



# Algeria: Current Issues

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## Summary

The focus of this report is Algeria, a country in North Africa that is increasingly important for U.S. efforts to counter international terrorism as a key partner in the fight against Al Qaeda linked groups. As an energy producer, it also is a significant source of natural gas for the United States and not a major recipient of U.S. aid.

The overall domestic situation in Algeria remains relatively stable. An elected president dominates the political system, but the military, the most significant political force since independence in 1962, still is viewed as the ultimate arbiter of who fills the office. It backed Abdelaziz Bouteflika for the presidency in 1999. He was reelected for a third term in April 2009 and has no clear successor. The voice of the military has been muted publicly since Bouteflika was first selected, but may be heard during presidential succession. Low voter turnout in the May 2007 parliamentary election may have reflected general lack of public faith in the political system as well as common knowledge that the legislature is weak. Authorities specifically boasted of a higher turnout in the 2009 presidential election.

The major domestic problem is terrorism, which has spread beyond Algeria's borders. It persists at home while Algerian terrorists operate across the southern border in the Sahel and are linked to terrorism abroad. The U.S. State Department lists two Algerian groups as Foreign Terrorist Organizations (FTOs). The more notorious and active is Al Qaeda in the Islamic Maghreb (AQIM), which pledged allegiance to Al Qaeda in 2006 and may increasingly be described as a criminal-terrorist mutation. Algeria, as the dominant economic and military power in the region, has attempted to take the lead in developing a regional approach to counterterrorism in the Sahel. In addition to addressing the threat, Algiers seeks to prevent foreign, that is, French and U.S., intervention justified by the need to combat terrorists. However, it does welcome other kinds of outside support for the effort.

The Algerian economy is largely based on hydrocarbons, which are overwhelmingly the predominant national export. The revenues they produce have enabled increased public investment but have yet to remedy the country's significant socioeconomic ills.

President Bouteflika's tenure has produced an energized foreign policy. Strains in ties with neighboring Morocco continue, mainly due to the unresolved status of the Western Sahara, but also due to a rivalry for regional power. Relations with former colonial power France remain complex and volatile as Algeria and France sometimes compete as much as cooperate in efforts to counter terrorism in the Sahel. U.S.- Algerian relations are generally good and highly focused on counterterrorism as the United States seeks to support regional governments in their fight against AQIM.

See also CRS Report RS20962, *Western Sahara: Status of Settlement Efforts*, by Carol Migdalovitz..

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## Government and Politics

The president has long dominated the domestic political system in Algeria. After a 1965 coup, its leader, Houari Boumediène, became president and served until his death in 1978. Another military figure, Chadli Bendjedid, succeeded Boumediène and served as president until ousted in 1992 in another military coup that sought to prevent the Islamic Salvation Front (FIS) from coming to power. A decade of war between security forces and Islamist terrorists ensued.

In 1999, former Foreign Minister Abdelaziz Bouteflika, a civilian with vital military backing, won the presidential election after all other candidates withdrew, charging fraud. In April 2004, he was reelected with 83.5% of the vote in a multiparty contest during which the military was officially neutral. International observers hailed that election as progress toward democratization even though the bureaucracy and judiciary had manipulated the political process to favor Bouteflika in the pre-election period. Many saw Bouteflika's victory as an accurate reflection of the popular will and an endorsement of his effort to decrease violence and for continued political stability.<sup>1</sup> Since 2005, there have been persistent rumors about the state of the 73-year-old president's health, spurred in part by his repeated, intermittent absences from public view, but no strong concern that he lacks a clear successor. The military probably will again play a determining role in the choice of Bouteflika's replacement.

In November 2008, a joint session of parliament adopted constitutional amendments that, among other provisions, abolished presidential term limits and allowed Bouteflika to run for a third term. A huge salary increase for legislators may have contributed to the amendments' passage. Some critics had argued that the constitutional changes required a national referendum, but the Constitutional Court disagreed. On April 9, 2009, as expected, Bouteflika won another term as president with more than 90.24% of the vote over five challengers, none of whom was seen as having a remote chance of ending his leadership. The Interior Ministry claimed a 74% voter turnout. Once again, the president's rivals alleged fraud and added claims that the authorities had inflated turnout figures. Some attributed the military's acquiescence this time to their inability to find an alternative to Bouteflika.<sup>2</sup>

The president heads the Council of Ministers (cabinet) and the High Security Council, and appoints the prime minister. On June 23, 2008, Bouteflika named National Democratic Rally (RND) leader Ahmed Ouyahia, who had served as prime minister from 1995 to 1999 and from 2003 to 2006, and who is known to be close to the military, to the post again. After his re-election in 2009, Bouteflika reconfirmed Ouyahia as prime minister. Ouyahia is considered a possible successor to Bouteflika. Media reports suggest that Bouteflika's younger brother, Said, also may have presidential ambitions. Speculation about Bouteflika's successor intermittently surfaces along with the rumors about the president's health.

The bicameral, multiparty parliament is weak. The 380-seat National People's Assembly was last elected on May 17, 2007, with a voter turnout of 36.5%—the lowest ever, reflecting lack of popular faith in the political system and common knowledge that the legislature has little power. Parties in the governing coalition placed at the top: the National Liberation Front (FLN) won 23% of the vote and 136 seats; the RND 10.3%, 61 seats; and the moderately Islamist Movement for a

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<sup>1</sup> Marwane Ben Yahmed, "Les Raisons D'Un Plebiscite," *Jeune Afrique Intelligent*, No. 2258, 8-14 April 2004.

