerians refer to *Le Pouvoir* (the powers-that-be) to designate opaque political and military elite networks that are broadly thought to drive major political decisions. These networks are widely viewed as internally divided, although popular perceptions of internal power-struggles are difficult to assess with certainty.<sup>5</sup> Many analysts view President Bouteflika as having sought to (re-)establish the authority of the presidency by diminishing the influence of senior military commanders in state decision-making. Still, the military intelligence service or DRS (after its French acronym) reportedly retains significant political and economic power.<sup>6</sup> Tensions within the elite establishment could signal potential fracture points if new pressures arise, for example, from succession disputes, security threats, public unrest, or regional developments.

As of mid-2013, Bouteflika's influence appeared to be waning due to his ill health. In April, he sought medical treatment in France, resulting in a nearly three-month absence from public view. Since returning to Algeria in July, he has sought to reassert his authority. In September 2013, the president reorganized the military command structure so as to exert more direct control over military operations and decisions. He also reshuffled several DRS directors and removed from the DRS's mandate several key authorities—including the agency's role in investigating high-level state corruption, which had appeared to provide leverage over rival factions.<sup>7</sup> The practical impact of these decisions is difficult to assess; some Algerian commentators portrayed them as routine and/or an empty effort to portray the president as acting decisively.<sup>8</sup> The FLN party has subsequently called for the president to stand for a fourth term in office in 2014.

The bicameral, multiparty parliament is weak. The president appoints the prime minister as well as one-third of the upper house of parliament, known as the Council of the Nation. (The remaining two-thirds are selected by indirect vote.) Members of the 462-seat lower chamber or National People's Assembly are directly elected. The presidency plays a prominent role in drafting legislation, initiating reforms, and making budget decisions.

Some observers expected legislative elections in May 2012 to empower Islamist parties, of which several have been permitted to participate in electoral politics since the mid-1990s. Instead, the results favored well-established parties supportive of Bouteflika, notably the FLN and the National Rally for Democracy (RND), considered close to the military.<sup>9</sup> Islamists, in contrast,

<sup>5</sup> See, e.g., Isabelle Werenfels, *Who Is In Charge? Algerian Power Structures and their Resilience to Change*, CERI SciencesPo, February 2010; and Hugh Roberts, *Demilitarizing Algeria*, Carnegie Endowment for International Peace, May 2007. Werenfels notes that faultlines within elite power structures echo deep divisions within Algerian society, including along geographic, ethnic, linguistic, class, and ideological lines.

<sup>6</sup> See, among others, John P. Entelis, "Algerian Crisis: The Primacy of Le Pouvoir," *Cairo Review of Global Affairs*, January 28, 2013, and "Algeria, Revolutionary in Name Only," *Foreign Policy*, September 7, 2011; and *El Watan*, "Le DRS, l'armature du régime," March 15, 2011.

<sup>7</sup> For example, in 2010, a DRS anticorruption investigation into the state energy firm SONATRACH culminated in a major cabinet reshuffle in which several senior figures seen as close to Bouteflika—including then-Energy Minister Chakib Khelil—lost their posts. Several SONATRACH managers were subsequently sentenced to jail. The government provided few public comments on the investigation, which some analysts viewed as motivated by internal power struggles within the regime. Prior to the 2013 reshuffle, Algerian law enforcement authorities announced they had issued an international arrest warrant for Khelil, who is reportedly based in the United States.

<sup>8</sup> *El Watan*, "Exploitation politique de la restructuration de l'armée," September 16, 2013.

<sup>9</sup> Prior to the elections, the government promulgated a new electoral law, increased the number of seats in the legislature, legalized a number of new political parties, and invited international organizations to observe the vote. Yet (continued...)

were unable to unite around a shared platform and, in the end, trailed in the polls. Bouteflika appointed a non-partisan technocrat, Abdelmalek Sellal, as Prime Minister following the election. This seemed to signal that the vote—initially portrayed as a cornerstone of reform efforts initiated amid regional upheaval in 2011—had not led to a significant political shift.

Some analysts argue that political Islam has lost its popular luster in Algeria due to the 1990s conflict, or—alternatively—that some Islamist leaders have lost credibility due to their accommodation with the regime. Leaders of the banned Islamic Salvation Front (FIS) (see below) remain prohibited from political activities, including forming any new parties.<sup>10</sup> Religiously conservative Salafist social movements have grown in prominence in recent years; for many Algerians, Islamism is expressed as social conservatism with no institutional or partisan attachment.<sup>11</sup> Armed Islamist movements are discussed below.

The political opposition is diverse—including leftist, Berber-led, Islamist, and regionally focused groups—and divided. Many parties—including the FLN—also face significant internal divisions along ideological and/or personalistic lines. Algeria has a history of leftist economic policies, making the country’s trade unions influential political players. “Autonomous” unions, which portray themselves as resisting state cooption and control, have less influence over policy than the General Union of Algerian Workers (UGTA), which is seen as close to the government. Civil society actors also include human rights groups, such as the independent Algerian League for the Defense of Human Rights (LADDH) and state-backed National Consultative Commission for the Promotion and Protection of Human Rights. The print media are diverse and often critical of the government. Domestic broadcast media remain state-controlled.

## Background

Algerians fought a protracted independence war between 1954 and 1962 against France, which had colonized Algeria starting in the early 19<sup>th</sup> century, populated some areas with over 1 million settlers, and incorporated its land as national territory. The conflict was notable for its brutal tactics: the guerilla National Liberation Front (FLN) carried out urban terrorist attacks and violent retribution against competing factions, while French commanders oversaw torture, extrajudicial killings, and other abuses targeting the FLN and local civilians suspected of supporting it.<sup>12</sup> After the war was brought to an end through an independence referendum on July 1, 1962, the FLN

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(...continued)

voter enthusiasm appeared low, and the results favored the parties that already dominated government. Turnout was reported at 43%, a slight increase over the last legislative vote; however, over 18% of votes cast were null ballots, potentially reflecting a protest vote. International observers from the European Union and U.S.-funded National Democratic Institute lauded some changes made to the system of electoral administration, but criticized the complexity of oversight mechanisms and a lack of transparency in the compilation of results. Some opposition parties and observers claimed results were tainted by fraud. The system of proportional representation and proliferation of new parties prior to the vote may have played to the advantage of the FLN and RND: both increased their number of seats while their overall share of the vote apparently declined.

