



EUROPEAN
COUNCIL
ON FOREIGN
RELATIONS
ecfr.eu

MEMO
POLICY

ALGERIA – AN UNSTEADY PARTNER FOR EUROPE

Mansouria Mokhefi

SUMMARY

With Abdelaziz Bouteflika's re-election, Algeria has entered another phase of the endless transition that started in the 1990s. Once again, this transition, which will be carefully controlled by the regime, will aim at securing the status quo. However, several key developments are coalescing to pose a serious challenge to the country's immediate future. In addition to growing social unrest and economic hardship, domestic terrorism, increasing ethnic conflict, and growing regional insecurity also threaten Algeria's much-hailed stability.

Among the many uncertainties that surround the country is whether Algeria can become the energy partner substitute that Europe may need in the aftermath of the Ukraine crisis. Given that Algeria's dramatic rise in domestic energy consumption and simultaneous decline in gas production will soon substantially reduce the country's exports, however, EU member states should not assume that Algeria could fulfil that role. Likewise, the notion that Algeria can continue to guarantee regional security in partnership with Europe is questionable given Algeria's many and growing vulnerabilities. Europe's stability-orientated policy towards Algeria should therefore be widened to address more seriously issues of corruption, lack of government transparency, and human rights in order to ensure that public disenchantment and divisions within the political elite do not destabilise Algeria for the long term.

Abdelaziz Bouteflika's reinstatement as president for a fourth term has left the majority of Algerians feeling deeply alienated from the system. The series of constitutional amendments proposed on 17 May and offered as reforms towards a consolidation of "Algeria's democratisation process" indicate that Bouteflika's re-election is considered to be a temporary and intermediate solution towards a transition within the regime, whose power largely sits with an elite group of decision makers around the National Liberation Front (FLN), the army, and the intelligence services, known to Algerians as *le pouvoir*. While working towards this inner transition, the 77-year-old Bouteflika will face growing vulnerabilities on the socio-economic and security fronts that not only pose many risks to national cohesion, but could ultimately provoke the country's economic and political dislocation if they remain unaddressed. While no rotation of power seems possible and no regime change is currently envisioned, public disenchantment and divisions within the political elite could potentially lead to an upheaval that could destabilise Algeria for the longer term.

This policy memo offers a brief analysis of the current situation in Algeria, using Bouteflika's re-election as a starting point. The political manoeuvring surrounding the election suggests that the regime has prioritised a continuation of the status quo at the expense of Algeria's domestic stability and possibly, in the medium term, its relationships with outside partners, especially the European Union. As one of the West's most important security partners in the region, Algeria is of tremendous value to the EU, but given Algeria's

many challenges and its insufficient responses to them, it may not be capable of being the kind of security partner that Europe wants.

At the same time, Algeria is the EU's third-largest gas supplier after Russia and Norway, and the current crisis in Ukraine has propelled questions of Algerian supplies to the centre of EU–Russian tensions. With Russian supplies in question, EU member states are looking to Algeria as a possible substitute. But Algeria's sharp rise in domestic energy consumption and concurrent decline in gas production suggests that Algeria will fall short of this role. Considering the serious implications that these changing circumstances may have for the EU's own economic stability and security, this memo argues that Algeria will remain an unreliable partner for the EU unless it manages to implement the necessary domestic reforms that promote the good governance, economic growth, democracy, and transparency – which seem no closer after the recent election – that Algeria needs to ensure a more stable future for its citizens.

Status quo at the expense of stability

Algerians re-elected Bouteflika on 17 April with 81.5 percent of the vote; he was sworn in on 28 April. Several signs during and after the election indicate that the presidential camp is working towards a transition meant to guarantee the regime's longevity and ability to outlive Bouteflika, while offering some democratic openings. Prior to the election, Bouteflika appointed a “new” government headed by former Prime Minister Abdelmalek Sellal which included no major changes to key ministries, while the election itself was marred by the opposition parties' boycott, a low turnout (50.7 percent, according to official sources), and accusations of fraud.

Without any mention of the president's condition or his ability to rule effectively, a new constitutional reform package was made public on 17 May. It proposed 47 amendments meant to “reinforce the separation of powers, strengthen the independence of the judiciary and parliament, and affirm the role and rights of the opposition”, according to Ahmed Ouyahia, Bouteflika's chief of staff charged with overseeing the reforms.¹ More specifically, the proposed amendments offer to delegate more authority to the prime minister, grant parliament more power, and lift some controls and restrictions that are currently imposed on the otherwise tightly controlled media.² Furthermore, after having cancelled the two-term presidential limit five years ago to allow himself to run for a third term, Bouteflika is now proposing to reinstate it. And he is now considering granting opposition parties more rights to question government

officials and to demand a response from parliament. None of these reforms, however, represent a fundamental challenge to the regime or power structures. Most opposition parties have dismissed the amendments as a product of a fraudulent election and have not been part of the ongoing consultations held by the government.

