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A “RESET” WITH ALGERIA: THE RUSSIA TO THE EU’S SOUTH

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SUMMARY

There are striking similarities between the ways that Algeria and Russia have handled the EU, particularly since Abdelaziz Bouteflika came to power 12 years ago. Like Russia, Algeria is an important supplier of energy – in particular, natural gas – to Europe. As a result, it has traditionally enjoyed stronger relations with key member states, especially its energy clients, than with the EU as such. But Algeria’s current sense of vulnerability in a dramatically changing region presents a potential opening for increased European engagement and, over the long term, influence. It is important that the EU’s attention does not remain focused only on the other countries in the region that have been affected by the Arab revolutions in more obvious ways.

The EU is currently revising its European Neighbourhood Policy. But if Algeria does not engage fully with it, there is a risk that it could be isolated. However, the shifts currently taking place in Algeria and its neighbourhood create an opportunity for a “reset” in EU–Algerian relations. Such a reset could increase the EU’s ability to influence the course of domestic events in Algeria by using engagement to support economic modernisation and spread the rule of law. Over the longer term, as confidence builds on both sides, the EU could use a more functional relationship to increase its voice on the need for political reform.

Since Abdelaziz Bouteflika came to power 12 years ago, Algeria has in some ways acted like the Russia of the southern Mediterranean.¹ While Algeria is of course much smaller than Russia and does not have the same level of international influence, it sees itself as a regional power not just in the Maghreb, but also in the broader Arab world and Africa, and it expects to be treated as such by its partners. This has especially been the case since Bouteflika reinvigorated Algeria’s foreign policy, following almost a decade of international isolation, after he came to power in 1999. Furthermore, the notion of “sovereign” or “home-grown” democracy plays a significant part in how both Algeria and Russia interact with the EU’s normative agenda. Algeria often invokes its hard-learned lesson of democratisation in the 1990s as its own *acquis* in this area.

Like Russia, Algeria – the world’s fifth-largest exporter of natural gas – is also an important supplier of energy to Europe.² As a result, it has traditionally enjoyed stronger relations with key member states, especially energy clients such as Spain, Portugal and Italy, than with the EU as such. In Russia’s case, these energy ties have created “asymmetric interdependence” – in other words, a situation in which

¹ Hakim Darbouche, “Decoding Algeria’s ENP Policy: Differentiation by Other Means?”, *Mediterranean Politics*, 13 (3), 2008, pp. 371–389, available at <http://www.tandfonline.com/doi/abs/10.1080/13629390802386770> (hereafter, Darbouche, “Decoding Algeria’s ENP Policy: Differentiation by Other Means?”).

² Figures from the 2011 Index of Economic Freedom, The Heritage Foundation and the *Wall Street Journal*. The Heritage Foundation figures are available at <http://www.heritage.org/Index/Country/Algeria>.

the EU needed Russia more than Russia needed the EU³ – although changing gas market conditions in Europe and globally more recently have put Gazprom and other suppliers in a more defensive position.

However, although the EU currently has very limited influence over the course of events in Algeria, the Arab Spring has created an opening for the EU to engage. At the moment, the EU's attention is understandably focused on those countries in the Middle East and North Africa in which there have been revolutions or uprisings, such as Egypt, Libya and Tunisia. But if it leaves Algeria to its own devices, the EU risks missing the chance to promote lasting change in the country. As the EU revises its policy towards the southern Mediterranean as a whole, it has an opportunity to "reset" EU–Algerian relations.

This brief proposes that the EU take a more strategic approach to Algeria by focusing on what both sides can offer each other in the immediate future and by building up both sides' confidence in the partnership over the longer term. This could increase the EU's ability to influence the course of domestic events in Algeria by using engagement to support economic modernisation and spread the rule of law, while ensuring that Algeria does not slip back into isolation. Over the longer term, as confidence builds on both sides, the EU can utilise the more functional relationship to step up its calls for political reform.

Arab revolts and Algerian idiosyncrasies

At first glance, Algeria has been left relatively untouched by the Arab Spring. The largest country in Africa and the Arab world, Algeria is a nation with strong Berber, Arab and French linguistic and cultural influences. It is led by an autocratic regime, fronted since 1999 by Abdelaziz Bouteflika, which carefully balances the interests of leaders of the military and security services, business elites and the executive. The "Alliance présidentielle", which comprises the parties of the National Liberation Front (FLN), the National Rally for Democracy (RND) and the Movement for the Society of Peace (MSP), serves as a political front for this regime. Despite the fact that the Algerian government frequently argues that Algeria had its "Spring" in 1988 and that gradual reform has been underway ever since, this reform has done nothing to alter the balance of power in the state's upper echelons or to lead to greater enfranchisement of the populace. Controls on political parties and the media have remained in place to prevent any real progress towards pluralism, while corruption remains prevalent in all aspects of public life.

Human Rights Watch has said there were widespread human rights violations in 2011, including state control of broadcast media, restrictions on freedom of religious practice for non-Muslims, a lack of an independent judiciary, and impunity for

members of the security forces and Islamist armed groups for abuses committed during the internal conflict of the 1990s. Freedom House ranks Algeria as "not free".⁴ Neighbouring Tunisia and Libya have undergone momentous change in 2011 and Morocco has seen a protest movement grow steadily throughout the year and has made some advances towards reform. But apart from unrest in the capital, Algiers, at the beginning of 2011, there have been no mass protests in Algeria so far.

There are a number of factors that have so far guarded against Algeria undergoing any kind of radical change. First and foremost, the trauma of a decade of internal armed conflict between the military-backed government and various Islamist groups in the 1990s has left the Algerian people with a deep preference for stability, even at a high cost in terms of personal freedoms.⁵ Though people may express exasperation at the governance system under which they live, President Bouteflika himself is not widely unpopular, and his ability to restore peace and order to the country, and to rebuild Algeria's standing on the international stage, remains widely acknowledged.⁶ Second, even if a desire for political reform does exist, the limitations which Bouteflika's rule has placed on political freedoms – particularly freedom of assembly – and the fact that there is no genuine pluralism, means that there is no credible opposition either to hold the government to account or to present itself as a viable alternative, which mitigates the likelihood that Algeria will undergo radical change.