<sup>10</sup> Some analysts (e.g., International Crisis Group [ICG], *Islamism, Violence, and Reform in Algeria: Turning the Page*, July 30, 2004) note that ex-FIS leaders have evolved toward acceptance of the Algerian nation-state and the principles of democratic competition. Still, some continue to justify the use of violence against state actors during the civil conflict. See, e.g., *Tout Sur l’Algérie*, “Entretien avec Ali Belhadj, numéro 2 de l’ex-FIS,” December 13, 2011.

<sup>11</sup> Amel Boubekeur, *Salafism and Radical Politics in Postconflict Algeria*, Carnegie Endowment for International Peace, 2008; and Yahia Zoubir, “Algeria,” in *World Almanac of Islamism*, American Foreign Policy Council: 2011.

<sup>12</sup> See Alistair Horne, *A Savage War of Peace: Algeria 1954-1962*, New York Review Books Classics: 2006 [1977].

became the ruling party in a single-party system. Backed by the powerful military, it remained politically dominant until the 1980s. The anti-colonial struggle remains a key foundation of Algeria's political identity; many of the country's aging political and military elites view their political legitimacy as closely tied to their role as former freedom fighters. Algeria was a leader in the Non-Aligned Movement during the Cold War; the government was ideologically leftist and engaged in military cooperation with the Soviet Union.

Infighting among the revolutionary leadership, first reflected during the anti-colonial struggle, continued after independence and foreshadowed factional competition within the government and security sector. The 1980s saw the rise of Islamist ideology, escalating from university activism into a growing challenge to the FLN's leadership. Economic hardships contributed to a sense, among many Algerians, that those who had led the country to independence, and their professed socialist ideology, had failed to deliver on a promised social contract. In October 1988, mass protests erupted, altering the political landscape. A violent crackdown by the military damaged its prestige and deepened popular frustrations. The government then changed tack by initiating rapid political liberalization, ushering in a new constitution in 1989 that opened the way to multiparty competition.<sup>13</sup> These changes placed Algeria far ahead of other countries in the region, at the time, in terms of introducing the mechanisms of democratic governance.

Amid this political upheaval, the Islamic Salvation Front (FIS) was formed as a broad and fractious coalition of Islamist groups. The movement used religious terms to criticize the FLN government from a populist and "moral" stance. FIS leaders also called for an Islamic state and denounced democracy as "infidel."<sup>14</sup> The FIS was granted legal status and made huge gains in local/municipal elections in 1990. It performed well in parliamentary elections held in December 1991, and was expected to win a majority of seats in a run-off round of voting scheduled for early 1992. Instead, the army intervened in January 1992, forcing the president to resign and canceling the election. The FIS was banned and its leaders imprisoned or exiled; thousands of FIS activists were detained, many of them at prison camps in the Sahara.

The thwarted Islamist movement fractured, with some factions turning to violence. A decade of conflict between security forces and Islamist insurgents ensued, resulting in as many as 200,000 deaths. During this period, factional competition within the government and security forces reportedly influenced politics and the conduct of the state's counterinsurgency campaign. The conflict was characterized by atrocities against civilians. Islamist militants, divided over tactics and ideology, targeted intellectuals, journalists, foreigners, artists, and musicians, along with ordinary citizens and each other. The Armed Islamic Group (GIA) engaged in an escalating cycle of brutality that included terrorist attacks in France and massacres of civilians. The Salafist Group for Preaching and Combat (GSPC), which split from the GIA, initially differentiated itself by disavowing attacks on civilians and focusing instead on the Algerian military.

Questions remain about the government's culpability in violence against civilians during the conflict. Most analysts contend that the security forces committed serious abuses, including torture and disappearances.<sup>15</sup> The government also restricted freedom of the press, assembly, and association. Some opposition parties sought common ground with exiled FIS leaders in support of

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<sup>13</sup> See John Ruedy, *Modern Algeria: The Origins and Development of a Nation*, Indiana University Press: 2005 (1992).

<sup>14</sup> See ICG, *Islamism, Violence, and Reform in Algeria: Turning the page*, July 30, 2004.

<sup>15</sup> See Amnesty International, *Algeria: Civilian population caught in a spiral of violence*, November 18, 1997; and Roberts 2007, op. cit. The government also supported civilian self-defense groups, which were accused of abuses.

a return to civilian governance and the democratic process. Others backed the military's strategy as necessary to neutralize the Islamists. Supporters argue that Algeria was unfairly isolated by Western critics for doing what they viewed as necessary to prevent the country's disintegration.<sup>16</sup>

Relative stability was restored by the early 2000s, aided by the introduction of an amnesty for former militants. An initiative of President Bouteflika after his 1999 election, the amnesty was approved in a referendum and was expanded, again by referendum, in 2005-2006. The Islamic Salvation Army (AIS), the armed wing of the FIS, declared a unilateral ceasefire in 1997. The GIA has been inactive since 2002, and is widely viewed as defunct. The GSPC, however, merged with Al Qaeda in 2006 and changed its name to Al Qaeda in the Islamic Maghreb (AQIM) (see "Terrorism," below). In recent years, GSPC/AQIM attacks have targeted the military, state institutions, the police, and civilians, including Westerners in the region. AQIM and affiliated groups have also carried out attacks in neighboring Mauritania, Mali, and Niger, and appear to have ties to groups operating in Tunisia and Libya.