The Coordination for Liberties and Democratic Transition (*Coordination pour les Libertés et la Transition Démocratique*, CLTD), a coalition of five opposition parties – Hams, Jil Jadid, RCD, El Nahda, and El Adala – was one such dissonant voice. On 10 June, it organised an opposition conference to decide on a strategy for facing the challenges of Bouteflika's fourth term. It was the largest gathering ever of all forces opposing Bouteflika and included the Berber-dominated Socialist Forces Front (*Front des Forces Socialistes*, FFS) and the Rally for Culture and Democracy (*Rassemblement pour la Culture et la Démocratie*, RCD) as well as former prime ministers Ali Benflis, Ahmed Benbitour, and Mouloud Hamrouche. Reiterating their refusal to be co-opted by the government into a system that they believe is unlikely to bring any real change, they called for genuine political pluralism and respect for human rights and freedom of expression. They also called for the “appointment of a transitional government, the establishment of a consensual constitution, [...] and the creation of an independent commission to supervise elections.”

Yet, although they managed to unite for the first time in 20 years, the opposition parties seem to have missed many of their own opportunities. They remain weak, divided, and ineffective, and therefore have been unable to present a credible alternative to fundamentally counter the regime. Indeed, Prime Minister Sellal promptly rejected the conference recommendations, stating that the government is working towards real change already. However, even though Bouteflika's re-election has bought some time for Algeria's leadership to maintain the current political order and the opposition does not currently seem to present any challenge to the government, *le pouvoir* can no longer ignore citizens' growing political and economic grievances or the rising regional linguistic and ethnic tensions that are exposing Algeria's many economic and security vulnerabilities.

Mounting economic and security threats

Algeria's dependence on oil and gas income is one such vulnerability. Hydrocarbons account for 97 percent of Algeria's export revenues, 60 percent of its fiscal receipts, and 40 percent of its GDP.³ The regime spends a significant amount of these hydrocarbon revenues on subsidies, allocating “the equivalent of one-third of GDP to various

¹ Patrick Markey and Lamine Chikhi, “Algeria unveils Bouteflika constitutional reform package”, Reuters, 16 May 2014, available at <http://www.reuters.com/article/2014/05/16/us-algeria-reforms-idUSBREA4F0PU20140516>.

² Despite the liberalisation of Algeria's audio-visual services sector, Algeria ranked 121 of 180 countries in Reporters Without Borders' World Press Freedom Index for 2014. The full report is available at <http://rsf.org/index2014/en-index2014.php>.

³ Miriam Lowi, “Oil Rents and Political Breakdown in Patrimonial States: Algeria in Comparative Perspective”, the *Journal of North African Studies*, vol. 9 (3), 2004, pp. 83–102.

segments of the population via different redistribution channels”.⁴ Consequently, per capita GDP is on the rise: in 2013, for example, it rose to €4,300, the highest in North Africa, from €2,500 in 1999.

Despite the fact that Algerians’ reported economic satisfaction doubled between 2011 and 2013 (from 32 to 66 percent), the Algerian economy is actually facing looming challenges that not only jeopardise this new prosperity but also threaten to expose the regime to the economic disruption that would endanger the country’s purported stability.⁵ For all the country’s wealth, poverty is still widespread and inequalities are vast. The overwhelming public sector, the inefficient state-dominated banking system, and the numerous bureaucratic and financial limitations on private investments are hampering institutional reforms and negatively affecting the country’s business climate.

Not only has Algeria been incapable of attracting large amounts of foreign direct investment (FDI) but, when it does, 40 percent of the inflows are directed to the hydrocarbon sector, which employs barely 4 percent of the workforce. The country’s GDP growth rate, which reached a record 6.7 percent in 2003, has dropped to an average of 3 percent since 2006 and continues to be driven mainly by domestic demand, including public investment.⁶ Meanwhile, unemployment remains very high (as much as 21.5 percent among young people aged 15 to 24), corruption is rife, and the mismanagement of big investment projects, as well as the many scandals that reached the inner circles of *le pouvoir* have shed more light on the nepotism that plagues the country.⁷

When demonstrations of discontent swept the country in January 2011, the government took swift measures and increased public spending and salaries by about 25 percent.⁸ This had an immediate calming effect since they were also met with the general aversion to violence that has characterised the country since its horrific decade-long civil war. Massive increases in state subsidies and public sector salaries have continued: in 2012, the government increased subsidies by approximately 60 percent and public sector salaries by over

9 percent; for 2014, public spending is expected to reach \$98 billion, 11.3 percent more than it was the previous year.⁹ According to the International Monetary Fund, however, social demands could increase further in 2014.¹⁰

Terrorism and ethnic conflicts, too, threaten Algeria’s security. Violence blamed on Islamists has declined considerably in recent years, but Al-Qaeda in the Islamic Maghreb (AQIM), mostly based in the north-eastern mountains of Kabylia and Algeria’s southern regions, still operates within the country, where it remains the most active terrorist threat. Though the Algerian authorities claim that their security forces have managed to weaken AQIM’s ability to carry out attacks, the group’s spectacular takeover in January 2013 of a gas plant near In Amenas that killed 39 workers shattered this claim.¹¹