Finally, Algeria's hydrocarbon wealth means that the government has been able to buy social peace. With a nominal GDP of \$183 billion in 2010, whenever strike action is called by a particular sector, the Algerian government has had the means to literally buy the strikers off with a salary increase.⁷ The government approved a revised national budget in February 2011, which increased public spending for the rest of the year by 25 percent (or the equivalent of about \$25 billion) to cover social housing, increased public sector salaries, soft-loan facilities for the youth and basic commodity subsidies.⁸ The various sectors have demonstrated no real unity in the co-ordination of their strikes, and no overarching political demand has been formulated, which is unsurprising given the lack of credible opposition parties or civil-society organisations (CSOs) to do this. So, unlike in Tunisia, Egypt and even Morocco this year, the Algerian government has

⁴ Algeria scored 5 on a scale of 1 to 7 for civil liberties and 6 for political rights (where a lower score equates to greater freedom). See Freedom House, *Freedom in the World 2011*, available at <http://www.freedomhouse.org/template.cfm?page=22&year=2011&country=7982>.

⁵ Estimates of the number of people that died in the internal armed conflict vary from tens of thousands to over 100,000.

⁶ President Bouteflika was elected for a third presidential term, with over 90 percent of the vote, in a 2009 election that the government claimed had a 74 percent turnout. However, these figures were disputed by opposition groups who alleged widespread electoral fraud. See, for example, "Algeria's Bouteflika Re-Elected to 3rd Term", *Voice of America*, 10 April 2009, available at <http://www.voanews.com/english/news/a-13-2009-04-10-voa24-68799557.html>.

⁷ GDP data from Economist Intelligence Unit 2010 country data, available at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_161400.pdf.

⁸ See, for example, Hamoud Salhi, "Is Algeria immune from the Arab spring?", BBC News, 27 July 2011, available at <http://www.bbc.co.uk/news/world-africa-14167481>.

³ Mark Leonard and Nicu Popescu, "A Power Audit of EU–Russia Relations", European Council on Foreign Relations, November 2007, available at <http://ecfr.eu/page/-/documents/ECFR-EU-Russia-power-audit.pdf>.

been able to prevent this series of strikes snowballing into a larger protest movement by meeting the strikers' demands without jeopardising existing political structures. As a result, the protests have remained localised, usually beginning in Algiers and becoming more incoherent as they have moved further out into other provinces.

A restive population

Dig a little deeper, however, and one uncovers a state of affairs that is far from sustainable. Algerians feel totally disenfranchised and unable to identify with decision-makers – a mood reflected in the regular riots and high abstention rates in national elections that have marked the Algerian political landscape in recent years. There is also a widespread belief that the current ageing political regime cannot be the agent of change that Algeria so desperately needs. In January 2011, demonstrations in the streets of Algiers appeared to echo those taking place in neighbouring Tunisia. However, these demonstrations rapidly evolved into something that would be better described as riots – with a lot of looting and attacks on private property – rather than an uprising. After the anticipated resurgence of protest after the summer never materialised, the attention of the international community moved elsewhere.

However, a closer look at the nature of the protests that took place in Algeria reveals that, despite appearances, there are important shifts taking place in Algerian society. Those who took to the streets in January 2011 were largely motivated by socio-economic grievances, and in particular unemployment. While the country's overall unemployment rate stands at around 10 percent, 75 percent of those without work are under the age of 30. Consequently, with youth unemployment running at 24 percent in a nation with a very young population, this is a particularly explosive issue.⁹ Although the government has introduced policies to tackle unemployment, major structural issues that perpetuate the status quo mean these policies have had little or no impact.

The private sector is not nearly dynamic enough to generate sufficient and sustainable jobs. It is dominated by its oil and gas resources, which account for nearly 100 percent of Algeria's exports. The hydrocarbon sector, which is state-dominated, represents about 40–45 percent of total GDP and about two-thirds of budget revenues.¹⁰ The unemployment rate among those with tertiary education is above 20 percent (and 33 percent for women).¹¹ The country remains

highly dependent on an inflated public sector, which has traditionally been the main source of employment. In fact, private sector employment is not increasing relative to the public sector.¹²

The central demand for jobs that characterised the protests of early 2011 suggests that Algerians are increasingly questioning the current “entitlement society” model that has codified their relationship with the state, which trades largesse for freedoms. The status quo, in which the government subsidises goods and services in return for an acceptance of restrictions on the population's political enfranchisement, has been jeopardised by the overthrow of regimes in the region that offered far less. Although the threat of instability and insecurity still looms large for Algerians after the horrors of the 1990s, there is significant media discussion of what is being perceived as a shift in the public mindset, an approach that would see Algerians taking greater economic responsibility for themselves, rather than relying on government handouts, and a readiness to allow new, younger political forces to emerge in the country.¹³ The forthcoming legislative elections scheduled for spring 2012 are therefore viewed by some as a key indicator of whether the regime will make any concessions to public demands for a new political era for Algeria.

An insecure regime in an unstable neighbourhood

This latent discontent has certainly not escaped the notice of the Algerian government. President Bouteflika's regime is acutely aware of increasing expectation from both inside and outside the country for political reform, especially with the 50th anniversary of Algerian independence coming up in 2012. In February 2011, the state of emergency that had been in place for 19 years was lifted. In a speech on 19 March, Bouteflika hailed it as “the opening of a new page on the path of overall reforms ... which cannot be fruitful in the absence of political reforms.”