## Algeria and the "Arab Spring"

Algeria has weathered regional turmoil since 2011 without significantly altering its political system. While economic and political grievances have driven some domestic unrest, other factors appear to have dampened enthusiasm for dramatic political change. These may include an aversion to instability stemming from Algerians' experience with mass violence in the 1990s; the perceived complexity of the Algerian regime, in which no single figure or family is seen as all-powerful; a fractious opposition and civil society; and the "negative" examples of instability in transitional states elsewhere. Still, some local commentators point to "a deep social malaise" among Algerians struggling with difficult living conditions, bureaucracy, and corruption.<sup>17</sup> Many Algerians, particularly from younger generations, appear to feel disconnected from formal politics. Similarly, disillusionment with the political status quo, maintained by an aging elite that many view as exhibiting disdain toward the broader population, appears to be widespread.<sup>18</sup> Recent mass protests in the resource-rich but generally quietist south of the country point to high expectations that the state-centric economy should deliver jobs and benefits, as well as the potential for state officials to overlook certain regions and constituencies.

Algeria's factionalized and opaque decision-making apparatus often seems to inhibit a clear trajectory on political and economic reforms, as well as a more proactive Algerian foreign policy. Algeria also faces an uncertain transition as members of the "revolutionary generation" that fought for independence from France either retire or pass away. The extent and impact of a range of reforms initiated in 2011, against the backdrop of the "Arab Spring," remain uncertain. That year, Algerian authorities curtailed a political protest movement and urban rioting by using the security forces to prevent and break up public gatherings while also deploying economic and limited political concessions, including increased social spending and changes to laws regulating the media, freedom of association, and election administration. Many observers assessed the practical impact of these legal changes as minimal or, in some cases, negative.<sup>19</sup> Critics further

<sup>16</sup> Observers note that despite its relative diplomatic isolation in the 1990s, Algeria continued to benefit from security cooperation with Western countries—notably France—in the 1990s (Ruedy, *Modern Algeria*, op. cit., p. 262).

<sup>17</sup> "Algeria's Year of Riots Seen Ominous for Elections, Pouvoir's Authority," *L'Expression*, January 4, 2012, via U.S. government Open Source Center (OSC).

<sup>18</sup> OSC, "Country Report: Algeria," *Master Narratives*, November 2011; see "Hogra."

<sup>19</sup> *Agence France Presse (AFP)*, "Algérie: adoption d'une nouvelle loi controversée sur les médias," December 14, (continued...)

charged that the reform process was non-inclusive and did not address key systemic issues such as the role of the military.<sup>20</sup> A constitutional revision process, led by a commission appointed by the president, has been ongoing since April 2011. The full content of proposed constitutional changes, and the mechanism through which they may be adopted, have yet to be made public.

Despite uncertain reforms and limited social mobility, Algeria remains a top global energy producer. It has used the proceeds from oil and gas production to accrue the world's 14<sup>th</sup>-largest foreign reserves as well as a hydrocarbon stabilization fund reportedly worth tens of billions of dollars, which it has used at times to fund domestic spending. However, Algeria has struggled to offer its preponderantly young workforce better opportunities at home than can be found elsewhere, such as Western Europe. Long-term stability and growth would likely require some combination of greater economic diversification, a more inviting climate for foreign investors (see "Trade and Investment Issues"), and education reforms to fit 21<sup>st</sup> century needs.

## Terrorism

The security situation has greatly improved since the civil conflict of the 1990s, but terrorism has not been eliminated. AQIM, a largely Algerian-led regional network, is a U.S.-designated Foreign Terrorist Organization (FTO); several AQIM-affiliated groups and figures are either FTOs (e.g., the Malian-led group Ansar al Deen) or Specially Designated Global Terrorists (SDGTs) (e.g., longtime AQIM Sahel-based commander Mokhtar bel Mokhtar and the Movement for Unity and Jihad in West Africa, a.k.a. MUJWA or MUJAO after its French acronym).<sup>21</sup> AQIM was formed when the Salafist Group for Preaching and Combat, an insurgent faction formed in the late 1990s, declared allegiance to Al Qaeda in 2003 and, after Abdelmalik Droukdel became its leader, "united" with Al Qaeda on September 11, 2006, and renamed itself the following year. AQIM's rhetoric generally focuses on achieving an Islamic state in North Africa, and on countering Western influence in the region, notably that of former colonial power France.

In the aftermath of a string of large AQIM bombings in Algiers in 2007, Algerian security forces tightened their control over major urban centers. Possibly as a result, AQIM has increasingly operated in the mountainous northeastern region of Kabylie, where its leadership is reportedly based; in southern Algeria; and in the neighboring Sahel region of West Africa. AQIM splinter factions and other violent extremist groups are also active in North Africa and the Sahel, where they generally appear to be leveraging increased regional political and security fluidity since 2011. Such groups are also drawing on long-running national- and local-level struggles throughout the region related to identity, governance, and access to resources.

Attacks by AQIM and affiliated groups have ranged from bombings in Algeria, Mali, and Niger to skirmishes with regional militaries and kidnappings (usually small-scale and for ransom)

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2011; and "Algérie: adoption d'une nouvelle loi restreignant les associations," December 13, 2011; *El Watan*, "A contre-courant des réformes promises," April 25, 2011; and "Projet de loi sur les partis politiques : Des changements en deçà des attentes," October 3, 2011.

<sup>20</sup> Sonia Lyes, "Mehri: 'Il faut régler le problème de la pratique occulte du pouvoir,'" *Tout Sur l'Algerie*, June 13, 2011.

<sup>21</sup> As a result of these designations, all property subject to U.S. jurisdiction in which designated individuals and groups have any interest is blocked and U.S. persons are prohibited from engaging in any transactions with them or to their benefit. The GIA, now inactive, was designated as an FTO until 2010.

across the region. Four American citizens have been reported killed in attacks by AQIM or AQIM-affiliated groups: one in an apparent botched kidnapping in Mauritania in 2009, and three in the January 2013 hostage seizure attack in the southeastern Algerian town of In Amenas (see text-box below). The In Amenas attack was far more ambitious than previous AQIM hostage-taking, and was also distinguished by the range of nationalities reported among the assailants (including Tunisians, Egyptians, and Canadians).

The practical meaning of AQIM's union with Al Qaeda is uncertain, and links between the two may be nominal but mutually beneficial. Adopting the famous name may have enhanced AQIM's legitimacy among extremists and facilitated recruitment, while enabling Al Qaeda to burnish its international credentials and, potentially, access a region geographically close to Europe. Conceivably, it may have simultaneously discredited AQIM among Algerian Islamists focused on a domestic agenda and/or opposed to violence against civilians.