The attack, while emphasising the rapidly growing insecurity not just in Algeria but in the region too, revealed the government’s failure to accurately evaluate threats and secure national territory. At the same time, the catastrophic mismanagement of the crisis illustrated the growing discord between the army and intelligence services, which face continuous challenges in securing the borders with Mali, Libya, and Tunisia. Under pressure, the government has since been working with international oil companies to train security forces for the specific task of guarding important energy installations. Yet, further AQIM attacks, such as the one that killed 14 soldiers in Kabylia two days after the presidential election, underscore the difficulties that Bouteflika faces in protecting and securing the country and considerably damage Algeria’s reputation as a stable country in the eyes of its European partners.¹²

Violence as a result of ethnic conflicts such as the Berber/ Arab clash in the south of Algeria is a third source of instability. The Saharan population of Ghardaia have expressing frustration and discontent for decades over lack of development, unemployment, and general neglect from the state. This majority-Berber region is where the bulk of the country’s energy resources are located and where Mozabite Berbers and Chaamba Arabs have long been neighbours. But since December 2013, tensions have spiralled into unprecedented levels of sectarian-related violence, mainly due to the changing demographic balance caused by an influx of Algerian Arabs, primarily from the north of the country, who are seeking economic opportunity.

4 Laheen Achy, “The Price of Stability in Algeria”, Carnegie Endowment for International Peace, 25 April 2013, available at <http://carnegieendowment.org/2013/04/25/price-of-stability-in-algeria/g1ct#>.

5 Michael Robbins, “Skipping the Arab Spring? The Arab Barometer surveys a changing Algeria”, Arab Reform Initiative, April 2014, available at http://www.arab-reform.net/sites/default/files/Arab%20Barometer%20-%20Algeria_1.pdf.

6 Doing Business 2014, Economy Profile: Algeria, available at http://www.doingbusiness.org/data/exploreeconomies/algeria/~/_media/giawb/doing%20business/documents/profiles/country/DZA.pdf. See also World Economic Forum, *The Global Competitiveness Report 2013–2014*, available at http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf; and Tariq Benbahmed, “Algeria 2014”, African Economic Outlook, available at http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Algerie_EN.pdf.

7 Transparency International’s *Corruption Perceptions Index* ranked Algeria 105 of 176 countries worldwide in 2012, and 94 of 177 countries worldwide in 2013. The full report is available at <http://cpi.transparency.org/cpi2013/results/>. See also Abderrahmane Hadj-Nacer, *La Martingale Algérienne: Reflexions sur une crise* (Algeria: Barzakh Publishing, 2011).

8 Patrick Markey and Lamine Chikhi, “Algeria’s bloody past, energy wealth keep status quo for now”, Reuters, 16 April 2014, available at <http://www.reuters.com/article/2014/04/16/us-algeria-election-idUSBREA3F14J20140416> (hereafter, Markey and Lamine Chikhi, “Algeria’s bloody past”).

9 Isabelle Werenfels, “The Risks of Playing for Time in Algeria”, German Institute for International and Security Affairs (SWP), 23 May 2014, p. 5, available at http://www.swp-berlin.org/en/publications/swp-comments-en/swp-aktuelle-details/article/algeria_the_risks_of_playing_for_time.html (hereafter, Werenfels, “The Risks of Playing for Time in Algeria”). See also Markey and Lamine Chikhi, “Algeria’s bloody past”.

10 “Despite high levels of spending in 2011 and 2012, and additional wage increases in 2013, social demands remain elevated and could further increase.” See *Algeria 2013 Article IV Consultation*, “Staff Report”, International Monetary Fund Country Report No. 14/32, February 2014, available at <http://www.imf.org/external/pubs/ft/scr/2014/cr1432.pdf>.

11 “Algeria hostage crisis: the full story of the kidnapping in the desert”, the *Guardian*, 25 February 2013, available at <http://www.theguardian.com/world/interactive/2013/jan/25/algeria-hostage-crisis-full-story>.

12 Lamine Chikhi, “Al Qaeda kills 14 Algerian soldiers in ambush”, Reuters, available at <http://www.reuters.com/article/2014/04/20/algeria-violence-idUSL6NoNC09520140420>.

The Mozabites, having become a minority, feel increasingly mistreated and discriminated against, particularly in the job market, which they maintain favours Arab nationals.¹³

As a result of this charged environment, extremism has increased along with the insecurity related to the illicit drug trade. Indeed, due to the drug traffickers that have also settled in the region, Ghardaia has become a point of departure for drugs coming from the Sahel headed to the Maghreb and Europe. Failing to provide economic opportunity, particularly for the youth, and incapable of protecting the population, the state is aggravating a regional fracture that is tearing an already very fragile national fabric that runs from the troubled region of Kabylia in the north through to the south of the country. As the *Economist* notes, “Algeria is not a happy country. Periodic riots, ethnic clashes between Arabs and Berbers and the lingering danger of jihadist terrorism attest to festering social ills”.¹⁴

Algerian decision-makers cannot reasonably hope to contain or solve any of the above without implementing the economic and security reforms that are necessary to stabilise and secure the country for the long term. For the moment, the reforms that were approved after Bouteflika’s re-election fall far short of fulfilling even the minimum requirements of addressing such serious threats. Likewise, clenching tightly to the status quo will not protect the country from the risks of increased uprisings, spreading violence, and renewed destabilisation; if anything, it will provide the rationale for further unrest.