<sup>2</sup> *Africa Research Bulletin*, April 1-30, 2009, p. 19732, citing *Africa Confidential*.

Peaceful Society (MSP) 9.6%, 51 seats; 18 other parties and 33 independents also won seats. The Council of Nations has 144 seats, one-third appointed by the president and two-thirds selected by indirect vote. FLN has 29 seats, RND 12, MSP 3; independents and presidential appointees comprise the remainder. The next parliamentary election is scheduled for 2012.

## Terrorism<sup>3</sup>

Up to 200,000 lives were lost to terrorism and related violence in Algeria between 1992 and 2000.<sup>4</sup> Two Algerian groups are U.S. State Department-designated Foreign Terrorist Organizations (FTOs).<sup>5</sup> The Armed Islamic Group (GIA) was most active from 1991 to 2001 and last attacked in 2006. Former GIA members have accepted the government amnesty or joined other groups. The Salafist Group for Preaching and Combat (GSPC) split from GIA in 1998, declared its allegiance to Al Qaeda in 2003 and, after Abdelmalik Droukdel (aka Abu Musab Abdulwadood) became “emir” or leader, united with it officially on September 11, 2006, taking the name Al Qaeda in the Islamic Maghreb (AQIM or Al Qaeda in the Lands of the Islamic Maghreb (AQLIM)). AQIM seeks to replace the current Algerian regime with an Islamic state and calls for *jihād* against the United States, France, and Spain. The practical meaning of the union with Al Qaeda is uncertain, and analysts suggest that links between AQIM and Al Qaeda leaders in Pakistan/Afghanistan are nominal, but mutually beneficial.<sup>6</sup> Adopting the famous name may have enhanced AQIM’s legitimacy among extremists and facilitated recruitment, while enabling Al Qaeda to burnish its international credentials. Since “uniting” with Al Qaeda, AQIM’s rhetoric against the West and governments in the region and its calls for *jihād* against the United States, France, and Spain have increased. AQIM’s cohesiveness is questioned as it may be operating as relatively autonomous and/or rival groups and has experienced defections. The U.S. State Department estimates AQIM’s strength at under 1,000 in Algeria, with a smaller number in the Sahel to the south; other sources provide lower estimates.<sup>7</sup>

After Droukdel became leader, AQIM increased its attacks against the Algerian government and security forces, and against foreign workers in the country.<sup>8</sup> In 2007, it shifted tactics to more frequent, “Iraqi style,” suicide attacks, with simultaneous bombings of the Government Palace (the prime and interior ministries) and a suburban police station on April 11, 2007, and of the Constitutional Council and the U.N. headquarters on December 11, among other attacks. In addition, an AQIM suicide bomber unsuccessfully attempted to assassinate President Bouteflika on September 6, 2007. All of these attacks resulted in many civilian casualties. After a relative lull, AQIM again targeted security forces in the summer of 2008. That August, suicide bombers perpetrated a particularly bloody assault on a police academy, resulting in more than 40 deaths.

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<sup>3</sup> See also, Jean-Pierre Filiu, “Al-Qaeda in the Islamic Maghreb: Algerian Challenge or Global Threat?” *Carnegie Papers*, No. 104, October 2009, Carnegie Endowment for International Peace.

<sup>4</sup> While terrorists were responsible for or inspired most of the violence, questions remain about the government’s culpability in violence during the conflict.

<sup>5</sup> U.S. State Department, *Country Reports on Terrorism*, 2009, released August 5, 2010, at <http://www.state.gov/s/ct/rls/crt/2009/index.htm>.

<sup>6</sup> Yaroslav Trofimov, “Islamic Rebels Gain in the Sahara,” *Wall Street Journal*, August 18, 2009.

<sup>7</sup> *Country Reports*, op. cit.

<sup>8</sup> An Algerian court sentenced Droukdel in absentia to life imprisonment for his membership in a terrorist organization and involvement in kidnappings.

Since 2009, AQIM has operated more outside of Algiers and other large cities where security forces have made it difficult to operate, and it has continued to focus on the Berber region of the Kabylie, in northeastern Algeria, where the security presence was reduced after civil unrest in 2005. In line with Droukdel's regional ambitions and because of difficulties experience in the north, the group's operations also have moved into the Sahelian countries of Mauritania, Niger, and Mali, with aspirations to spread as far south as Nigeria.<sup>9</sup> Activities along the Malian border have manifestly increased and AQIM reportedly has agreements with tribes in northern Mali, sometimes sealed by marriage and/or financial compensation. In May 2009, AQIM claimed responsibility for executing a British hostage in Mali and, in June, it shot a U.S. aid worker while attempting to kidnap him in Nouakchott, Mauritania. Also in June, terrorists killed 24 gendarmes (paramilitary police) in an ambush about 218 miles east of Algiers. In July, they ambushed a military convoy in Tipaza Province, 90 miles west of Algiers; at least 14 soldiers were killed.<sup>10</sup> In August, AQIM attacked the French Embassy in the capital. In October, terrorists killed seven and wounded three security guards at a Canadian water project. In November, an AQIM cell kidnapped three Spanish relief workers in Mauritania and unsuccessfully attempted to kidnap U.S. embassy employees in Niger. In June 2010, a suicide bomber attacked a police barracks 60 miles east of Algiers, killing at least nine. In July 2010, AQIM claimed responsibility for attacking a police convoy near the border with Mali, killing 11 gendarmes and seizing weapons.