General Martin Dempsey, chairman of the Joint Chiefs of Staff, has suggested that AQIM resembles, in practice, "a syndicate of groups who come together episodically, when it's convenient to them, in order to advance their cause."<sup>22</sup> Long-reported fractures within AQIM have erupted since 2011, as several of AQIM's southern-based commanders have joined or founded new groups. Notably, Mokhtar bel Mokhtar, a longtime AQIM commander in the Sahel widely associated with the group's involvement in criminal activities, broke from AQIM in 2012 and in January 2013 claimed responsibility for the In Amenas attack. He subsequently founded Al Murabitun, the result of a merger with MUJWA, which is led by Mauritanian and Malian Arabs.<sup>23</sup>

The U.S. State Department considers the potential terrorist threat to U.S. personnel in Algiers "sufficiently serious to require them to live and work under significant security restrictions," and the Algerian government requires Embassy personnel to "seek permission to travel to the Casbah [old city] within Algiers or outside the province of Algiers and to have a security escort."<sup>24</sup> AQIM-produced Internet videos have shown images of the U.S. Embassy and have referenced Algeria's security cooperation with the United States and France as part of their efforts to discredit the Algerian regime.<sup>25</sup> In September 2011, the U.S. Embassy in Algiers warned of a potential Al Qaeda threat to launch missile attacks against planes used by foreign oil firms.

Algeria is a significant source of transnational terrorists, and one batch of seized Al Qaeda records suggested that Algeria was one of the largest suppliers of anti-coalition fighters in Iraq.<sup>26</sup> Algerians were captured in Afghanistan and, at one time, 26 were held at Guantanamo. Most have been repatriated or sent to third countries, including two transferred to Algeria in August 2013.<sup>27</sup> Algerians have been arrested on suspicion of belonging to or supporting AQIM in France, Spain, Italy, Germany, Ireland, and Britain, while several reported international terrorist plots—

<sup>22</sup> Quoted in CNN.com, "More Signs Al Qaeda In Mali Orchestrated Algeria Attack," January 25, 2013.

<sup>23</sup> "Al Murabitun" appears to be a reference to an 11<sup>th</sup> century Muslim empire, more often known as the Almoravid dynasty, that originated in Mauritania and encompassed parts of Morocco, Western Sahara, Algeria, and Spain.

<sup>24</sup> State Department Travel Warning on Algeria, August 23, 2013.

<sup>25</sup> "AQIM Video: 'Assault Them at the Gate,' Part Two," Ansar al Mujahidin Network, August 3, 2011, via OSC.

<sup>26</sup> Combating Terrorism Center at West Point, Harmony Project, "Al-Qaida's Foreign Fighters in Iraq: A First Look at the Sinjar Records," January 2008.

<sup>27</sup> The Bush and Obama Administrations have sought assurances from Algiers that repatriated detainees would not pose a future danger and would be treated fairly. In January 2012, the House Armed Services Committee published a report critical of executive branch detainee transfer policies that referenced these and other cases. See *Leaving Guantánamo: Policies, Pressures, and Detainees Returning to the Fight*, HASC Committee Print 112-4.

including the “Millennium Plot” to carry out bomb attacks in Los Angeles in 1999—have involved Algerian nationals as suspects.

### The In Amenas Hostage Crisis of January 2013

On January 16, 2013, an AQIM splinter faction seized control of a natural gas field compound near the southeastern town of In Amenas, Algeria, taking dozens of foreigners—including Americans—hostage. The siege ended on January 19 with an Algerian military operation in which the assailants were all either killed or captured. Many hostages were also killed in the operation. Three Americans were among the reported total of 38 hostages killed in the attack. Seven other Americans survived the attack, according to the State Department.<sup>28</sup> A group led by a prominent former AQIM figure, Mokhtar bel Mokhtar, claimed responsibility. Bel Mokhtar, a U.S. “Specially Designated Global Terrorist” since 2003, has long been associated with transnational smuggling and kidnap-for-ransom activities, but the scale and sophistication of the In Amenas operation far outpaced previous activities attributed to him.

The facts surrounding the incident remain opaque. Bel Mokhtar’s faction claimed it was retaliating against France’s military intervention in Mali, which had begun days earlier, but the attack appeared to be the product of longer-term planning. The assailants reportedly entered Algeria from Libya. Algerian authorities initially indicated they were negotiating with the hostage-takers. (The scope of the negotiations was unclear. Algeria’s stated policy is to oppose ransom payments.) On January 17, the Algerian military launched a first assault on the compound, which appeared to result in the deaths of some hostages. The British and American governments, which had indicated they were in communication with Algerian authorities, stated that they had not been informed in advance of the Algerian operation, and some unnamed U.S. officials expressed frustration in comments to the press.<sup>29</sup> The United States also reportedly deployed an unmanned aerial surveillance vehicle over the gas plant under siege. In July 2013, U.S. federal charges were filed against Bel Mokhtar, in absentia, in connection with the In Amenas attack.<sup>30</sup>

## Counterterrorism Efforts

The military frequently conducts targeted counterterrorism operations in areas surrounding Algiers, and has bolstered security in border regions. In June 2011, then-Interior Minister Dahou Ould Kablia claimed that AQIM had “largely lost its capacity to harm” within Algeria, although deadly attacks have since occurred.<sup>31</sup> The government has also instituted de-radicalization programs and seeks to control the content of religious sermons within the country. Multiple AQIM leaders have been tried in Algeria in absentia.

As a regional economic and military power, Algeria has sought to lead a coordinated response among Sahel states to terrorist threats. In addition, Algiers seeks to impede AQIM’s ability to extract large ransoms from Western countries and, thereby, to build up a treasury to pay more recruits and buy more arms.<sup>32</sup> Algiers is wary of a potential foreign direct counterterrorism role

<sup>28</sup> State Department Daily Press Briefing, January 22, 2013.

<sup>29</sup> *The Telegraph*, “David Cameron Protests to Algeria Over Failure to Warn Downing Street Before Raid,” January 17, 2013; Associated Press (AP), “Nations Fume, Quietly, Over Algerian Hostage Raid,” January 18, 2013; Craig Whitlock, “Algerian Stance Spoils U.S. Regional Strategy,” *The Washington Post*, January 19, 2013.