The West’s strategic partner against terrorism

Over the past decade, Algeria has made itself an important player in the fight against the spread of violence and terrorism in the Maghreb, and has become a crucial strategic partner in the security of the region. Positioned at the crossroads of Europe, Africa, and the Middle East and valued for its strong and experienced military forces and intelligence services, Algeria has emerged from the international isolation that it suffered during its civil war as a focal point and a source of confidence for Western powers increasingly concerned with the growing phenomenon of extremism in the region and terrorist threats in the Sahel. Consequently, Western powers have increasingly embraced Algeria as a bulwark of stability and urged it to take up a more prominent position and a more active regional stance in their campaign against Islamist militancy in the Maghreb, particularly in the aftermath of

the Arab uprisings.¹⁵ With Africa’s largest defence budget, which increased by 44 percent between 2010 and 2011 and a further 14 percent in 2013, reaching over \$10 billion, and an active military force of about 150,000 soldiers, the Algerian army has the capacity and knowhow to fulfil this role.¹⁶

The presence and circulation of many terrorist groups with the potential of destabilising the whole region remain a significant threat to Europe, the US, and their regional allies, Algeria and Morocco. The weakening of state authority and the breakdown of security forces in neighbouring countries have facilitated the growth of various militant groups derived from or linked to Salafi-jihadi organisations that have taken advantage of the instability to expand their areas of control. The regional context has also considerably changed with the reorganisation, continuing cross-border incursions, and internationalisation of armed Islamist groups, which have developed into complex organisations that combine religious ideology and criminal activities with growing links to international drug cartels. The threats posed by AQIM’s Sahel-based battalions and their affiliates prompted the United Nations Security Council to describe the area in March 2013 as an “arc of instability” that “if left unchecked, [...] could transform the continent [...] as a launch pad for larger-scale terrorist attacks around the world”.¹⁷

To face the challenges of Islamic militancy in the area, the Algerian army has adopted new tactics largely guided by increased regional co-operation, including with the US and European powers. Otherwise known as a fierce opponent of foreign intervention, Algeria has been deploying more troops on the borders with neighbouring fragile states Mali, Libya, and Tunisia, and it has authorised its forces to pursue jihadis within Tunisian and Libyan territory.¹⁸ Algeria also signed new security agreements with the US and the United Kingdom following the attack near In Amenas. Though it continues to oppose direct intervention from the West, it has welcomed indirect support from the US and is closely working with France, whose air force used Algerian airspace for its initial operation in Mali. Despite some feuds that are still playing out among Algeria’s internal circles over these matters, the two countries continue to co-ordinate.

¹³ Geoff D. Porter, “The New Resource Regionalism in North Africa and the Sahara”, Sciences Po/CERI, July 2013, available at <http://www.sciencespo.fr/ceci/en/content/new-resource-regionalism-north-africa-and-sahara>. See also Hannah Armstrong, “The In Amenas Attack in the Context of Southern Algeria’s Growing Social Unrest”, CTC Sentinel, February 2014 Special Issue, Vol. 7, Issue 2, available at <https://www.ctc.usma.edu/wp-content/uploads/2014/02/CTCSentinel-Vol7Iss2.pdf>.

¹⁴ “Algeria’s election: The old man won’t go away”, the *Economist*, 19 April 2014, available at <http://www.economist.com/news/middle-east-and-africa/21600977-ageing-president-looks-set-to-remain-in-charge>.

¹⁵ Former US Secretary of State Hillary Clinton, British Prime Minister David Cameron, French President François Hollande, European Commission President José Manuel Barroso, and US Secretary of State John Kerry have all visited Algiers since the outbreak of the Arab uprisings, demonstrating their recognition of Algeria as a crucial ally. French Foreign Minister Laurent Fabius’s visit to Algiers on 9 June 2014 highlighted their shared security and economic concerns.

¹⁶ According to the Stockholm International Peace Research Institute, Algeria became the first country in Africa with military spending and ranked sixth in the world for arms imports in 2008–2012. See “The Top 20 Arms Importers, 2008–2012”, Sipri, available at http://www.sipri.org/googlegmaps/2013_of_at_top_20_imp_map.html.

¹⁷ Yonah Alexander, “Terrorism in North Africa and the Sahel in 2013”, International Law Institute, January 2014, available at <http://www.potomac-institute.org/attachments/article/2652/Terrorism-in-N-Africa-and-Sahel-24Jan2014.pdf>.