The AQIM organizational structure is hazy. Droukdel may be the spiritual leader or ideologue of the group who sets broad directions, but Mokhtar Belmokhtar and Yahia Djouadi have gained public prominence as (perhaps rival) leaders of AQIM regional commands or "emirates" in the Sahel who oversee operations. Alternatively, they may be independent of Droukdel. Abdelhamid Abu Zaid (aka Abid Hammadou) is associated with Djouadi and reportedly is heavily engaged money-making criminal activities. AQIM raises funds by kidnapping<sup>11</sup> for ransoms and by trafficking in arms, drugs, vehicles, cigarettes, and persons across that vast region. The Algerian military claims that AQIM provides protection in return for cash for convoys smuggling drugs from South America, across the Sahara, to Europe.<sup>12</sup> All of these activities have led some to describe it as "hybrid terrorist-criminal organization" or a "criminal organization with an attachment to Al Qaeda."<sup>13</sup> AQIM gets some small-scale funding from cells in Europe.<sup>14</sup> AQIM communicates via sophisticated internet videos.

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<sup>9</sup> See also, U.S. Department of State, *Country Reports on Terrorism, 2009*, released August 5, 2010, available online at <http://www.state.gov>.

<sup>10</sup> Some attributed the second ambush to the Protectors of Salafi Call, which reportedly had split from the GSPC and, therefore, is not considered part of AQIM. Others attributed the attack to a different regional command of AQIM or suggested that AQIM is encroaching on the Protectors' territory. "Algerian Army Launches 'Large Scale' Operations an Al-Qaidah Maghreb," *El-Khabar* website, August 2, 2009, BBC Monitoring Middle East, "Five Regions Reportedly Designated for 'Terrorist Deployment' in Algeria," *El-Khabar* website, August 5, 2009, BBC Monitoring Middle East, "Retreating of the Salafi Call Protectors," *Echourouk el Youmi* website, August 17, 2009, BBC Monitoring Newsfile.

<sup>11</sup> AQIM reportedly mostly purchases Western hostages from local criminal gangs and tribes in the Sahel. Center for Strategic and International Studies (CSIS), Middle East Program, *The Dynamics of North African Terrorism*, Conference Report, March 2010.

<sup>12</sup> "Algeria Says Al Qaeda Guards Sahara Drug Smugglers," *Times of Oman*, February 23, 2010.

<sup>13</sup> CSIS, op. cit.

<sup>14</sup> See also, Michael Jonson and Christian Nils Larson, "Illegal Tender: Funding Al-Qaeda in the Islamic Maghreb," *Janes Intelligence Review*, October 2008.

Algeria is a major source of international terrorists and was the fourth-largest supplier of anti-coalition fighters to Iraq.<sup>15</sup> Some Algerians were captured in Afghanistan and, at one time, a total of 26 were held at the U.S. Naval Base at Guantanamo Bay, Cuba; most have been repatriated. The Bush and Obama Administrations sought assurances from Algiers that repatriated detainees would not pose a future danger and would be treated fairly. Several were tried after their return home and acquitted for lack of evidence.

**Figure I. Map of Algeria and its Neighbors**



**Source:** CRS Graphics

Algerians have been arrested on suspicion of belonging to or supporting AQIM in France, Spain, Italy, Germany, and Britain. In 2010, there have been unconfirmed reports of Algerians fighting with Islamist terrorist groups in Yemen and Somalia. In addition, several major international terrorist plots have involved Algerians. In December 1999, Ahmed Ressaym, an Algerian trained in Afghanistan was arrested after attempting to enter the United States from Canada; he was convicted for the so-called Millennium Plot to carry out bomb attacks in Los Angeles. His

<sup>15</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.

associates and other Algerians in Canada were linked to the GIA and Al Qaeda. In January 2003, six Algerians were arrested in a London apartment with traces of ricin, a deadly poison with no known antidote. In October 2009, two French brothers of Algerian origin, one a worker at the European Organization for Nuclear Research (CERN) in Geneva, were arrested in France after intelligence agencies came to suspect them of “criminal activities related to a terror group,” that is, AQIM.<sup>16</sup>

## Counterterrorism

After President Bouteflika took office, he sought to add peaceful means to the government’s tactics to counter terrorism. In September 1999, a national referendum approved the “Civil Concord,” an amnesty for those who had fought the government. In September 2005, another referendum approved the Charter for Peace and National Reconciliation, including an amnesty for all except murderers, rapists, and bombers, exemption for security forces from prosecution for crimes of the 1990s, and compensation for families of victims of violence and the disappeared. Critics charge that it has resulted in the freeing of recidivist terrorists or that it failed to provide accountability for the disappeared and for truth-telling about the role of the security forces. A presidential commission determined that excesses of unsupervised security forces were responsible for the disappearances of 6,146 civilians from 1992 to 2000 and recommended compensation. Organizations representing victims’ families claim up to 20,000 disappeared. The government has extended the amnesty period indefinitely and has controversially extended it to some former GSPC leaders.

In 2008, the government began to recruit 100,000 new police and gendarme officers to reinforce borders, augment security at airports, and increase the security presence in major cities. As noted above, it has been successful in impeding terrorist operations in cities. In addition, the government deployed thousands of troops to Saharan provinces along Algeria’s borders with Mali, Niger, and Mauritania to combat AQIM.

