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Algeria: In Focus

Algeria's political system, characterized by a strong presidency and security apparatus, has remained stable amid regional upheaval. Internal security has also improved since a decade-long Islamist insurgency and civil conflict in the 1990s. State decisionmaking is often opaque, however, and the country faces an uncertain political transition as members of the "revolutionary generation" that fought for independence from France retire or pass away. President Abdelaziz Bouteflika (81) is in ill health and rarely appears in public. Frequent labor strikes and street protests are often framed around socioeconomic grievances, but in February 2019, large protests against Bouteflika's bid for a fifth term in office also seemed to convey widespread desire for new leadership among the country's youthful population. Decreased revenues from Algeria's oil and gas exports have arguably constrained the government's options for responding to such unrest.

Politics

President Bouteflika's stated intent to run for a fifth five-year term in April 2019 has focused attention on succession issues. Term limits were reinstated in 2016 (after being abolished in 2008) but do not apply retroactively. The president reportedly suffered a stroke in 2013. He has since been confined to a wheelchair and appears visibly frail. Bouteflika won 82% of the vote in 2014. Top opposition candidate Ali Benflis, a former prime minister, decried the results as fraudulent, while some observers asserted that Bouteflika remained broadly popular. Experts nonetheless point to "political paralysis" due to a lack of elite consensus over "the general outline of the post-Bouteflika era."

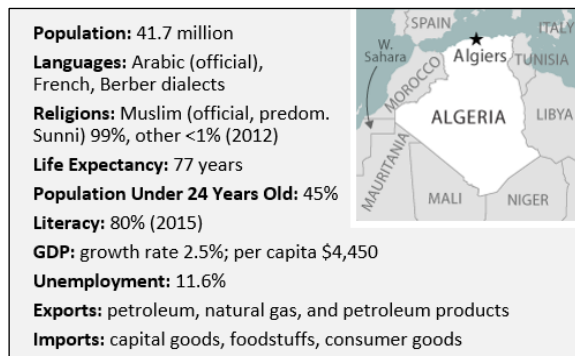
Bouteflika was first elected in 1999, with military backing, as Algeria's counterinsurgency against armed Islamist groups was winding down. He used his first term to advance reconciliation initiatives. He has also sought to consolidate executive powers under the presidency, in part by restructuring the military and asserting greater control over the powerful military intelligence service.

The bicameral parliament is institutionally weak and dominated by two parties supportive of Bouteflika: the National Liberation Front (FLN), which led Algeria's fight for independence and was the sole legal party for decades, and the National Rally for Democracy (RND). The political opposition is diverse and divided: it includes leftist, Berber-led, Islamist, and regionally-focused groups. Many parties—including the FLN—also exhibit internal divisions.

Some analysts argue that political Islam has been discredited in Algeria due to Islamists' role in the 1990s civil conflict, or—alternatively—due to some Islamist politicians' subsequent accommodation with the state. The Islamic Salvation Front (FIS), whose rapid electoral gains in 1991 sparked a military coup and the subsequent conflict,

remains banned. Religiously conservative Salafist social movements have grown in prominence since the conflict.

Figure 1. Algeria at a Glance



Source: CRS graphic; data from CIA World Factbook + IMF (2018).

Terrorism and Counterterrorism

Terrorist threats persist, particularly in southern and eastern border regions, but the pace of attacks has decreased since a 2013 assault on a natural gas compound in which 39 foreign nationals (including three Americans) were killed. Recent attacks have targeted security force outposts near the eastern border with Tunisia, where small cells linked to Al Qaeda and the Islamic State (IS) reportedly remain active. Since the start of wars in Libya and Mali in 2011, Algerian security forces have bolstered their presence in border regions and conduct frequent counterterrorism operations. The government also runs de-radicalization programs and seeks to control the content of religious sermons.

Al Qaeda in the Islamic Maghreb (AQIM), a regional network and U.S.-designated Foreign Terrorist Organization, is the offshoot of an insurgent faction from Algeria's 1990s conflict. An AQIM splinter faction claimed responsibility for the aforementioned 2013 gas plant attack. AQIM's leader or *emir*, Abdel Malek Droukdel, reportedly remains based in Algeria's mountainous northeast, but the group's center of gravity has moved south into Mali over the past decade. (Since 2017, AQIM's southern branch has been subsumed under a Mali-based jihadist coalition known as the Group for Supporting Islam and Muslims, or JNIM after its transliterated Arabic name.) AQIM elements and offshoots are also active in Libya and Tunisia, as are IS-linked factions. In 2014, an Algerian IS affiliate beheaded a French tourist. Algerian security forces reportedly killed the faction's leader the following year and they appear to have been effective in preventing the further spread of IS-linked groups within the country.

Algerian "foreign fighters" were reportedly well represented among Islamist militant groups in the Balkans, Afghanistan, and Iraq from the 1980s to the mid-2000s. At the height of IS territorial holdings in Iraq and Syria (2014-2015), however, relatively few Algerians reportedly joined

the group compared to numbers from neighboring Tunisia and Morocco, among other countries. At one time, 26 Algerians were reportedly held at the U.S. naval base in Guantánamo, Cuba; nearly all have been repatriated or sent to third countries.