¹⁸ The Algerian government did not welcome the Libyan revolution, was wary of the risks of regional destabilisation, and had from the outset identified the Libyan revolutionaries as extremist Islamists. It also abstained during the vote on the Arab League resolution that paved the way for the passing of UN Resolution 1973, which authorised NATO intervention.

Algeria has also stepped up its engagement with various regional and international initiatives and groups that provide a forum for co-operation on counterterrorism. For example, it is part of the Trans-Saharan Counterterrorism Partnership, the US initiative established in 2005 that combines efforts by both civil and military agencies to combat terrorism in trans-Saharan Africa. Algeria has also become a crucial interlocutor, participating in the Bilateral Contact Group on Algerian-American Counterterrorism and Security Cooperation put in place in 2011 and in which both countries regularly examine the evolution of terrorist threats at home and at the international level. And it, along with Morocco, is part of the US Strategic Dialogues that were launched in late 2012.

Initially reluctant to entangle itself in regional issues, Algerian policymakers and the security establishment now see it as key to the stability of their country. Algeria played a major role in the creation of the Joint Operational General Staff Committee, established together with Mali, Mauritania, and Niger in 2010. It is a founding member of the Global Counterterrorism Forum in which it plays a leadership role advocating a strict “no concessions” policy with regard to individuals or groups holding hostages. With Tunisia, it has been conducting joint security operations along the shared border and, in co-operation with Libyan authorities, it has increased its involvement in the fight against illegal trafficking. Both Tunisia and Libya in particular have welcomed Algeria’s strategic support and acknowledged its necessary and unavoidable involvement in regional security.

Precisely because Algeria has become so essential to the security of the region, however, its Western partners have been reluctant to press the regime on other issues of importance that relate primarily to democracy and human rights. Even though both the US and the EU have acknowledged the negative implications of these persisting flaws on the country’s domestic stability, they have continuously underlined the high stakes they have in Algeria as a security partner for the region. At each turn, this element of their relationship has taken precedence, but the short-sightedness of this policy favours immediate security assistance at the expense of long-term domestic stability and security.

Is Algeria a reliable gas pivot for Europe?

Immediately after his election as president in 1999, Bouteflika began to revive Algeria’s foreign policy – a domain he had been in charge of for years under Houari Boumediene – by expanding the country’s international relationships and restoring its tarnished image after the bloody civil war. Bouteflika prioritised Algeria’s relationships with its European neighbours and, as a result, EU–Algerian relations have notably improved. This shift has very much been in the interest of the EU as well, given that Algeria’s economy is the richest in the Maghreb and its population of 38 million represents a growing and attractive market for European

exports. Yet Europe also faces competition from Algeria’s newer partners Brazil, India, Turkey, South Korea, and China, the last of which has overtaken France as Algeria’s biggest source of imports.¹⁹ But the EU remains Algeria’s largest trading partner, accounting for half of Algerian international trade (54.1 percent). Total trade between the EU and Algeria, linked by an Association Agreement in force since 2005, increased by 5 percent per year on average between 2008 and 2012 and amounted to €54.18 billion in 2013.²⁰

Algeria is also a crucial energy provider to the EU and, as its third-largest supplier of natural gas after Russia and Norway, finds itself implicated by the crisis that has pitted the EU against Russia over the Ukrainian situation.²¹ The European market absorbs over 80 percent of Algeria’s gas exports, which meet 15 to 20 percent of the EU’s gas needs. Algerian pipeline gas reaches Europe via three main routes: the TransMed pipeline running from the massive Hassi R’Mei field to Italy via Tunisia and Sicily; the Maghreb-Europe pipeline running via Morocco into Córdoba, Spain; and the more recent Medgaz pipeline (opened in 2011), running directly from Algeria’s Béni Saf port to Almería, Spain.

Algeria’s importance as a reliable supplier has been more openly acknowledged since the crisis between Ukraine and Russia, which underscored Europe’s dependency on Russian natural gas, the EU’s single largest supplier. It has also raised the spectre of supply disruptions for Europe since Ukraine serves as an important transit route for Russian natural gas deliveries to the continent.²² In this new context, the European Commission is devising an emergency plan to further reduce the EU’s gas dependency on Russia by focusing its efforts first on those EU countries that are 100 percent dependent on Russian energy, such as Latvia and Estonia. The plan will “concentrate on strengthening the resilience of the countries of the whole region against possible interruptions in the supply through a range of available instruments: diversification, fuel switching, the immediate increase of energy efficiency, development of key infrastructure and filling up of storages”.²³ The European Commission is also exploring new gas ties with Mediterranean countries such as Israel, Greece, and Cyprus, as well as identifying new sources

¹⁹ *Foreign trade statistics*, National Agency of Investment and Development, available at <http://www.andi.dz/index.php/en/statistique/bilan-du-commerce-exterieur>.

²⁰ See the European Commission on Trade, Algeria, available at <http://ec.europa.eu/trade/policy/countries-and-regions/countries/algeria>.