However, while the move responded to a longstanding demand of opposition and civil rights organisations, it remains unclear whether it will make any difference to the lives of ordinary Algerians. Besides the fact that the security provisions of the emergency law have since been replaced by more specialised counter-terrorism legislation, which puts the army in charge of all state security services in the fight against terrorism, the change has done nothing to curb the arbitrary power of the administration, which can still ban public gatherings, especially in Algiers, without being challenged by the judiciary. Just two days after the state of emergency was lifted, a demonstration organised by the CNCD (Coordination nationale pour le changement et la

⁹ CIA, *The World Factbook*, Algeria, 2011, available at <https://www.cia.gov/library/publications/the-world-factbook/geos/ag.html>.

¹⁰ Joël Toujas-Bernaté, “Algeria Should Reduce Reliance on Oil, Create More Jobs, Says IMF”, *IMF Survey Online*, 26 January 2011, available at <http://www.imf.org/external/pubs/ft/survey/so/2011/int012611a.htm> (hereafter, Toujas-Bernaté, “Algeria Should Reduce Reliance on Oil”).

¹¹ Mariangels Fortuny and Jalal Al Hussein, “Labour Market Policies and Institutions: a Synthesis Report: The cases of Algeria, Jordan, Morocco, Syria and Turkey”, *International Labour Office*, 2010, available at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_policy/documents/publication/wcms_161400.pdf (hereafter, Fortuny and Al Hussein, “Labour Market Policies and Institutions: a Synthesis Report”).

¹² Fortuny and Al Hussein, “Labour Market Policies and Institutions: a Synthesis Report”.

¹³ Cherifa K, “Marché de l'emploi: Lutte contre la précarité”, *El Watan*, 2 November 2011, available at <http://www.djazairress.com/fr/elwatan/345853>.

démocratie), the loose co-ordinating body for opposition groups involved in protest rallies in 2011, was broken up by police under the orders of the interior ministry.¹⁴

Nevertheless, the Algerian government appears to recognise that it is not immune to the winds of change that are blowing through its region and that it needs to show at least an appearance of openness to reform to satisfy the expectations of its citizens and the international community. It has watched dictators fall in Tunisia, Egypt and Libya, and is now closely following events in Syria – supporting the Arab League's suspension of Syria, and the adoption of sanctions, with an eye to what this means for other repressive regimes in the region. The neighbourhood looks very different now from a year ago, with Algeria facing the prospect of Islamist-dominated and reform-minded governments in its neighbours Tunisia, Morocco and Libya.

The Algerian government has put forward a package of reforms to its "organic laws", ahead of an announced constitutional change, which were drafted for the most part by the interior ministry and debated and approved during the autumn session of parliament.¹⁵ The proposed legislation concerns a number of areas that are of importance to democracy in Algeria, including electoral practice, party political rules, the regulation of CSOs, the role of women in public life, and the media. However, these measures are not far reaching enough to fundamentally alter the structure of the Algerian polity or to affect the balance of power between the different institutions thereby bringing the country a step closer towards genuine democracy. As a result, civil society in Algiers sees the package as, at best, an attempt by the government to see how little reform it can get away with to tide it over during a potentially difficult period. With elections for the legislative assembly planned for spring 2012, it appears unlikely that any changes could be implemented in time to significantly affect the parties and institutions involved in this process – although the government has indicated that at least four new parties would be legalised ahead of the election.

At worst, the package also includes some more worrying aspects that could hamper the development of a democratic society in Algeria. The CSO law, which received less attention within Algeria's legislative assembly, contains a number of problematic proposals including a tightening up of regulations affecting foreign investors in Algerian CSOs (the receipts clause) and also in the requirements imposed on CSOs to register and gain accreditation (the registration clause).¹⁶ Up to now, only a few CSOs have been in a position to deliver legitimate criticism of the government, and the

way in which these changes are implemented could greatly affect this valuable channel. Such amendments would also certainly impact the work of international bodies, including foreign governments, that provide funds to Algerian civil society. Close attention should be paid to the implementation of this legislation.

The main conclusion that can be drawn from reactions to the package of reforms to the organic laws in the legislative assembly is that no major change to the underlying dynamics of the Algerian political structure is imminent. In particular, President Bouteflika appears to no longer have the stamina and the political clout to push through major changes even if he really wanted to, in sharp contrast to his earlier years in power which saw a more proactive commitment from him in favour of structural reforms, resulting in a marked retreat of army involvement in politics and the consolidation of civilian rule within the presidency. The political parties representing the governmental majority in the Algerian parliament have shown a degree of activism not seen in the last decade, aimed at watering down any aspects of the reform package that affect them directly, including the stipulation that a third of candidates on a party list be female; the stipulation that ministers stand down three months before an election to ensure a level playing field for campaigning; and a proposal to ban elected members of parliament from switching between parties.

Expectations of change as a result of the forthcoming legislative elections in 2012 have also been low so far, and while the presidential elections in 2014 should result in a successor to Bouteflika being identified, to date no serious contenders to replace him have emerged, despite the president's apparent illness and reduced public profile since 2005. Consequently, the succession process also appears unlikely to impose major changes on the structure of Algeria's political society. If it can still get away with it, the regime will seek a replacement that functions within the existing system. So while there is pressure from both outside and inside the country's borders for political reform, this does not currently appear to have sufficient momentum to have a meaningful effect. Nevertheless, given the current circumstances and in spite of Algeria's sui generis experience, no one is able to rule out the possibility of a grassroots uprising in the country.

Algeria's strategic importance

Unlike many of its neighbouring countries, Algeria is hydrocarbon rich, and – unlike neighbouring Libya – has enjoyed a certain economic and political "stable instability" over the past 20 years, which has allowed it to consolidate its position as a reliable energy provider to markets in Europe, the US, the BRICs and beyond.¹⁷ In particular, it counts many

¹⁴ Djamel Belayachi, "Algeria's state of emergency: The more things change...", 3 March 2011, Afrik-news.com, available at <http://www.afrik-news.com/article19058.html>.

¹⁵ "Organic laws" are a form of legislation that sits just below the Constitution but above ordinary laws and regulations. They are aimed to elaborate and make operational certain constitutional provisions.