The Economy and Energy Sector

Algeria's state-centric economy depends on energy exports: it has the world's 11th largest proven natural gas reserves and 16th largest proven oil reserves, and is the 7th-largest natural gas exporter. Algeria is also estimated to have the world's third-largest recoverable shale gas reserves. More than half of the formal economy is reportedly comprised of state-owned enterprises, led by the national oil and gas company Sonatrach. Most of Algeria's natural gas exports go to Europe, either by pipeline or ship. As of 2017 (latest), Italy was the top destination for Algeria's exports and China was its top source of imports.

High global energy prices prior to 2014 allowed Algeria to accrue large foreign exchange reserves, which protected it from global economic swings, financed its large military, and funded social programs that arguably assuaged domestic dissent. Amid a drop in energy prices since then, Algeria's foreign exchange reserves have declined by more than half, according to the International Monetary Fund (IMF), while the country's "oil stabilization fund" decreased from \$20 billion to about \$7 billion as of 2017. The IMF has documented ongoing fiscal deficits and a gradual rise in unemployment. (Algeria does not borrow from the IMF but submits to technical monitoring.)

Algerian leaders have called for diversification and more foreign investment, but reforms that could encourage such outcomes have not advanced. Algerian law requires 51% local ownership of foreign investment projects, there are limits on capital flows and currency exchange, and the process of setting up a business is "heavily bureaucratic," according to the U.S. State Department. The government imposed sweeping import restrictions in 2017 in an effort to promote increased local production, causing trade to plummet and possibly fueling inflation and smuggling. Weak infrastructure linkages with neighboring countries and the closure of the border with Morocco also inhibit growth. Critics further point to the absence of a modern financial market and an underdeveloped stock exchange and banking system. Algeria has applied to join the World Trade Organization (WTO), but has yet to qualify.

Foreign Policy and Regional Issues

Algeria's foreign policy emphasizes state sovereignty and non-interference; residual skepticism of Western powers and NATO is a legacy of the country's armed struggle for independence from France (1954-1962). Although Algeria has by far the largest defense budget in Africa, longstanding policy prohibits troop deployments beyond its borders.

Relations with neighboring Morocco remain tense due to a rivalry for regional influence and opposing views regarding the disputed territory of Western Sahara. Morocco claims Western Sahara and de facto administers most of it. Algeria hosts and backs the Polisario Front, which seeks independence for the territory. Algeria participated in U.N.-convened talks on Western Sahara in late 2018, but does not consider itself a party to the dispute.

Algeria mediated Mali's 2015 peace accord and backs the U.N.-led political process in Libya; generally, Algerian diplomats advocate inclusive political talks to address civil conflicts. Given its large military, financial resources, and aversion to Western direct intervention, Algeria has also periodically sought to coordinate a regional response to terrorism and other cross-border security threats. Yet the country's complex and often distrustful relations with neighboring states have hindered cooperation, as has the leadership's current focus on domestic political questions.

Algeria's foreign policy has often conflicted with that of the United States: e.g., Algeria regularly criticizes Israel, opposed the 2011 NATO-led intervention in Libya, and maintains relations with the Asad government in Syria. With regard to Western Sahara, the United States has recognized neither Morocco's claim of sovereignty nor the Polisario's self-proclaimed Sahrawi Arab Democratic Republic (SADR), which Algeria recognizes as an independent state. The United States has backed U.N.-led talks on the territory's future status.

U.S. Relations

Like its predecessors, the Trump Administration has emphasized the value of U.S.-Algerian cooperation to counter terrorism (notably via information sharing and coordination in multilateral forums) and respond to crises in neighboring Libya and Mali—while continuing to issue occasional criticism of Algeria's human rights performance and challenging business environment. Algeria's reliance on Russia for most defense acquisitions also remains a point of friction, though Algeria has increased purchases of U.S. equipment in recent years. U.S. foreign direct investment (FDI) stocks totaled \$3 billion as of 2017 (latest), largely in the energy sector.

During a visit to Algiers in 2018, Deputy Secretary of State John Sullivan emphasized the United States' "commitment to strengthening and broadening U.S.-Algerian relations." Algeria's Foreign Minister, Abdelkader Messahel, visited Washington DC in early 2019 for a high-level U.S.-Algeria Strategic Dialogue, which had last convened in 2015. Officials also meet for annual bilateral counterterrorism and joint military dialogues.

U.S. bilateral aid comprised \$1.3 million for International Military Education and Training (IMET) and \$0.5 million for Nonproliferation, Antiterrorism, Demining, and Related Programs (NADR) in FY2017 (latest available). The Administration has requested \$1.0 million in IMET and \$0.5 million in NADR for FY2019. Additional funds have been provided periodically to promote economic growth, strengthen civil society, and counter violent extremism. U.S. exchange programs seek to build relationships with young Algerians and emerging private sector actors.

Algeria is also among 12 countries participating in the State Department-led Trans-Sahara Counter-Terrorism Partnership (TSCTP), but has not been a major recipient of aid under the program and appears to prefer bilateral activities. In contrast to Tunisia and Egypt, Congress has not granted specific authority to the Department of Defense to aid Algeria in securing its border with Libya.

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