Algeria is the region’s dominant economic and military power and it has promoted a regional approach in which it is the lead actor to counter terrorism. It recognizes the immensity of the Sahara Desert-Sahel territory and believes that intra-regional cooperation is needed to fight AQIM. In line with its anti-colonial creed, Algiers is wary of a potential foreign counterterrorism role and seeks to prevent foreign, non-African, that is, French and U.S. involvement/interference/intervention in the region. It fears that AQIM’s propensity to kidnap Westerners for ransom might provoke direct foreign intervention and that Algeria’s weaker neighbors might be vulnerable to great power influence, especially if exercised by France—their former colonial ruler. In addition, Algiers seeks to impede AQIM’s ability to extract large ransoms from Western governments and, thereby, to build up a treasury to pay more recruits and buy more arms. While it opposes a foreign presence, Algiers welcomes other outside support for counterterrorist operations.

In July 2009, the leaders of Algeria, Libya, and Mali agreed to work in concert against AQIM. In August, the military chiefs of Algeria, Libya, Niger, Mali, and Mauritania met in the southern Algerian town of Tamanrasset and agreed to cooperate more to counter terrorism and related crime and developed the so-called “Tamanrasset Plan.” In April 2010, following this framework,

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<sup>16</sup> Emily Andrews, “Big Bang Scientist Admits Plotting Al Qaeda Atrocity,” *Daily Mail*, October 12, 2009.

they began to set up a joint command center for security and military coordination in Tamanrasset; Libya is not participating, while Burkina Faso is observing. Probably due to strained bilateral ties (see “Foreign Affairs” below) and because Algiers argues that the security of the Sahel does not concern Morocco, it has not invited its western neighbor to participate in regional counterterrorism efforts—despite AQIM’s attempt to use of Moroccan territory as a route to smuggle drugs to Europe. Participating governments established several coordinating committees, assigned countries specific missions, and reportedly agreed to increase the number of security forces, gendarmerie, and soldiers deployed for counterterrorism in the Sahel from 25,000 (15,000 of whom were Algerian) to 75,000. Algeria already had increased its forces in the region to 25,000.<sup>17</sup> Algeria is providing arms, ammunition, vehicles, fuel, and training to Mali, Niger, and Mauritania and attempting to mount joint operations with their forces. Several additional high-level counterterrorism meetings have been held.

The sometimes dissonant relations among the neighbors and their dependence on France have limited implementation of Algeria’s regional approach and the Tamanrasset plan in practice. This was apparent in July 2010, when French and Mauritanian forces carried out an unsuccessful raid into Mali, without Mali’s permission, to rescue a Frenchman reportedly held by Abu Zaid’s group. The effort failed and AQIM later announced that it had executed the hostage. In August, Mali, reportedly acting for Spain, negotiated with AQIM and secured the release of two Spanish hostages in exchange for two AQIM members and perhaps a ransom as well.<sup>18</sup> Mali thereby angered its neighbors, including Algeria, who oppose the payment of ransoms. Algeria does not seem able to compete with European power, influence, and assistance to Sahelian governments.

On occasion, Algiers has condemned its neighbors for releasing terrorists as ransom for hostages kidnapped by AQIM. Algeria recalled its ambassador from Mali in February 2010 after its government, under considerable pressure from Paris, released four terrorists in exchange for a French hostage—an alleged aid worker who was later found to be an intelligence officer. Shortly thereafter, President Bouteflika postponed a visit to France and Algiers refused to schedule a visit by French Foreign Minister Bernard Kouchner to Algeria.

## Human Rights

A state of emergency declared in 1992 at the outset of the conflict between the Algerian security forces and Islamist terrorists remains in effect. According to the U.S. State Department *Country Report on Human Rights Practices-2009*, human rights problems in Algeria include restrictions on freedom of assembly and association which significantly impair political party activity and limit citizens’ ability to change the government through elections, and failure to account for persons who disappeared in detention in the 1990s. Other abuses reportedly include official impunity, abuse of pretrial detention, poor prison conditions, limited judicial independence, and restrictions on freedom of speech, press, and assembly. Reports of torture and abuse occur, but are fewer than in previous years. There are limitations on religious freedom and problems with security-based restrictions on movement, corruption and lack of government transparency,

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<sup>17</sup> “Anti-terrorism Troops in the Sahel Increased from 25,000 to 75,000,” *El-Khabar* website, April 24, 2010, BBC Monitoring Middle East.

<sup>18</sup> “Algerian Paper Says Mali Violating Regional Anti-terrorism Agreements,” *Echourouk El Youmi* website, August 19, 2010, BBC Monitoring Middle East, August 20, 2010.

discrimination and violence against women, and restrictions on workers rights.<sup>19</sup> Algerian officials have criticized and disputed these U.S. reports.

The State Department's *International Religious Freedoms Report-2010*<sup>20</sup> noted that "the status of respect for religious freedom by the government improved marginally during the reporting period." However, it also stated that "the government's National Commission for Non-Muslim Religious Services did not establish an administrative means for non-Muslim religious groups to register with the government as required by law," and that "government officials also publicly criticized evangelism and emphasized the dominant role of Islam in society." Nonetheless, the report recognized that "there were some positive changes in the government's treatment of religious minorities." It "ceased prosecutions of members of minority religious groups; paid increasing attention to Christian groups' concerns, including organizing a symposium on religious worship; officially recognized the first official representative of the Jewish community in the country; and allowed for the reopening of 25 synagogues. However, the government reportedly did not approve any other requests for registration by non-Muslim religious associations, including Christian" ones.