¹⁶ For more details on the CSO law, see a press release by a number of Algerian NGOs co-ordinated by the Euro-Mediterranean Human Rights Network (EMHRN), "Algeria: Review of the Proposed Legislation on Associations", EMHRN, 27 October 2011, available at <http://www.euromedrights.org/en/news-en/emhrn-releases/emhrn-statements-2011/10559.html>.

¹⁷ For more on the concept of "stable instability", see Hakim Darbouche, "Algeria's failed transitions to a sustainable polity: Coming to yet another crossroads", the Centre for European Policy Studies, 28 October 2011, available at <http://www.ceps.be/category/book-series/medpro-technical-papers>.

EU member states among its energy clients, including France, Italy, Spain, the UK, Portugal, Greece and Slovenia. Unlike other North African countries such as Morocco, Tunisia and even Egypt, Algeria does not really need European aid – although under the European Neighbourhood and Partnership Instrument it has been allocated around €172 million in 2011–2013. Thus, however much the EU might wish to see reform, it currently has far less influence over domestic issues in Algeria than in other countries in the southern neighbourhood.

Algeria's strategic importance is not limited to its energy resources. It is a major security player in its region, spanning the Maghreb, the Sahel and the western Mediterranean. Algeria heads a security dialogue with Mali, Mauritania and Niger, hosting regular, high-level security meetings that are focused on tackling Al-Qaeda in the Islamic Maghreb (AQIM) and that now also include the implications of instability in Libya for surrounding countries. Particularly since 9/11, Algeria's longer-term experience in tackling Islamist extremist violence at home has led to important co-operation partnerships with the US and a number of European powers, especially the UK, on counter-terrorism.¹⁸

Finally, Algeria stands out from its neighbourhood in terms of co-operation with the EU in the field of migration. As both a source country and a transit country for trans-Saharan migrants trying to find their way to the EU, Algeria's input is key to the EU's efforts to manage migration. However, while the migration relationship might be officially described as a key aspect of EU–Algerian relations, in fact the issue is largely a bilateral one. According to the ILO, around 85 percent of Algeria's expatriate community live in France, with around 8 percent living in other EU countries – notably Spain and Italy. As a result, the EU has far less leverage than it would like in efforts to manage illegal migration. For example, since 2001 Algeria has refused to negotiate seriously on a readmission agreement because of the implications of taking responsibility for returned non-Algerian migrants who had simply used Algeria as a transit country, and for fear of a popular backlash against the idea of Algeria playing the role of “policeman” for Europe.

As these three areas – energy, security and migration – highlight, Algeria is too important a partner for the EU to ignore. A major upheaval in Algeria could have serious economic, security and geopolitical repercussions. What is more, in the current climate, any political crisis could lead to greater military involvement in, if not total control of, the political scene, as was the case in the 1990s – an unwelcome prospect for many both at home and abroad. The EU should seek to play a more active role in encouraging the implementation of necessary changes in Algeria, including on issues of democracy and human rights. In addition, if the EU

genuinely wants to support the region's development after the Arab Spring, it needs to have Algeria on board. Given the resources it can invest regionally, and its role as a driver of regional policy, Algeria's co-operation would have a crucial impact. But the EU is currently not in a position to work very effectively with Algeria on either domestic or regional matters. EU–Algerian relations have reached a stalemate of sorts in recent years. Both sides go through the motions but neither side really believes that they are achieving what they should be from the status quo.

The EU and Algeria: a difficult partnership

Compared with its Maghrebi neighbours, Algeria has never really been able to accommodate the EU's policies in North Africa and the Mediterranean. But unlike other southern Mediterranean countries, this was never the result of antagonistic relations with the West. Rather, it was that Algeria's strategic self-perception and independent foreign policy were generally not compatible with the EU's proposals for co-operation. From the bilateral co-operation agreements of the 1960s to the Global Mediterranean Policy of the 1970s and the more recent European Neighbourhood Policy (ENP) and Union for the Mediterranean (UfM), Algeria stood out from its neighbours either by showing much less enthusiasm or by refusing to sign up to the EU's policies in the region. This has meant that, in Brussels, Algeria has had the reputation of being the EU's most difficult partner in the central Maghreb, though, if asked, decision-makers in Algiers would put this lack of convergence down to what they describe as the EU's “autistic” foreign-policy attitude – in other words, its failure in some cases to fully appreciate the interests and specificities of third countries.