²¹ With 98.2 percent of EU imports from Algeria in 2013 being fuel and mining products, Algeria ranked as the EU’s third-largest energy provider in 2013, at a value of €31.2 billion. EU exports to Algeria are dominated by machinery and transport equipment (35.8 percent), agricultural products (16.3 percent), chemicals (13.1 percent), and iron and steel (10.5 percent). See the European Commission on Trade, Algeria, available at <http://ec.europa.eu/trade/policy/countries-and-regions/countries/algeria>.

²² “Russia threatens to cut off gas to Ukraine”, Al Jazeera English, 16 June 2014, available at <http://www.aljazeera.com/news/europe/2014/06/russia-threatens-cut-off-gas-ukraine-2014161605957889681.html>. “The EU imports 53% of its energy supplies; 42% of natural gas imports and 33% of oil imports come from Russia. Of this, roughly 15% of all imported gas enters by pipes that pass through Ukraine”. See Jared Brow, “Policy Briefs: European Energy Security in Light of the Ukraine Crisis”, International Security Information Service Europe, 3 July 2014, available at <http://isisurope.wordpress.com/2014/07/03/policy-briefs-european-energy-security-in-light-of-the-ukraine-crisis/> (hereafter, Jared Brow, “Policy Briefs: European Energy Security in Light of the Ukraine Crisis”).

²³ Agata Loskot, “How the EU should deal with the Ukraine gas crisis”, Energy Post, 17 June 2014, available at <http://www.energypost.eu/eu-deal-ukraine-gas-crisis/>.

of natural gas in the North Sea.²⁴ Another idea put forward to help increase the resilience of Europe's energy market is to build more terminals for liquefied natural gas along Europe's shorelines in order to receive greater supplies from Qatar and the US.

Decarbonisation and increased energy efficiency have long been main features of European energy strategies. Before the crisis in Ukraine, the EU had already taken measures to decrease its imports of Russian gas – managing to cut it down from 61 percent in 1995 to 34 percent in 2012 – by diversifying its sources and moving towards renewable energy.²⁵ But Russia's \$400 billion gas deal with China, the most important gas deal that Russia has sealed since the collapse of the Soviet Union, not only opens a mega-market to Moscow but also reinforces its ties with its eastern neighbour and strengthens its bargaining position with Europe. Signed on 21 May 2014, the deal reflects Russia's strained relations with the West in light of the Ukraine conflict and strengthened Sino-Russian relations.²⁶ However, beyond the rhetoric that Europe must end its energy dependence on Russia and pursue renewable resources instead, it remains to be seen whether all EU member states are prepared to act in a united fashion and if the EU energy policy can be expressed through one, and only one, European energy voice.²⁷

In the current environment of uncertainty that pervades the European gas market – in June, Gazprom cut off its energy supply to Ukraine due to unpaid Ukrainian debt – European leaders are looking to Algeria as the most reliable alternative source of energy for the EU and have engaged in conversations with the Algerian leadership to increase their energy co-operation. However, while analysts expect that the EU's dependence on gas imports will maintain its increasing momentum, relying too much on Algeria as a gas pivot arouses two main concerns. One is related to Algeria's growing ties to Russia, which have developed considerably since the 2000s and are based on a convergence of views on many international issues. Those European leaders who see Algerian energy as a possible alternative to Russia's should be aware that the Algerian leadership may not be persuaded to jeopardise its current links with Moscow.

The second concern is Algeria's decline in gas production since 2005. Not only have underinvestment in the sector and the absence of discovered reserves already reduced overall gas production, but due to the surge in domestic energy consumption, exports to Europe have been falling. At the same time, Algeria's growing population, better living

conditions of a new and wealthier middle class, increased government subsidies, and the lower cost of energy have seen an attendant rise in domestic energy consumption. It increased by more than 50 percent between 2002 and 2012, with the share of domestic consumption of natural gas increasing from 19 percent of production in 2005 to 29 percent in 2010 and continuing to rise by 9 percent yearly.²⁸ The imbalance between production and growing domestic consumption has already reduced Algerian natural gas exports. In 2013, Algeria exported less than 47 billion cubic metres of natural gas although it had projected to export 65 billion cubic metres. Experts are predicting that by 2030, in order to generate the 42,000 megawatts of energy needed to power the country, Algeria will end up consuming everything it extracts. So not only will Algeria not be able to meet its export obligations, it could soon become a net hydrocarbon importer.²⁹ At this stage, the only way that Algeria can become a more significant natural gas producer and exporter is if its shale gas resources turn out to be much greater than its conventional reserves and can also be developed alongside its conventional resources. In March 2013, Algeria passed a new set of amendments to its hydrocarbon law to include shale gas, and the government has allowed shale explorations that will likely be conducted with France's co-operation. Even if shale resources are discovered, because of growing demand and lack of development, Algeria would not seem a good bet to take on more of Europe's energy needs in the medium term.