<sup>30</sup> FBI, “Charges Filed in Manhattan Federal Court Against Mokhtar Belmokhtar for His Role in Terror Attack in Algeria and Other Crimes,” July 19, 2013.

<sup>31</sup> *AFP*, “Algérie: les ‘terroristes’ ont perdu énormément de leur capacité de nuisance (ministre),” June 2, 2011.

<sup>32</sup> Recently, a ransom of nearly \$30 million was reportedly paid for the liberation of four French hostages who had been kidnapped by AQIM from Niger in 2010, although France has denied making or facilitating ransom payments. U.S. officials stated in 2012 that hostage ransom payments and regional smuggling revenues had enabled AQIM to become the “best funded” Al Qaeda affiliate; a U.S. Treasury Department official estimated that AQIM had collected “tens of millions of dollars” through such activities since 2008. See then-Commander of U.S. Africa Command, General Carter Ham, quoted in David Lewis, “Al Qaeda’s Richest Faction Dominant in North Mali-US,” *Reuters*, July 26, 2012; and Under Secretary of the Treasury David Cohen on “Kidnapping for Ransom: The Growing Terrorist Financing Challenge,” Chatham House, October 5, 2012.

and has generally sought to prevent Western (i.e., French and U.S.) direct intervention in the Sahara and Sahel regions. While it opposes a foreign presence, Algiers welcomes indirect outside counterterrorism support, such as arms, surveillance equipment, and intelligence sharing. Despite the long-standing Algerian objections to Western troop deployments in the region, French officials stated in early 2013 that Algeria had allowed use of its airspace for French military overflights and was cooperating with French military operations in Mali.<sup>33</sup>

In mid-2009, the military chiefs of Algeria, Libya, Niger, Mali, and Mauritania developed the “Tamanrasset Plan” (named after the town in southern Algeria) for regional cooperation to counter terrorism and cross-border crime. In 2010, working under this framework, Algeria, Mali, Mauritania, and Niger established a combined military command center—known as the Joint Operational Chiefs of Staff Committee or CEMOC—in Tamanrasset. An intelligence sharing center in Algiers was also created. Algeria has provided equipment and training to its Sahel partners in this initiative, as well as some development aid. However, the CEMOC does not appear to be the primary coordinator of regional responses to security threats, or indeed to be very active.<sup>34</sup> Moreover, the sometimes dissonant relations and differing priorities among the neighbors, along with the often prevalent French influence in the Sahel states, appear to have limited the implementation of cooperative regional security arrangements.<sup>35</sup> Due to strained bilateral ties, and because Algiers argues that the security of the Sahel does not concern Morocco, it has not invited its western neighbor to participate in its regional counterterrorism efforts. In 2013, Morocco increased its bilateral outreach to West African states.

## Human Rights

The U.S. State Department’s 2012 *Country Report on Human Rights Practices* stated that the “most significant continuing human rights problems” were restrictions on freedom of assembly and association, lack of judicial independence, and reported overuse of pretrial detention. Other human rights concerns documented in the report were limitations on the ability of citizens to change their government, excessive use of force by police, poor prison conditions, “widespread corruption,” violence and discrimination against women, restrictions on workers’ rights, “abuses by illegal paramilitary forces,” and impunity for abuses committed by the security forces. Algerian officials have criticized and disputed these reports. Despite the lifting of a 20-year “state of emergency” in early 2011, a ban on protests in Algiers and other constraints on civil liberties remain. The military and intelligence services also play a role in domestic law enforcement, sometimes apparently acting without judicial or public oversight. Critics further charge that amnesty policies adopted following the 1990s conflict have resulted in the freeing of terrorists and/or have failed to provide full accountability for abuses committed by the security forces.<sup>36</sup>

<sup>33</sup> Reuters, “France Says Algeria Supportive of its Mali Operation,” January 13, 2013.

<sup>34</sup> In early 2013, U.S. General David Rodriguez, then the Commander-Designate of AFRICOM, stated that the CEMOC “plays no significant role in regional counterterrorism activity... [and] has not demonstrated any logistical capacity since its 2010 inception.” Statement before the Senate Committee on Armed Services, February 14, 2013.

<sup>35</sup> See, e.g., Laurence Aïda Ammour, *Regional Security Cooperation in the Maghreb and Sahel: Algeria’s Pivotal Ambivalence*, February 2012; Arieff, *Algeria and the Crisis in Mali*, Institut Français des Relations Internationales (IFRI), July 2012; and Anouar Boukhars, *The Paranoid Neighbor: Algeria and the Conflict in Mali*, Carnegie Endowment for International Peace, October 22, 2012.

<sup>36</sup> A presidential commission determined that excesses of purportedly unsupervised security forces were responsible for the disappearances of 6,146 civilians from 1992 to 2000 and recommended compensation. Organizations representing (continued...)

The State Department's 2012 *International Religious Freedom Report* states that "the constitution provides for religious freedom, but other laws, policies, and practices have a restrictive effect on religious freedom." The state religion is Islam and proselytizing is a criminal offense, although implementation has been irregular; the report notes that "non-Muslim groups experienced difficulty when attempting to register with the government" as legally required. It also states that "Christian groups reported both outright denials of and lengthy delays in receiving work visas for their personnel." While the government has technically allowed for the reopening of 25 synagogues shuttered during the civil conflict, none is now in use, possibly due to the diminished size of the Jewish community (as few as several hundred) and a fear of terrorist violence.<sup>37</sup>

Since 2011, the State Department has ranked Algeria as "Tier 3" (lowest ranking) in its annual *Trafficking in Persons Report* because it "does not fully comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so."<sup>38</sup> While neighboring countries also serve as source and destination countries for human trafficking, the report suggests that Algeria's approach to the problem is particularly lackluster. Algerian officials have objected to the ranking as an "unfounded" effort to harm Algeria's international reputation.<sup>39</sup>

Many Algerians' heritage reflects both Berber<sup>40</sup> and Arab influences, but the state has pursued "Arabization" policies in national education and politics that are seen by some Berbers as disadvantageous. Berber groups in the Kabylie region east of Algiers have been particularly focused on articulating demands for language and cultural rights.<sup>41</sup> Periodic unrest in Kabylie has been fueled by perceived official discrimination and neglect; AQIM activity in the region and related security measures have also made it difficult for businesses to operate in the area, entrenching its economic isolation.