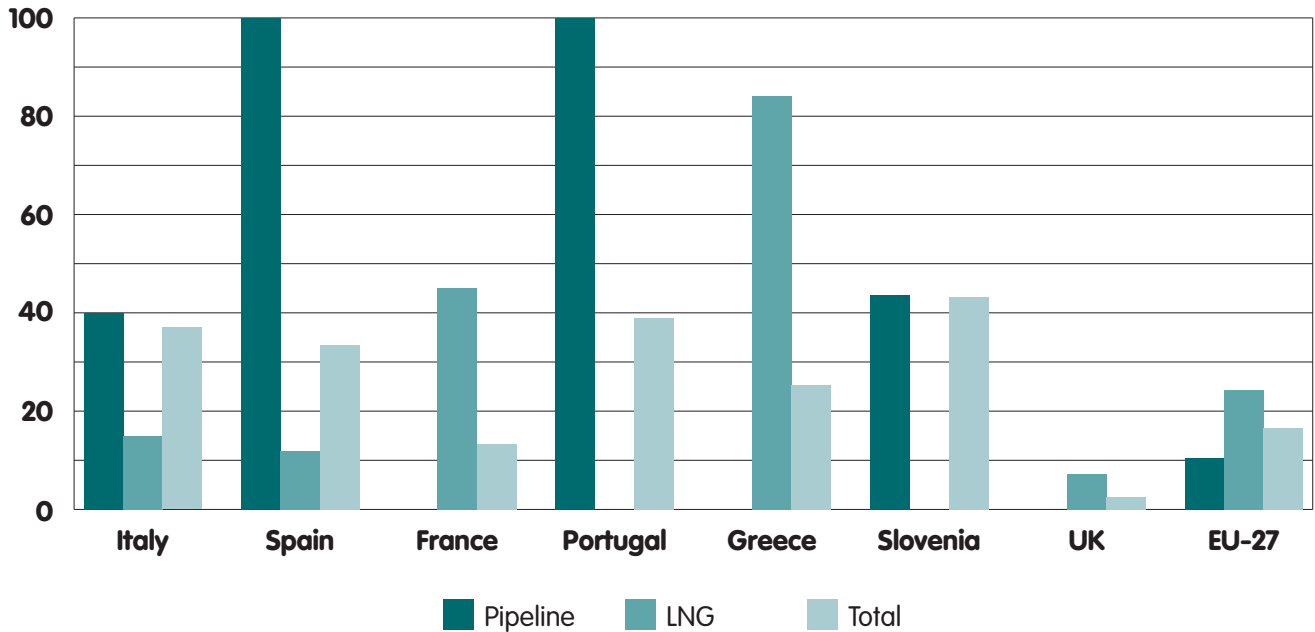
The Euro–Mediterranean Partnership (EMP) of 1995 proved to be an exception of sorts, in the sense that it was met with unprecedented enthusiasm in Algiers. But arguably, that was only because the embattled Algerian regime was feeling increasingly isolated at the time and saw in the EMP a timely diplomatic window of opportunity to try to win support for its struggle against the Islamist insurgency. By 2010, EU–Algerian relations had improved markedly on a political level, but Algeria was growing increasingly dissatisfied with the economic ramifications of the EU's Association Agreement both in terms of lost fiscal receipts from import tariffs and the lack of competitiveness of local industries. Seizing the occasion in 2010 of the fifth anniversary of the agreement's entry into force, Algeria asked the EU to renegotiate the implementation schedule of the bilateral free-trade area (FTA), seeking to extend by three years the initially stipulated 12-year transition period – an unprecedented demand for the EU in its relations with associated third countries.

The utilitarian thinking behind Algeria's attitude towards the EMP was thrown into sharper relief by its reactions to the introduction of the ENP in 2003 and the UfM in 2008. It again stood out by refusing to sign up to the ENP and adopt an Action Plan, and it only very reluctantly agreed to

¹⁸ In March 2011, the US and Algeria launched a “contact group” on bilateral counter-terrorism and security co-operation. For more information, see <http://photos.state.gov/libraries/algeria/401501/Pressreleases/Launch%20of%20the%20Bilateral%20Contact%20Group%20on%20Algerian-American%20Counterterrorism%20and%20Security%20Cooperation.pdf>.

Figure 1

Share of Algerian gas in 2010 EU imports



Sources: BP, Cedigaz and national sources

join the UfM at the last minute.¹⁹ By refusing to take part in the ENP, Algeria became the only southern Mediterranean country with an Association Agreement and the second country in the entire EU neighbourhood after Russia to do so. Like Russia, Algeria saw the ENP – and the UfM for that matter – as a Eurocentric policy that is prosaically narrow and paternalistic, whereas its expectation (also like that of Russia, to some extent) is of a co-operation model that is explicitly more strategic.

While the EU and Russia swiftly moved on after the latter's rejection of the ENP and began talking of a strategic partnership agreement instead, Algeria's position was seen in the EU as a mere projection of the country's new-found financial wealth. But this interpretation of the Algerian position is too simplistic. Indeed, Algeria's behaviour towards the EU has never been motivated by the financial incentives involved alone, as illustrated emphatically by its decision to suspend negotiations on the Association Agreement in 1997 even though the country was in a dire economic and financial situation. Rather, its motivation is to extract recognition commensurate with its regional and geostrategic importance. Because the EU misread Algeria's foreign-policy behaviour, it was never able to get any closer to Algiers or make significant inroads in promoting its own interests in the country.

As a result of this failure, Algeria's relationship with Europe has traditionally been limited to key bilateral ties with EU member states. Algeria is the EU's third-biggest supplier of gas after Russia and Norway, exporting over 50 billion cubic metres per year through pipeline connections to Italy and Spain and in the form of liquefied natural gas (LNG). More to the point, it is the largest supplier of gas to Italy and Spain, and of LNG to France and Greece, and it is an important exporter of LNG to the UK (see Figure 1). It is also the second-biggest supplier of gas to the smaller markets of Portugal and Slovenia. Because of their strong energy and economic ties, Italy, Spain and Portugal have traditionally been Algeria's closest partners in the EU. Algeria's relations with them are governed by friendship and co-operation treaties, which serve as frameworks for regular, high-level bilateral meetings.

Although relations with Spain have occasionally been affected by the spillover from the Western Sahara dispute, pitting Morocco against the Sahrawi nationalists of the Polisario, and Algeria's toxic relationship with Morocco, relations between the two have mostly been driven by objective interests. The absence of emotionally charged historical precedents with these countries and the perceived positive role they played in support of the Algerian regime in the 1990s are also important contributing factors.

The same cannot be said of France, however. Almost 50 years after Algeria gained its independence from France, in 1962, relations between the two countries continue to be marred by suspicion and paranoia. For all the deep cultural, social and economic ties between the two nations, successive

¹⁹ Hakim Darbouche, "Energising' EU-Algerian Relations", the *International Spectator*, 45 (3), 2010, pp. 71–83, available at <http://www.iai.it/content.asp?langid=1&contentid=72>

governments on both sides have failed to completely turn the page and firmly set relations on a forward-looking path. Attempts in the early 2000s to conclude a friendship treaty were torpedoed by calls in France for the glorification of colonialism and in Algeria for an official apology from France for its colonial past. The attitude of the French political and security establishment certainly does little to dispel the perception that Algeria – and indeed the rest of the Maghreb – is its *chasse gardée*. Thus, for a long time, the EU delegated its Algeria policy to France and many other member states trod very carefully when it came to dealing with Algeria for fear of stepping on French toes. However, with the reinvigoration of Algeria's foreign policy in the early years of Bouteflika and his insistence on the need to diversify partners within Europe and beyond, things began to shift in favour of more proactive involvement on the part of other member states in driving EU–Algerian relations, albeit often with deference to France's "special relationship" with Algeria.