The Department's *Trafficking in Persons Report* places Algeria on the Tier 2 Watch List with regard to human trafficking because it "does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so." In January 2009, the government approved legislation that criminalizes trafficking in persons for the purposes of labor and sexual exploitation. It later "helped formulate a training program for police, judges, and prosecutors on its counter-trafficking law. Despite these efforts, the government did not show overall progress in punishing trafficking crimes and protecting trafficking victims and continued to lack adequate measures to protect victims and prevent trafficking."<sup>21</sup>

The Berbers, natives of North Africa from before the seventh century Arab Muslim invasions, are a group with specific human rights concerns. They seek language and cultural rights and an end to government discrimination and neglect. In April 2001 ("Black Spring"), the death of a Berber youth in custody sparked riots in which security forces killed 126 people. The government agreed to compensate the victims and recognize Tamazight, a Berber language, as a national but not an official language (as Berber activists want but President Bouteflika opposes). The government engaged in a dialogue with Berber representatives known as the *Arouch*. In January 2005, the government agreed to rehabilitate protesters and remove security forces from Berber areas, and established a joint committee to follow up. Berber areas are in the mountainous Kabylie region, which, with the withdrawal of security forces, has become a focus for AQIM activity.

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<sup>19</sup> U.S. Department of State, *Country Reports on Human Rights Practices - 2009, Algeria*, March 11, 2010, online at <http://www.state.gov/g/drl/rls/hrrpt/2009/nea/136065.htm>.

<sup>20</sup> U.S. State Department, *International Religious Freedom Report – 2010*, November 17, 2010, online at <http://www.state.gov/g/drl/rls/irf/2010/148812.htm>.

<sup>21</sup> U.S. State Department, *Trafficking in Persons Report*, June 14, 2010, online at <http://www.state.gov/g/tip/rls/tiprpt/2010/142759.htm>.

## Economy

Hydrocarbons are the engine of the Algerian economy, providing about 60% of the budget revenues, 30% of the gross domestic product (GDP), and 97% of export earnings.<sup>22</sup> In the past decade, high oil prices boosted foreign monetary reserves and economic growth, fueled a construction boom, eased unemployment somewhat, and produced early repayment of foreign debt. In 2009, however, the global recession resulted in a significant decline in hydrocarbon exports and a concomitant drop in revenues. On the rebound, foreign exchange reserves hit a healthy \$157 million in September 2010, according to the Algerian Finance Ministry.

A 2005 hydrocarbon law diminished the monopoly of SONATRACH, the state energy company, 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. Such changes have prompted foreign investors, including U.S. businesses and government, to emphasize the need and appeal for greater stability of laws in Algeria. SONATRACH accounts for 98% of Algeria's foreign currency receipts and employs 120,000.

In 2008, then-Minister of Energy and Mines Chakib Khelil held the rotating presidency of the Organization of Petroleum Exporting Countries (OPEC); at the time, he blamed the weak dollar, speculators, and geopolitical tensions for rising oil prices, not the market.<sup>23</sup> Khelil sought the formation of a "gas OPEC" to protect exporters, but found little support among other suppliers.

Algeria has several pipelines supplying gas to Europe and plans for more. In July 2009, Algeria, Niger, and Nigeria agreed to build an ambitious \$10 billion Trans-Saharan pipeline to ship natural gas to Europe. The aim of the project is to facilitate the economic development of the transit countries and provide Europe with another source of energy security. Other new projects include the TransMed pipeline to transport Algerian gas via Tunisia to Italy and the Galsi pipeline to transport gas directly from Algeria to Italy. Algeria also is expanding its exploration and drilling for oil.

The government is directing some of its hydrocarbon revenues for development. A \$140 billion, five-year plan that ended in 2009

### Algeria: Basic Facts

**Population:** 34.18 million (2010 est.)

**GDP growth rate:** 2.2% (2009 est.)

**GDP per capita:** \$7,100 (2009 est.)

**Inflation rate:** 5.7% (2009 est.)

**Unemployment:** 10.2%\* (2009 est.)

**Exports:** petroleum, gas, petroleum products

**Export Partners:** United States, Italy, Spain, France, Canada (2009)

**Imports:** capital goods, food, consumer goods

**Import Partners:** France, China, Italy, Spain, Germany, Turkey (2009)

**Source:** CIA, *World Factbook*, October 18, 2010.

**Note:** The unemployment rate for young Algerians often is estimated at 25% to 50% or higher.

<sup>22</sup> U.S. Department of State, Bureau of Near Eastern Affairs, *Background Note: Algeria*, March 2009, online at <http://www.state.gov>.

<sup>23</sup> Randah Taqiy-al-Din, "'OPEC' Decides to Maintain its Current Production," *Al-Hayat*, March 6, 2008, BBC Monitoring Middle East.

invested in infrastructure, highways, ports, airports, and water resources. Another \$286 billion, five-year plan for the period 2010-2014 now follows. The plans are intended to generate non-carbon related growth and employment, which the government has been hard-pressed to achieve thus far. In September 2010, the government announced that it is requiring foreign investors seeking to participate in infrastructure projects to form a joint venture with an Algerian company.

Despite the country's considerable oil and gas income and investments, there are chronic socioeconomic problems: high unemployment and underemployment; inadequate housing, health services, and education; decaying infrastructure; great inequality of income distribution; and government corruption.<sup>24</sup> These conditions have sparked social protests in several areas of the country. In August 2009, Chinese workers clashed with Algerians in Algiers. The incident was attributed in part to unemployed Algerians' resentment of the estimated 50,000 Chinese working on development projects. There have been no subsequent reports of similar incidents. (China has been awarded approximately \$20 billion in contracts under the new development plan and has surged to become second only to France as a supplier of imports to Algeria.<sup>25</sup> It has yet to become a major recipient of Algerian oil exports, but it is actively prospecting new fields.)