## The Economy

Hydrocarbons (oil and gas) are the engine of the Algerian economy, providing about 69% of public revenues, 36% of the gross domestic product (GDP), and 92% of export earnings.<sup>42</sup> Algeria has the world's 10<sup>th</sup>-largest reserves of natural gas, has the 16<sup>th</sup>-largest oil reserves, and is the world's 6<sup>th</sup>-largest gas exporter.<sup>43</sup> (Its relatively large population, however, means that GDP per capita is not as high as some other resource-rich Middle Eastern states.) Algeria has several pipelines supplying natural gas to Europe, and it is expanding exploration, including for shale gas. High global energy prices over the past decade have boosted monetary reserves and economic growth, fueled a construction boom, eased unemployment somewhat, and allowed Algeria to reduce its foreign debt to 2% of GDP—an extremely low figure by global standards.

(...continued)

victims' families claim up to 20,000 people were "disappeared."

<sup>37</sup> State Department, *International Religious Freedom Report, 2012*, May 20, 2013.

<sup>38</sup> State Department, *Trafficking in Persons Report, 2011*, June 19, 2012.

<sup>39</sup> IHS Global Insight, "Algerian Official Refutes US People-Trafficking Report Conclusions," June 30, 2011.

<sup>40</sup> Ethnic Berbers (also known as Amazigh/Imazighen) are considered the native inhabitants of North Africa from before the seventh century Arab Muslim invasions.

<sup>41</sup> See ICG, *Algeria: Unrest and Impasse in Kabylia*, June 10, 2003.

<sup>42</sup> CRS calculations based on Algerian statistics in International Monetary Fund, *Algeria: Statistical Appendix*, February 2013.

<sup>43</sup> CIA World Factbook, updated October 28, 2013.

However, chronic socioeconomic problems persist, such as high unemployment, particularly among college graduates; inadequate housing, health services, and infrastructure; inequality; and corruption. These conditions have sparked protests and labor unrest, and motivate a continuing tide of illegal Algerian immigrants to Europe. Labor productivity is stagnant, and many of those who have found work have done so in the relatively precarious informal sector.<sup>44</sup>

The International Monetary Fund (IMF) has praised Algeria's macroeconomic stability while expressing concern about slow job creation; a poor business climate, including a rigid labor market and barriers to foreign investment that are "among the most restrictive in the world"; high levels of social spending since 2011 (e.g. on subsidies and public wages); and the economy's dependency on hydrocarbon prices and on public expenditures.<sup>45</sup> Algeria has maintained a guarded stance toward the international financial system, increasingly relying on domestic financing to fund development and rejecting total convertibility of the *dinar* national currency. Critics point to the absence of a modern financial market, an underdeveloped stock exchange and banking system, and a failure to integrate into the world economy. Algeria has applied to join the World Trade Organization (WTO), but stumbling blocks include ongoing strong government intervention in the economy, with only a very selective privatization program.

A 2005 hydrocarbon law diminished the monopoly of the state energy company, SONATRACH, opening the sector for private and foreign investment. A 2006 law, however, required international companies to give SONATRACH a 51% stake in new oil, gas, and related transport projects. Further restrictive rules were enacted in 2009, requiring 51% Algerian ownership of new foreign investment, 30% Algerian ownership of foreign import companies, and use of letters of credit for the payment of import bills. Similar legislation enacted in 2010 requires foreign bidders who win construction contracts to invest in a joint venture with a local partner.<sup>46</sup> Such changes have prompted foreign investors in Algeria to appeal for greater regulatory stability and protection of private property.<sup>47</sup> (See "Trade and Investment Issues," below.) Algerian officials argue that conditions on foreign investment are needed to encourage domestic companies.

## Foreign Affairs

After independence in 1962, Algeria was in the forefront of the Non-Aligned Movement, and was active in the Arab world and Africa. Its diplomacy was considerably less active in the 1990s, when Algeria was preoccupied by domestic turmoil. Under Bouteflika, Algeria has reemerged as an important regional player, and Bouteflika has pursued closer relations with the United States and, to some degree, France and the European Union. Still, Algeria's foreign policy often focuses on the Arab world, Africa, and multilateral fora, and it continues to be defined by a residual suspicion of Western motives. Algeria was critical of NATO's role in regime change in Libya and has urged a non-interventionist approach, led by the Arab League, to the situation in Syria.

<sup>44</sup> Ghazi Ben Jaballah, "Graduate Unemployment in the Maghreb," German Marshall Fund, November 2011.

<sup>45</sup> See Christine Lagarde, Managing Director of the IMF, "Realizing the Aspirations of All Algerians," March 14, 2013.

<sup>46</sup> State Department, Bureau of Economic, Energy and Business Affairs, "2011 Investment Climate Statement—Algeria," March 2011.

<sup>47</sup> See, e.g., Samuel Cizuk, "Abysmal Licensing Round Result in Algeria Confirms Energy Sector Malaise," *IHS Global Insight*, March 18, 2011; *Africa Energy Intelligence*, "Oil Companies Steer Clear of Algeria Due to Windfall Tax, Few Bid for Licenses," March 23, 2011.

Algeria's position toward the security and political crises in neighboring Mali has been ambiguous, despite the implication of Algerian-origin groups in the insurgency there.