The UK, for instance, began to take a noticeably different and more active interest in Algeria, driven mainly by its new security and counter-terrorism agenda in the wake of the events of 9/11 and the attacks of 7/7 in London. Growing interaction between the governments in both countries seems to have subsequently resulted in a better mutual understanding of priorities, paving the way for deeper commercial and military ties. Relations with Germany have also witnessed a marked improvement in recent years, with both governments concluding a €10 billion 10-year defence contract in 2011, which should among other things see the construction of armoured vehicles by German truck makers in Algeria. The private sector-led Desertec solar power initiative is also promising to enhance the commercial and economic ties between the two countries, with Algeria being central to any large-scale renewable energy project in the Maghreb.

The EU's new sources of influence

The shifts that are currently underway in both the southern Mediterranean region, and in Algeria itself, could give the EU new sources of influence on developments in Algeria. Algeria is currently concerned about instability in its neighbourhood. It now faces the prospect of Islamist-led (although quite different) governments in both Tunisia and Libya to its east and an Islamist government in Morocco to its west (relations with Morocco have been strained pretty much since independence, with the land border between the two countries closed since 1994). Faced with this rapidly changing environment, Algeria is trying to be more proactive, as illustrated by the high-level political and military meetings that took place in November–December 2011 between Algerian leaders and their counterparts within the Libyan National Transitional Council (NTC), Tunisia's Ennahda, and in the Moroccan, Mauritanian, Nigerian and Malian governments.

Libya, with whom Algeria shares an extensive border, is a particular concern. The British and French-led intervention represented something of a sore point with the Algerian government. Algeria is suspicious of foreign intervention in any circumstances, but today there is a particular worry in Algiers that European engagement in post-conflict reconstruction will be lacklustre. Algeria also faces a particular challenge in developing a relationship with the new government. The Algerian government miscalculated the way the tide was turning and refused to recognise the NTC until mid-September 2011, when the end of the Gaddafi regime was already a fact.

In this situation, sustained, visible and effective European engagement in the region could be important. However, if the EU is to give Algeria a sense that it is receiving support from north of the Mediterranean, it is critical that it does not leave Algeria feeling isolated. There is some risk that a broader engagement with surrounding countries, including through the revised ENP, with its focus on "more for more" in the region could have precisely this effect. As set out above, Algeria is not on a path of reform that merits greater EU support in this context, and neither does it need what Europe is able to offer in terms of aid and trade. In this sense, Algeria could still find it difficult to fit into the revised ENP, although it has reacted much more positively to the new policy than to the original ENP.

Algeria's concerns about stability at home may also give the EU potential leverage. While major changes to Algeria's political structure are unlikely in the short term, the government is nevertheless nervous about public disaffection with the status quo and about the way that this malaise is being reported in the international (particularly the French) media. Perhaps more crucially, the vulnerability of the Algerian economy could lead to serious changes in terms of the balance of power between Algeria and its commercial partners. Although Algeria is wealthy in comparison with the rest of the region, this belies an underlying instability. Algeria's heavy reliance on its hydrocarbon sector presents a number of challenges for its economic future.²⁰

For example, should international oil prices fall below a fiscally sustainable level and remain depressed for a prolonged period, Algeria would only have financial reserves to continue to fund its "entitlement society" social model for a few years. Already, the 2009 recession has depressed European gas demand to 2004 levels – the steepest contraction since 1970. This has left gas buyers in Italy and Spain, two of Algeria's biggest export markets, significantly over-contracted in volume terms in 2010. In any case, Algeria's proven reserves of *conventional* hydrocarbons will – at current levels of production – last for only another 40 years at most. Algeria urgently needs to diversify its economy: gas accounts for 25–45 percent of total Algerian

²⁰ Toujas-Bernaté, "Algeria Should Reduce Reliance on Oil".

hydrocarbon exports by value, 90 percent of gas exports go to Europe, and there is increasing competition from other gas suppliers and uncertainty over European gas market conditions in the longer term.²¹

Algeria has long argued that attracting international – particularly European – companies to the country is key to creating a more vibrant private sector and moving towards a position of economic sustainability for the future. Indeed, this was a major motivation for signing the Association Agreement in 2002. However, the Algerian government is now frustrated that the EU has not “delivered” much in terms of inflow of FDI or European businesses to Algeria. European governments, on the other hand, respond that there is little that they can do as long as the Algerian business climate does not improve. For example, a regulation requires ventures to be majority-funded by Algerian companies. Corruption, red tape and the unpredictability of the business environment also play a role in discouraging foreign investment.

Resetting EU–Algerian relations: aiming for strategic differentiation

Algeria’s new sense of vulnerability creates an opportunity for a “reset” in EU–Algerian relations. However, the reality remains that, under the current circumstances, Algerian decision-makers are more likely to introduce changes at their own pace and based on their own domestic priorities than as a response to outside pressure. In particular, the EU lacks not only leverage but also an adequate framework in which to exert it. The Association Agreement has so far served only as a technical tool for co-operation in largely non-politicised policy areas. Unless and until EU–Algerian relations are governed by an individualised framework taking into account the specificities of the dyad’s interests, Algeria will continue to give priority to its privileged bilateral relations with member states and the EU will struggle to extend any influence to Algeria, particularly on sensitive questions such as the need for political reform.

Though far from democratic, the Algerian regime remains relatively open and pluralistic compared to the former regimes of Mubarak, Ben Ali or Gaddafi, and indeed many of the regimes in countries east of Suez. Algeria will by default feel increasing pressure from the changes underway in its neighbourhood, but it will not necessarily become more susceptible any time soon to foreign government influence on its domestic political agenda. For the best part of his presidency, Bouteflika successfully reduced the role of the army in politics. His regime argues that it is now turning

its attention to the consolidation of pluralism through the reforms currently underway. These reforms are due to be implemented by early 2012, a timeframe that does not allow the EU any influence. But this should not be seen as a setback, as the issue of democratic rule in Algeria has hardly been about legal and textual provisions, but about institutional practices and the informality of decision-making processes.