Algeria has applied to join the World Trade Organization, but has many problems to overcome first. Among them is central control of the economy that is only easing slowly, with a very selective privatization program. The government argues that its conditions for foreign investment are needed to encourage domestic companies.

In October 2008, Finance Minister Karim Djoudi asserted that the global financial crisis would not affect Algeria because it is not present in international banking, because it had sharply reduced its national debt, relies increasingly on domestic financing to fund development, and has rejected total convertibility of the *dinar* (the national currency). However, critics pointed out as weaknesses the absence of a modern financial market, an undeveloped stock exchange, an underdeveloped banking system, and a failure to integrate in the world economy.<sup>26</sup> Others suggest that a continuing tide of illegal young Algerian immigrants to Europe is evidence of the failure of the economy to serve the people.

## Foreign Affairs

After independence in 1962, Algeria was in the forefront of Third World politics, especially the Non-Aligned Movement, and very active in the Arab world and Africa. It was considerably less active in the 1990s, when it was preoccupied by domestic violence. Since Bouteflika became president, Algeria has reemerged as a regional actor, especially in Africa. It has provided airlift support for U.N. peacekeepers in Darfur and for African Union peacekeepers in Somalia. In

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<sup>24</sup> Algeria is placed 111 out of 180 rankings of countries on Transparency International's 2009 *Corruption Perceptions Index*, online at <http://www.transparency.org>. In 2010, a wave of publicity surrounded allegations of corruption in SONATRACH and the \$12 billion, 927-kilometer east-west highway project. Minister of Energy and Mines Khelil, a long-serving associate of President Bouteflika, was replaced as Energy Minister in May 2010 and the Ministry of Public Works also was implicated in the scandals. In addition, the National Security Director was killed in mysterious circumstances by a subordinate allegedly under investigation for taking bribes in an arms deal.

<sup>25</sup> Alfred de Montesquiou, "China Builds Up Support in Algeria; The Chinese are Aiding a Construction Boom in the North African Nation, Eager to Earn Good Will and Oil," *Los Angeles Times*, January 24, 2010, *Africa Research Bulletin*, July 16-August 15, 2009, p. 18335.

<sup>26</sup> William Maclean, "Algerian Shielded from Financial Turmoil," Reuters, October 5, 2009.

February 2010, President Bouteflika also promised to contribute 1,700 soldiers to the African Union Mission in Somalia (AMISOM).

## **Morocco**

Algeria and Morocco are the largest countries in North Africa and are neighbors, but they had different colonial experiences and emerged with distinctly different forms of government and a rivalry. Algeria achieved its independence via a bloody revolution and emerged as a republic with military or military-influenced governments. Morocco, on the other hand, is a centuries-old monarchy that made a more peaceful transition from French control. Shortly after Algeria became independent, Morocco laid claim to some Algerian territory, and they went to war for about five months in 1963-64. The border was not demarcated until 1972.

Algeria's current relations with Morocco are particularly strained because Algeria supports and hosts the Popular Front for the Liberation of Saqiat al-Hamra and Rio de Oro (POLISARIO), which seeks independence for the former Spanish Sahara, known as the Western Sahara. Thousands of Saharoui occupy several refugee camps in the Tindouf area of southwestern Algeria. The camps are under the purview of the United Nations High Commissioner for Refugees (UNHCR), but are run by the POLISARIO. Morocco also claims and largely occupies the Western Sahara. Algeria considers the problem of the Western Sahara to be one of decolonization requiring resolution by the U.N., and it maintains that it is not a party to the conflict. Algiers viewed with favor the direct, unconditional talks between the POLISARIO and Morocco that began in June 2007 in response to a U.N. Security Council call. However, no progress resulted from those talks. The U.N. Secretary General's Personal Envoy Christopher Ross has been holding what he describes as informal talks to pave the way for formal talks, but has not disclosed any progress. The parties continue to reiterate uncompromising positions and do not inspire optimism for achieving a settlement.

Algeria had said that it would like to improve bilateral relations with Morocco by excluding the Western Sahara issue from that equation. Yet, Algiers refuses to reopen the border with Morocco, which it closed 15 years ago in retaliation for Moroccan accusations that Algerians were involved in terror attacks in Marrakesh. Algiers maintains that smuggling, drug-trafficking, and illegal immigration need to be dealt with before it opens the border and that an opening would endanger Algeria's national security.<sup>27</sup> It also believes that Morocco has more to gain in trade and tourism than Algeria if the border were reopened. Algerians note that Morocco continues to levy accusations against Algeria on the Western Sahara issue at the same time that it seeks benefits from Algeria.

## **France**

Algeria and France, its former colonizer, have complex, unpredictable relations. France is Algeria's major trading partner. About 4 million Algerians and individuals of Algerian descent live in France, but France has decreased visas for Algerians out of fear of terrorism and absorption difficulties. Under Bouteflika, French-Algerian relations initially warmed

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<sup>27</sup> "Zerhouni Responds to Call by Rabat, Algeria not in Hurry to Open Border," *El-Khabar*, March 23, 2008, BBC Monitoring Middle East, "Algerian President Advised by Military to Keep Border with Morocco Closed," *Al-Quds al-Arabi* website, August 1, 2009, BBC Monitoring Middle East, August 3, 2009.