Beyond short-sighted stability policy

In the context of a stronger EU–Algeria relationship moving forward, analysts have recommended that EU member states urge Algeria to undertake the much-needed structural changes in the face of the country's increasing domestic socio-economic and political challenges. At the same time, they have underscored the short-sightedness of Europe's stability-orientated policy, especially for not taking into account the cumulative implications of the Algerian regime's human rights and other abuses.³⁰ However, a fundamental complication to a more multi-faceted European policy that aims to also influence the regime on highly sensitive issues such as political reform and human rights is insufficient leverage.

²⁴ Vanessa Mock, "EU Outlines Plans to Wean Itself Off Russian Gas", the *Wall Street Journal*, 21 May 2014, available at <http://online.wsj.com/news/articles/SB10001424052702303749904579576202109595712>.

²⁵ Carole Nakhle, "How Europe freed itself from relying on Russian gas", *World Review*, 16 May 2014, available at <http://www.worldreview.info/content/how-europe-freed-itself-relying-russian-gas>.

²⁶ Under the deal, Gazprom will supply China National Petroleum Corp, China's largest oil company, with up to 38 billion cubic metres of gas a year for 30 years, beginning in 2018. See Remi Piet, "Russia-China energy deal: Geopolitical tectonic shift", *Al Jazeera English*, 17 June 2014, available at <http://www.aljazeera.com/indepth/opinion/2014/06/russia-china-energy-alliance-ge-201461765254926525.html>.

²⁷ Jared Brow, "Policy Briefs: European Energy Security in Light of the Ukraine Crisis".

²⁸ Yahia H. Zoubir and Ahmed Aghrout, "Algeria's Path to Reform: Authentic Change?", *Middle East Policy Council*, Summer 2012, Vol. XIX, No. 2, available at <http://mepc.org/journal/middle-east-policy-archives/algerias-path-reform-authentic-change>.

²⁹ Lahcen Achy, "Algeria Needs More Than Hydrocarbon Law Amendments", *Al-Hayat*, republished in *Carnegie Endowment for International Peace*, 22 January 2013, available at <http://carnegie-mec.org/2013/01/22/algeria-needs-more-than-hydrocarbon-law-amendments/t4g>.

³⁰ Hakim Darbouche and Susi Dennison, "A 'Reset' With Algeria: The Russia to the EU's South", *European Council on Foreign Relations*, December 2011, available at http://www.ecfr.eu/page/-/ECFR46_ALGERIA_BRIEF_AW.pdf; Daniela Huber, Susi Dennison, and James D. Le Sueur, "Algeria After the Arab Spring: Vindicated Model or Regime on the Rocks?", in *Algeria, Three Years After the Arab Spring*, *Mediterranean Paper Series*, German Marshall Fund of the United States, January 2014, available at http://www.gmfus.org/wp-content/blogs.dir/1/files_mf/1391100506HuberEtAl_AlgeriaThreeYearsAfter_Jan14_web.pdf; Werenfels, "The Risks of Playing for Time in Algeria".

There are many reasons why Europe lacks critical leverage to weigh in on the Algerian regime. To start with, unlike its neighbours Morocco and Tunisia, Algeria has always had a rather antagonistic relationship with the West. This is in part due to Algeria's decision to align itself with the USSR after it gained its independence from France, but also because of France's colonial past in the country and Algeria's successful but costly revolution against it, which still weigh very heavily on their relationship. Likewise, *le pouvoir* still resents other European powers for their lack of support during the civil war; this is compounded by the EU's accommodation of exiled Islamists who sought refuge and asylum in EU member states.

History aside, the Algerian government also considers its independent and multifarious foreign policy somewhat and often incompatible with the EU's proposals for co-operation. So while other countries are developing and strengthening economic relations with Algeria and foreign companies are securing many deals with Algerian counterparts, the EU is still hoping and waiting for an improvement in the business climate before engaging more fully. At the same time, many European investors remain very wary of the 51/49 rule, which was enacted in 2009 and dictates 51 percent Algerian ownership of foreign investments. Yet although Algerian authorities are very frustrated by the low inflow of FDI or European businesses, they will only adopt measures based on their own domestic priorities and at their own pace.

This is in part due to the fact that Algeria doesn't necessarily have to cater to the needs of other countries. With more resources than its neighbours, Algeria is not persuaded by the financial incentives that influence Morocco or Tunisia, for instance. This has not only deprived the EU of a key source of leverage, but economically speaking it has meant that Algeria is free to pursue bilateral relations on its own terms with any country it pleases, even those with which it has no historical or previous commercial links.

Despite improved relations in recent years, Algeria's attitude towards the EU in general continues to be one of caution and sometimes distrust, particularly with regards to EU criticism of human rights abuses and democracy promotion. As far as the Algerian leadership is concerned, the EU embraced and supported far more authoritarian Arab regimes for decades; Algeria should be the least of its concerns.

With limited leverage, the EU has been slow to react to Algeria's mounting challenges and still lacks a proactive and comprehensive strategy to address them. This has on the one hand allowed the US to dominate the West's relationship with Algeria, ultimately at the expense of a more balanced EU approach that incentivises domestic reform in service of genuine long-term stability while also co-operating on regional security. On the other hand, it indicates to Algeria the EU's willingness to continue to accommodate the current regime despite fundamental disagreements with some of its domestic policies.