The EU ought to play a more active role in Algeria, both as part of its efforts to reassert its position regionally, but also because of the inherent risks involved in leaving Algeria to its own devices. To do so, it needs to distinguish between short-term priorities and longer-term objectives. In the short term, the EU should focus on encouraging Algeria to at least hold free and fair legislative elections in spring 2012 – as President Bouteflika promised this year – and to legalise and allow the participation of as many parties as possible. Legitimate elections will go some way towards addressing Algerians’ feeling of disenfranchisement, which could pave the way for a smoother presidential succession process and more far-reaching reforms in the longer term.

The EU should also continue to speak out in its relationship with Algeria, just as with other nations, as part of a “transactional relationship” – not only, as has been the case so far, in the context of closed forums such as the Security and Human Rights sub-committee of the Association Agreement but also in more public contexts.²² It is crucial that the EU continues voicing concerns about serious violations, if these occur, in order to regain credibility as a normative actor in the MENA region and to avoid replicating heavily the relations it had with the Tunisian, Egyptian and Libyan governments before the Arab Spring. Although the EU cannot be seen to apply different standards to different countries in the region, this does not mean that it should not be pragmatic and apply different strategies in different cases in order to be effective.

The EU should also keep a close eye on the implementation of the revised organic laws and the role of the administration in this process – particularly the proposed changes to regulation of CSOs. It should take its lead from, and provide support for, the CSOs in Algeria that identify these changes as threatening and are actively campaigning to highlight the risks to their activities which these changes entail.²³ In addition, European embassies should speak directly to Algerian officials about concerns over proposed changes to the accreditation and regulation of CSOs that could make it very difficult for foreign funders, including European governments, to continue to support increased political openness and capacity building in the NGO community.

²¹ For more details on the challenges facing Algeria’s gas export strategy and energy sector more generally, see Hakim Darbouche, “Algeria’s shifting gas export strategy: Between policy and market constraints”, the Oxford Institute for Energy Studies, OIES Working Paper No. NG48, March 2011, available at <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2011/03/NG48.pdf>; Trevor A. Witton, “Europe–Algeria Energy Relations: Opportunities and Challenges”, *Mediterranean Politics*, 15 (1), 2010, pp. 91–97, available at <http://www.tandfonline.com/doi/abs/10.1080/13629391003644801>.

²² On the concept of a “transactional relationship” on human rights and democracy, see Susi Dennison and Anthony Dworkin, “Europe and the Arab Revolutions: a new vision for democracy and human rights”, European Council on Foreign Relations, November 2011, available at http://www.ecfr.eu/page/-/ECFR41_HUMAN_RIGHTS_BRIEF_AW.pdf (hereafter, Dennison and Dworkin, “Europe and the Arab Revolutions”).

²³ This strategy of “taking a lead” from domestic civil society demands is covered in more detail, as part of a broader post-Western human rights strategy, in Dennison and Dworkin, “Europe and the Arab Revolutions”.

In the longer term, the EU should be prepared to take the initiative and come up with a new approach based on a pragmatic consideration of what might be in the interests of both the EU and Algeria. The fundamental reason that the EU's current approach has not worked is because Algeria thought it deserved a more strategic approach on the part of the EU. While the EU's current approach may have worked with southern Mediterranean countries that are *demandeurs* of "more", it has not worked with Algeria. Take, for example, the idea of a strategic energy partnership between the EU and Algeria, which emerged in 2006. Algeria was very keen on the prospect of concluding such an agreement with the EU. But the proposal put forward by officials in Brussels was less strategic and more a reflection of the EU's obsession with norms, which meant that the idea never left the drawing board.²⁴

Only by putting a substantive, more strategic policy proposal on the table will the EU be able to improve Algeria's relations with Brussels, thereby gaining more leverage on questions on which it wants to have impact, such as political reform. The EU should therefore consider proposing a "differentiated partnership", based on the principle of "strategic differentiation", as a new framework for relations with Algeria. This would not only provide a vehicle to accommodate the interests of both the EU and Algeria, it would also help the EU send the message that Algeria is an important partner for the EU but one that is different from other countries in the region in the sense that it needs to be *incentivised* to reform. Initially, an EU–Algerian partnership could encompass four main policy areas, reflecting the current priorities of both sides: a political and security dialogue; an energy and economic co-operation partnership; a mobility agreement; and a research and education programme.

Political and security dialogue

Since Algeria is an important partner for the EU on regional and security policy issues, an institutionalised dialogue between Algiers and Brussels is key. On trans-Sahel-Maghreb security issues, for instance, Algeria has taken it upon itself to play a leading role in the region, given the counter-terrorism expertise of its security forces. Algeria maintains close links with several member states on these issues, but there has been relatively limited engagement with the EU on matters of foreign, security and defence policy despite the obvious potential benefits for both sides. Such a dialogue would enable Algeria to voice its views on certain foreign-policy issues in a more institutionalised way and provide the EU with a framework to involve Algerians in decision-making processes in as many areas as possible, making both sides feel able to "socialise" one another on issues of shared interest.

A political dialogue within a "differentiated partnership" would allow the EU to deal with Algeria on an equal footing – something Algerians tend to be rather sensitive about. As confidence on both sides builds, the partnership would encourage decision-makers to make the changes deemed necessary for the country in the longer term. These changes should focus on the strengthening of parliament and the judiciary, which are the heart of Algeria's democratic deficit.