considerably. However, a planned treaty of friendship fizzled when France rejected Algeria's demand for an apology for the crimes of colonization. President Nicolas Sarkozy refuses to apologize, but acknowledges that colonialism was "profoundly unjust." He seeks to deepen bilateral business and trade ties, advance civilian nuclear energy cooperation, and promote the European Union's Union for the Mediterranean (UfM), a community of states bordering the sea. France's inclusion of Algerians on a list of persons subject to "meticulous inspection" for security purposes at French airports prompted Algiers to demand that Algerians be removed from the list and to cancel, or at least postpone, a January 2010 visit by French Foreign Minister Bernard Kouchner to Algeria. An Algerian official later described UfM as a "Trojan horse for the normalization with Israel" and said that Algeria is not interested in it "if its aim is to normalize relations with the Zionist regime."<sup>28</sup>

AQIM has kidnapped several French citizens in the Sahel, and the group declared war on President Sarkozy after the failed French attempt to free a hostage in July 2010 resulted in several AQIM casualties. Algeria criticized the July action, and Foreign Minister Kouchner did not visit Algeria when he subsequently tried to get increased Sahelian cooperation with Paris to fight terrorism. President Sarkozy has declared that France is at war with AQIM and has made fighting the group one of his highest priorities, dispatching military and intelligence forces and equipment to the Sahel. He also said that France would no longer pay ransoms.<sup>29</sup> If the French government follows through on this pledge and consults Algiers about countering terrorism, then bilateral relations and counterterrorism efforts may benefit. However, France has economic and other interests, that is, uranium mines, in the Sahel and may, on occasion, seek to further them unilaterally, without consulting its former colony. Nonetheless, by October, the perception of a common AQIM threat appeared to be fostering an improvement in bilateral relations as Algerian Foreign Minister Mourad Medelci described them as "turning a new corner" and "strategic."<sup>30</sup>

## European Union

With France's support, Algeria signed an association agreement with the European Union (EU) in 2001 and has participated in the Europe-Mediterranean Partnership (MEDA) since 1995. In March 2009, Algeria enacted a law making it a crime to leave "the national territory in an illegal manner" in order to address EU concerns about illegal immigration as well as to stop human trafficking. At the same time, Algeria wants Europe to assist with development in order to strike at the causes of emigration.

## The United States

U.S.-Algerian ties date from a Treaty of Peace and Friendship in 1775. Algerians have fond memories of President Kennedy's support for their independence from France. Relations suffered later due to cold war ideological differences, as Algeria was a socialist republic with close ties to the Soviet Union. They were energized when Bouteflika met President George W. Bush several

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<sup>28</sup> Minister of State and special representative of the President Abdelaziz Belkhadem, quoted in *El-Khabar* website, June 18, 2010, BBC Monitoring Middle East.

<sup>29</sup> Charles Bremner, "Sarkozy Wages Desert War on Terror," *The Times* (London), September 21, 2010.

<sup>30</sup> "Algerian Minister Discusses French Ties," *El-Khabar* website, October 22, 2010, BBC Monitoring Middle East.

times. Bouteflika attended the June 2004 G-8 summit of industrialized states and Russia in Sea Island, Georgia.

U.S. policy has tried to balance appreciation for Algeria's cooperation in counterterrorism with encouragement of democratization. U.S. officials have urged Algiers to lift the state of emergency and described the April 2004 presidential election as an important phase in a democratic process. Algeria receives limited U.S. aid.

**Table I. U.S. Aid to Algeria**

(in thousands of dollars)

	2009	2010 estimate	2011 request
NADR	500	950	550
INCLE	0	0	870
IMET	898	950	950
DA	400	710	400
Total	1,798	2,610	2,770

**Notes:** NADR = Nonproliferation, Antiterrorism, Demining, and Related Programs, INCLE = International Narcotic Control and Law Enforcement, IMET= International Military Education and Training, DA = Development Assistance.

**Source:** U.S. Department of State, Fiscal Year 2011 Congressional Budget Justification for Foreign Operations, <http://www.usaid.gov/policy/budget/cbj2011>.

In FY2009, the U.S. Department of Defense also spent \$35 million on military to military engagement with Algeria. In 2005, the United States and Algeria launched a Joint Military Dialogue to foster exchanges, training, and joint exercises. Algeria participates in the U.S. Trans-Sahara Counter Terrorism Partnership (TSCTP), but prefers bilateral activities with the United States that recognize its regional importance. As part of TSCTP, U.S. Special Forces train, equip, and aid national forces in fighting the AQIM in southern Algeria and the Sahel.<sup>31</sup> U.S. intelligence also is shared.<sup>32</sup> For their part, Algerian authorities have shared information regarding terrorists of Algerian origin with the United States. To support Algeria's efforts to combat terrorism, the U.S. Treasury Office of Foreign Assets Control (OFAC) has listed leaders of AQIM, including Droukdel, as Specially Designated Global Terrorists. Algeria also participates in the NATO-Mediterranean dialogue and in NATO naval exercises.

On September 29, 2009, a U.S. State Department spokesman said that "Al Qaeda in North Africa (sic) gave us an opportunity to boost our ties with Algeria" because "the presence of militant groups represents a common challenge for both of us." Assistant Secretary of State for Near Eastern Affairs Jeffrey Feltman made his first visit to Algeria in October 2010 and saluted the country as "an important voice" with "a great role to play in keeping peace in Africa." With reference to Algeria's sensitivities, he stated that the United States "respects the sovereignty of the countries of the region and its commitment in the fight against terrorism did not replace that

<sup>31</sup> "Desert Shadows," *Africa Confidential*, Vol. 45, No. 4, February 10, 2004, p. 8.