Relations with neighboring Morocco are strained over the issue of Western Sahara and due to a rivalry for regional power.<sup>48</sup> The Western Sahara is a disputed territory claimed and largely administered by Morocco; Algeria hosts and supports the independence-seeking Popular Front for the Liberation of Saqiat al Hamra and Rio de Oro (Polisario) and its self-declared government-in-exile, the Sahrawi Arab Democratic Republic. Tens of thousands of Sahrawi (as the people of Western Sahara are known) live in refugee camps in the Tindouf area of southwest Algeria, which receive aid from the U.N. High Commissioner for Refugees (UNHCR) but are administered by the POLISARIO. Algeria considers the Western Sahara issue to be one of decolonization requiring resolution by the U.N., and maintains that it is not a party to the conflict. Talks between Morocco and the POLISARIO are ongoing under U.N. auspices, but no significant progress has emerged. In 2011, Algeria and Morocco appeared to be seeking a measured political and economic rapprochement; however, the two countries have recently returned to trading barbs over Western Sahara and mutual accusations of human rights violations. Algeria has not reopened its border with Morocco since closing it in 1994, after Morocco imposed visa restrictions on Algerian nationals and blamed Algeria for a terrorist attack.

Algeria and France, its former colonizer, have complex, unpredictable relations. Economic ties are extensive, and 4 million individuals of Algerian descent live in France. Yet France's restrictive immigration policies and the weight of history continue to trouble the relationship. French President François Hollande has pursued warmer ties, and conducted a high-profile visit to Algeria in December 2012. Algeria has an association agreement with the European Union (EU) and has participated in the Europe-Mediterranean Partnership (MEDA) since 1995. Trade negotiations with the EU have been slow due to Algiers' reluctance to dismantle certain tariffs.

## U.S. Relations

U.S.-Algeria relations are highly focused on counterterrorism and commercial interests in Algeria's oil and gas sector. Bilateral ties have been re-energized since 2001, and Bouteflika met with President George W. Bush several times during his Administration. Multiple senior Obama Administration officials have traveled to Algeria, including two visits by then-Secretary of State Hillary Clinton in 2012. Algeria also plays a prominent role in the African Union (AU), which the United States seeks to empower in regional development and conflict resolution. Administration officials have also sought Algeria's help in addressing regional security crises, notably in Mali.

The Obama Administration has sought to expand and strengthen bilateral ties, including via the Bilateral Strategic Dialogue initiated in 2012. During the terrorist siege of January 2013 in In Amenas, then-Secretary of State Clinton stated that "it is absolutely essential that we broaden and deepen our counterterrorism cooperation going forward with Algeria and all countries of the region," adding that, "I made clear to the Prime Minister that we stand ready to further enhance

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<sup>48</sup> Shortly after Algeria became independent, Morocco laid claim to some Algerian territory, and they briefly went to war in 1963-1964. The border was not demarcated until 1972. See also CRS Report RS20962, *Western Sahara*, by Alexis Arief.

the counterterrorism support that we already provide.”<sup>49</sup> Among other things, this has reportedly meant U.S. offers of increased intelligence sharing.<sup>50</sup>

The United States and Algeria have had a Joint Military Dialogue since 2005 to foster exchanges, training, and joint exercises. Algeria participates in the NATO-Mediterranean dialogue and in NATO naval exercises. A bilateral contact group on counterterrorism was launched in March 2011, which the U.S. Embassy in Algiers referred to as “a historic moment for the development of bilateral security cooperation.”<sup>51</sup> The two countries signed a mutual legal assistance treaty in 2010. Algeria has recently pursued purchases of U.S.-origin defense materiel and services, particularly related to enhancing its maritime and aerial surveillance capacity—a shift from its previous stance of relying largely on Russia for arms imports.<sup>52</sup> In the past, congressionally mandated end-use monitoring requirements have been a sticking point for U.S. arms sales, as Algeria considers them an infringement on its sovereignty. Algeria is 1 of 10 country participants in the U.S. Trans-Sahara Counter-Terrorism Partnership (TSCTP), an interagency initiative that aims to improve regional governments’ capacity and coordination to counter violent extremism, but it prefers bilateral activities that recognize its regional importance.

U.S. officials often refer to bilateral relations as an important “partnership,” a term that emphasizes mutual benefits and responds to Algerian concerns over sovereignty. U.S. military leaders, while pointing to the importance of bilateral cooperation, have also regularly emphasized that the United States does not seek to impose its views or install a military footprint in the region, in recognition of Algerian sensitivities.<sup>53</sup> U.S. officials also often note that the United States opposes paying ransoms for terrorist-held hostages, a policy that Algeria shares.

The Obama Administration has occasionally balanced its statements of appreciation for Algeria’s cooperation in counterterrorism with public encouragement of political and economic reforms. For example, then-Secretary of State Clinton referred to Algeria’s May 2012 legislative elections as “a welcome step in Algeria’s progress toward democratic reform,” but later stated that “Algeria has a lot of work to do to uphold universal rights and create space for civil society.”<sup>54</sup>

Washington and Algiers diverge on many areas of foreign policy. Bouteflika condemned the U.S. war in Iraq in 2003 and called for the early withdrawal of foreign troops. Algeria supports normalization of relations with Israel only after it withdraws from Arab lands, per the Arab Peace Initiative, and is generally strongly critical of Israeli policy. Algerian officials criticized the NATO intervention in Libya, which they viewed as contributing to regional instability.

<sup>49</sup> State Department, “Secretary of State Clinton Holds Media Availability with Japanese Foreign Foreign minister Fumio Kishida,” January 18, 2013.

<sup>50</sup> *New York Times*, “U.S. Officials Propose Sharing Drone Surveillance Data with Algerians,” January 26, 2013.

<sup>51</sup> U.S. Embassy Algiers, “Bilateral Counterterrorism Contact Group Launched,” March 2011.

<sup>52</sup> Department of State Transmittal No. DDTC 13-092, Certification of Proposed Issuance of an Export License Pursuant to Section 36(c) of the Arms Export Control Act, delivered to Congress on August 29, 2013.

<sup>53</sup> See, e.g., “Africom Commander Says No US Bases to be Set Up in Algeria,” *El Watan* website, November 26, 2009, via BBC Monitoring Middle East; “Algeria, ‘Leader’ and ‘Key’ Partner in Fight Against Terrorism,” *Algeria Press Service*, July 27, 2010; “US Assistant Secretary Discusses US-Algerian Ties, Counter-Terrorism,” *Liberté* website, October 22, 2010, via BBC Monitoring Middle East.