Energy and economic co-operation partnership

This area could potentially be the main pillar of the EU–Algerian partnership. Energy has invariably been the backbone of Algeria's relationship with Europe, on both an economic and geopolitical level. As an important supplier of hydrocarbons to Europe, Algeria has the potential to play an equally important role as a source of solar-generated power supply in the future. In its World Energy Outlook for 2010, the International Energy Agency identified Algeria as the MENA country with the highest potential for solar power, an assessment based not just on irradiation levels but also the vastness of its sparsely populated desert regions. Furthermore, its central location in the Maghreb means that any large-scale, export-oriented renewable energy project in the region would ideally require Algerian involvement.

Despite its structural importance, the energy dimension is among the least institutionalised areas in EU–Algerian relations. Attempts to conclude a Strategic Energy Partnership have failed to materialise over the last five years, owing mainly to the insistence of the EU on a norm-focused approach. However, given that energy will continue to be the main driver of EU–Algerian relations, the EU should consider prioritising it as a potential pillar of the broader "differentiated partnership". In doing so, it should place less emphasis on regulatory convergence as the main focus of co-operation in this area and adopt a more project-based approach instead, with both the hydrocarbon and renewable energy sectors as targets. The scope for joint infrastructure and R&D projects between the EU and Algeria, combining European technical expertise and know-how with Algerian financial and human resources, is surely potentially substantial and should be the main driver of institutionalised energy co-operation between both sides.

The potential for a mutually more rewarding partnership on broader economic issues is also significant. By deepening its engagement on economic issues with the Algerian authorities, the EU should try to devise a tailored programme of support for the structural reforms Algeria needs to be able to improve its business environment and attract FDI. The problem with the economic dimension of the Association Agreement – which Algerian decision-makers blame for the failure to generate European FDI – is that it is heavily associated with free trade, which the Algerians see as favouring European interests at the expense of the Algerian economy. However, they need to accept that Algeria has to become a more

²⁴ Darbouche, "Decoding Algeria's ENP Policy: Differentiation by Other Means?"

attractive investment destination to be able to compete with the emerging economies.

By engaging more constructively with Algerian apprehensions about economic reforms and more open trade, the EU would stand to benefit in the longer term, given the size of the Algerian market, the opportunities for investment it potentially offers, and the centrality of Algeria for any pan-Maghreb market integration project. Greater predictability in the implementation of commercial regulations could also have significant broader implications for the spread of the rule of law more generally in Algeria – an EU priority area in which the EU and its member states are currently having little impact.

Mobility agreement

Over the last 60 years or so, migration has been a source of strong social and cultural bonds between Algeria and Europe, but it has occasionally caused friction and crises too. Since the 1990s, migration issues have become an extremely sensitive issue for Algerians, who say the strict visa and migration rules imposed upon them in the 1990s by European countries, led by France, are unfair. Even if many of those restrictions have over the last five or six years been eased and brought in line with those imposed on neighbouring countries, they have left a lasting mark on Algerians. This explains why migration and visa issues are still a recurrent feature of official Algerian discourse with the EU.

As part of its efforts to tackle illegal migration, the EU tried unsuccessfully to conclude a readmission agreement with Algeria. The Algerian authorities have so far refused to sign such an agreement, invoking the bilateral readmission agreements that Algeria has with a number of member states, and thus sees no point in signing another one with the EU. In reality, though, it could well be that Algeria considers the readmission agreement to be a bargaining chip, which it can use to wrest more concessions from the EU on broader migration issues.

A mobility agreement would be in the interests of both sides and could serve as a mechanism to resolve longstanding migration issues. It could on the one hand help the Algerians negotiate more tailored visa regimes, and on the other hand help the EU forge a more effective migration management policy – not just with Algeria but also potentially with the African Union, in which Algeria is an influential player.

Research and education programme

Among the Algerian diaspora in Europe are top researchers and scientists working in the most prestigious European institutions. Besides forming a natural cultural and social bridge between the two sides, this community is a valuable and as yet untapped resource. Considering the challenges of education, innovation and competitiveness that the Algerian economy faces, the EU could facilitate – through

an institutionalised framework – the contribution of the diaspora to the scientific needs of their country of origin through a two-way exchange programme for researchers and businesses. Doing so would, again, entail limited financial costs for the EU, but could potentially serve a multi-purpose agenda within the framework of a “differentiated partnership” with Algeria, creating synergies between research institutions on both sides, helping to diversify the Algerian economy in the long term, and acting as a starting point for a mobility partnership.

Conclusion

The events of the Arab Spring have confirmed two realities. First, the momentous transformation in the EU's southern neighbourhood that has been set in motion by the events of 2011 owes nothing to the plethora of dedicated programmes and policies that have been devised in Brussels over the last 40 years. Second, although Algeria shares many of the structural problems that pushed people to revolt in Tunisia, Libya, Egypt and Morocco, it stands out from its neighbours. The fundamental reason for this is that, in the space of 50 years, Algerians have experienced two major conflicts – the war of independence and the fight against the Islamist insurgency of the 1990s – which have cost the country dearly and left it suffering from a palpable sense of revolutionary fatigue.

This means, firstly, that although the EU is right to seek to adapt its approach to the southern neighbourhood, it needs to think outside the box. Secondly, the EU needs to take a different approach to Algeria than other countries in the region. To gain more leverage and convince Algerians that relations with the EU as such can be just as rewarding, if not more rewarding than bilateral relations with member states, the EU will need to take into account Algeria's specific priorities. These derive from its longstanding strategic self-perception, which can only be accommodated by a substantive new policy offer such as a “differentiated partnership”. The sooner the EU articulates a new strategic approach to its relations with Algeria, the more able it will be to influence developments in the country in the years to come.

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Acknowledgements

The authors would like to thank the many policymakers and analysts who provided helpful insights on this brief, including ECFR Council member Charles Clarke. Within ECFR, Anthony Dworkin, Daniel Korski, Daniele Marchesi and Nick Witney provided valuable comments on the text, Hans Kundnani excellent editing and Anthony Zielicki vital research support in both Algiers and London.

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© ECFR December 2011.

ISBN: 978-1-906538-46-0

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

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