Indeed, as long as Algeria is fighting terrorism, stopping migrants, and providing energy, EU co-operation with Algiers will remain limited to their joint interests. However, the EU should not ignore the possibilities for change that lie with the Algerians themselves, whose growing political and economic demands could seriously challenge the status quo. In fact, given the EU's positive image among most Algerians, it should consider investing more in civil society and supporting groups or organisations working towards more democracy, education, or women's emancipation.³¹

On the domestic front, Bouteflika's re-election, highlighted by an unprecedentedly low turnout, underscores the Algerian population's loss of confidence in its leaders. While it seems to have prevented any rotation of power and managed to secure the status quo, Bouteflika's re-election is nevertheless seen as the mark of the regime's decay and its incapacity to offer any serious prospects for significant political and economic changes. Also, although it is too early to evaluate the possible effects of the proposed constitutional amendments, the initiative seems to offer cosmetic changes rather than the real and needed structural ones and looks like another attempt to accommodate the inner circle rather than fundamentally change policies. The understandable scepticism with which the constitutional reform has been met stems not only from an opposition that has yet to produce any results, but also from large segments of the population (even from those who voted for Bouteflika) that are tired of endless transition in which the players and the policies are the same and fatigued with amendments that may look good on paper but do not constitute the appropriate response to the country's ailments.

Because of their economic benefits and security interests, Western allies are willing to accept the Algerian status quo and even close their eyes to human rights abuses. Although US and European support for Algeria's economy and security is very important, it should nevertheless not be construed as implied support for the regime that the latter can use to further solidify its grip on power. Algeria's allies in Europe should know that the Algerians have a long memory; should the post-independence generation achieve the long-awaited regime change, it will not forget who supported their endeavours towards democracy and who supported the regime.

³¹ According to a survey conducted in December 2013–January 2014, 64 percent of Algerians feel that the EU is an important partner and 61 percent believe that the EU and Algeria share sufficient common values. See "Algerians very positive about EU ties and situation in their country", EU Neighbourhood Info Centre, 19 May 2014, available at <http://www.empi-info.eu/medportal/news/latest/37239/Algerians-very-positive-about-EU-ties-and-situation-in-their-country>.

About the author

Mansouria Mokhefi is Special Advisor for Middle East and North Africa at Institut français des relations internationales (IFRI) and teaches at New York University in Paris. She holds a master's degree from New York University and a doctorate in international relations from the Institut d'études politiques at Sciences Po in Paris. She co-edited, with Alain Antil, the book *Le Maghreb et son Sud* (2012, CNRS editions).

Acknowledgements

ECFR extends its thanks to the governments of Norway and Sweden for their ongoing support of ECFR's Middle East and North Africa programme.

ABOUT ECFR

The **European Council on Foreign Relations** (ECFR) is the first pan-European think-tank. Launched in October 2007, its objective is to conduct research and promote informed debate across Europe on the development of coherent, effective and values-based European foreign policy.

ECFR has developed a strategy with three distinctive elements that define its activities:

- **A pan-European Council.** ECFR has brought together a distinguished Council of over two hundred Members – politicians, decision makers, thinkers and business people from the EU's member states and candidate countries – which meets once a year as a full body. Through geographical and thematic task forces, members provide ECFR staff with advice and feedback on policy ideas and help with ECFR's activities within their own countries. The Council is chaired by Martti Ahtisaari and Mabel van Oranje.
- **A physical presence in the main EU member states.** ECFR, uniquely among European think-tanks, has offices in Berlin, London, Madrid, Paris, Rome, Sofia and Warsaw. Our offices are platforms for research, debate, advocacy and communications.
- **A distinctive research and policy development process.** ECFR has brought together a team of distinguished researchers and practitioners from all over Europe to advance its objectives through innovative projects with a pan-European focus. ECFR's activities include primary research, publication of policy reports, private meetings and public debates, 'friends of ECFR' gatherings in EU capitals and outreach to strategic media outlets.

ECFR is a registered charity funded by the Open Society Foundations and other generous foundations, individuals and corporate entities. These donors allow us to publish our ideas and advocate for a values-based EU foreign policy. ECFR works in partnership with other think tanks and organisations but does not make grants to individuals or institutions.

www.ecfr.eu

The European Council on Foreign Relations does not take collective positions. This paper, like all publications of the European Council on Foreign Relations, represents only the views of its authors.

Copyright of this publication is held by the European Council on Foreign Relations. You may not copy, reproduce, republish or circulate in any way the content from this publication except for your own personal and non-commercial use. Any other use requires the prior written permission of the European Council on Foreign Relations

© ECFR July 2014.

ISBN: 978-1-910118-10-8

Published by the European Council on Foreign Relations (ECFR),
35 Old Queen Street, London,
SW1H 9JA, United Kingdom

london@ecfr.eu