<sup>32</sup> Brian Whitmore, "US Pushes Antiterror Alliance for North African Nations," *Boston Globe*, April 11, 2004.

of the countries concerned.” With regard to counterterrorism, Feltman said, “We support Algeria’s leadership in this operation, in particular as regards the plan adopted at the last Tamanrasset meeting.... Our intention is not to replace the countries of the region. We are merely worried about the stability of these countries.”<sup>33</sup>

After meeting President Bouteflika in November 2009, General William E. Ward, head of the U.S. African Command (AFRICOM), told the Algerians that the United States is determined “to strengthen and improve bilateral relations and work closely with Algeria in several areas related to our mutual interests in security cooperation,” including the fight against violent extremism. He also acknowledged Algeria’s regional power and ambition, stating, “we appreciate Algeria’s leadership in dealing with regional questions related to security and the fight against terrorism.” Ward said that “terrorist and criminal activities in the Maghreb and the Sahel region remain a threat to the entire region and beyond it.... If the countries of the region have decided to organize themselves, it means that they are aware of the proper measure of the threat. We share their assessment of the situation and we support their efforts to secure and stabilize the Sahel.”<sup>34</sup> On a visit to Algeria in July 2010, U.S. State Department Coordinator for Counterterrorism Daniel Benjamin echoed the tribute to his hosts, saying “We appreciate Algerian efforts in the fight against terrorism, both in North Africa and the Sahel region or elsewhere, and we are very grateful.”<sup>35</sup> He also reassured the Algerians that Washington did not want to intervene in the Sahel, but preferred to provide technical, intelligence, and political support to fight Al Qaeda. Benjamin and Principal Deputy Assistant Secretary of Defense for International Security Affairs Joseph McMillan later underscored that the United States opposed paying ransoms to win the freedom of hostages as part of its “no-concessions policy,” which is the same policy as Algeria’s.<sup>36</sup>

During a December 2009 visit to Washington to “strengthen the Algerian-U.S. partnership,” Foreign Minister Mourad Medelci met Secretary of State Hillary Rodham Clinton and other officials, and commended Algerian-U.S. cooperation, especially in the military sector, which he described as “very ambitious.” He said that the cooperation included “exchanging information and training human resources.”<sup>37</sup>

The United States was first to invest in the Algerian hydrocarbon sector after the 2005 liberalization law opened it to foreigners. Economic ties have broadened beyond the energy sector, where most U.S. investment has been made, to financial services, pharmaceuticals, and other industries, although U.S. investors confront many bureaucratic and policy obstacles. Algeria receives duty-free treatment under the Generalized System of Preferences (GSP). In June 2007, Algeria and the United States signed an agreement to cooperate in the peaceful use of nuclear energy, but other countries, and not the United States, have and plan to build reactors for Algeria. In June 2010, SONATRACH provided BP with equipment to help fight pollution caused by the Gulf of Mexico oil spill.

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<sup>33</sup> “US Assistant Secretary Discusses US-Algerian ties, Counter-terrorism,” *Liberte* website, October 22, 2010, BBC Monitoring Middle East.

<sup>34</sup> “AFRICOM Commander Strengthens US-Algerian Cooperation in Algiers Visit,” *Liberte*, November 26, 2009, BBC Monitoring Middle East, December 14, 2009, “Africom Commander says no US Bases to be Set Up in Algeria,” *El Watan* website, November 26, 2009, BBC Monitoring Middle East.

<sup>35</sup> “Algeria, ‘Leader’ and ‘Key’ Partner in Fight Against Terrorism,” Algeria Press Service, July 27, 2010.

<sup>36</sup> “Ransoms Fuel Al-Qaeda in Northern Africa, Says US,” *Daily News* (Egypt), November 18, 2010, “US Assistant Secretary Discusses Algeria Arms Deals,” *El-Khabar* website, November 11, 2010, BBC Monitoring Middle East.

<sup>37</sup> “Algerian Foreign Minister Commends US Ties,” Algerian Radio, December 9, 2009, BBC Monitoring Middle East.

Despite improving ties, Washington and Algiers strongly disagree about some U.S. Middle East policies. Bouteflika condemned the use of force against Iraq and called for the early withdrawal of foreign troops. He criticized U.S. charges against Syria for supporting terrorism and in Lebanon, but Algeria only abstained from voting on a U.N. Security Council resolution calling on Syria to withdraw from Lebanon. Algeria supports the Arab Peace Initiative, which promises full normalization of relations with Israel after it withdraws from Arab lands. It roundly criticized Israel's military operation against Hamas in the Gaza Strip in December 2008-January 2009. Algeria considers the situation in the Darfur region of Sudan to be the result of ethnic conflict and poverty—not a genocide—and is concerned about its regional implications. In particular, Algeria objects to the International Criminal Court's warrant for the arrest of Sudanese President Omar al Bashir because it finds unacceptable a trial of a head of state by an international court and because it believes the warrant impedes a political solution to the Darfur situation.

The Algerian government condemned the inclusion of Algeria on the list of 14 predominantly Muslim countries from which air travelers to the United States were subject to heightened screening in the aftermath of a Nigerian's failed attempt to bomb an airplane en route from Amsterdam to Detroit on Christmas Day 2009. Algeria's ambassador to Washington complained, "This is a burden and discrimination against the citizens of Algeria who do not pose any particular risk to the people of the United States."<sup>38</sup> The Algerian Foreign Ministry presented an official protest on the issue to the U.S. Ambassador in Algiers and remonstrated repeatedly. The United States Department of Homeland Security revised its procedures in April 2010 so that Algeria and other countries are not listed, but their nationals may still be subject to more security checks.

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<sup>38</sup> Eric Lipton, "Some Cry Foul as New Travel Rules Take Effect," *International Herald Tribune*, January 5, 2010.