<sup>54</sup> State Department, “Algerian Elections,” May 12, 2012; and “Secretary of State Clinton Delivers Remarks at the Center for Strategic and International Studies on Democratic Transitions in the Maghreb,” October 12, 2012.

U.S.-Algerian ties date from a Treaty of Peace and Friendship in 1795.<sup>55</sup> In 1860, after the Algerian anti-colonial resistance fighter El Emir Abd el Kader protected large numbers of Christians from ethnic pogroms, President Abraham Lincoln honored him with a gift of several guns that remain on display in Algiers; the town of Elkader, Iowa, was named after him. Older Algerians have fond memories of President Kennedy's support for their independence struggle.<sup>56</sup> Relations suffered later due to Cold War differences, although Algerian diplomats played a key role in obtaining the release of U.S. hostages from Iran in 1981.

## Trade and Investment Issues

The United States is Algeria's largest export market (mainly for crude oil), and U.S. investment is concentrated in the oil and gas sector. Algeria receives trade benefits under the Generalized System of Preferences, and in July 2001, the United States and Algeria signed a Trade and Investment Framework Agreement (TIFA). In 2007, Algeria and the United States signed an agreement to cooperate in the peaceful use of nuclear energy, albeit with no apparent plans to build a U.S. reactor in Algeria. U.S. imports from Algeria totaled \$10 billion in 2012; U.S. bilateral exports totaled \$1.4 billion. To a limited extent, economic ties have also broadened beyond the energy sector, to include financial services, pharmaceuticals, and other industries. However, U.S. investors continue to confront bureaucratic and policy obstacles.

The State Department has criticized Algeria's restrictions on foreign investment, stating in 2012 that investment laws and statements by senior leaders "reinforce the impression of a government that has turned toward economic nationalism."<sup>57</sup> Yet, the department reported in early 2013 that "the climate for international firms considering direct investments in Algeria has stabilized," adding that although the public sector still dominates the economy, "the signs of change are positive."<sup>58</sup> Bilateral discussions were held in December 2012 related to Algeria's WTO accession and cooperation under the U.S.-Algeria TIFA.

## U.S. Assistance

Algeria receives relatively little U.S. bilateral aid, but it participates in U.S. military and counterterrorism cooperation. In addition to aid administered on a bilateral basis, the State Department's Middle East Partnership Initiative (MEPI) has funded projects in Algeria to promote democratic governance, improved education, and an enhanced financial sector. Additional programs to counter violent extremism and address border security have been funded through the Trans-Sahara Counter-Terrorism Partnership (TSCTP) and through an FY2013 Global Security Contingency Fund (GSCF) program focused on Libya and its neighbors.

<sup>55</sup> Diplomatic relations with current-day Algeria date from the latter's independence in 1962. Algeria severed relations between 1967 and 1974, in the wake of the Arab-Israeli war.

<sup>56</sup> John F. Kennedy was supportive of Algeria's anti-colonial struggle as a U.S. Senator, and as President, on July 3, 1962, Kennedy congratulated Algerians on "the creation of a great new state [which] represents the courageous and devoted work of the Algerian people and their leaders stretching over many years," and likened Algeria's war for independence to America's own.

<sup>57</sup> State Department, "2012 Investment Climate Statement—Algeria," June 2012.

<sup>58</sup> State Department, "2013 Investment Climate Statement—Algeria," February 2013.

Due to restrictions enacted in the Trafficking Victims Protection Act (Division A of P.L. 106-386, as amended), Algeria's poor ranking in the State Department's annual Trafficking in Persons report potentially makes it ineligible for certain types of foreign aid. Aid to Algeria is also restricted under the FY2012 Department of State, Foreign Operations, and Related Programs Appropriations Act (Div. I, P.L. 112-74), as carried forward into FY2013 via continuing resolutions, due to Section 7031, pertaining to budget transparency. The Obama Administration has waived these restrictions, stating that continued assistance is in the U.S. "national interest."

**Table I. U.S. Bilateral Foreign Assistance to Algeria, Selected Accounts**  
Appropriations, \$ Millions, State Department and U.S. Agency for International Development

	FY2009	FY2010	FY2011	FY2012	FY2013 (est.)	FY2014 (requested)
NADR	0.5	0.8	0.7	0.9	1.3	1.3
IMET	0.9	1.0	1.0	1.3	1.2	1.3
DA	0.4	0.7	0.0	0.0	0.0	0.0
Food for Peace, Title II (P.L.480) <sup>a</sup>	0.0	6.2	8.2	8.7	-	-
<b>Total</b>	<b>1.8</b>	<b>2.6</b>	<b>9.8</b>	<b>10.9</b>	<b>2.5</b>	<b>2.6</b>

**Source:** U.S. Department of State Congressional Budget Justifications for Foreign Operations; State Department, 653(a) initial allocations, FY2013, as of September 2013.

**Notes:** NADR = Nonproliferation, Antiterrorism, Demining, and Related Programs, INCLE = International Narcotics Control and Law Enforcement, IMET= International Military Education and Training, ESF = Economic Support Fund, DA = Development Assistance. This table does not reflect assistance allocated on a regional or global basis; nor does it reflect funding administered by U.S. agencies and departments other than the State Department and U.S. Agency for International Development (USAID).

- a. Food aid, which is often allocated during the year according to need, contributes to humanitarian support for Western Sahara refugees in the Tindouf region.

## Outlook

Counterterrorism is likely to remain a core focus of U.S. policy toward Algeria, particularly given the In Amenas attack in January 2013 and a generally deteriorating security outlook in the region. At the same time, bilateral cooperation is likely to continue to confront obstacles related to the nature of Algerian decision-making, as well as occasionally divergent foreign policy priorities. Algeria's role in regional security is of potential interest to Congress, as is the degree to which U.S. policy toward Algeria includes the encouragement of human rights and greater democracy. Another area of potential interest pertains to the bilateral trade and investment relationship. Algeria's energy resources and relatively large population present opportunities to U.S. investors, while Algeria's business environment, including restrictions on foreign investment, remains challenging. The role and influence of Algerian Islamist political parties and movements may also be of interest in the context of regional developments.

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