

# **POWER COUPLE: HOW EUROPE AND ALGERIA CAN MOVE BEYOND ENERGY COOPERATION**

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## **SUMMARY**

- Algeria's president Abdelmadjid Tebboune is seeking to reinvigorate the country's role as a regional power, deal with instability in its neighbourhood, and boost its economy ahead of the presidential election in 2024.
- Russia's full-scale invasion of Ukraine has bolstered Algeria's standing as a key energy provider for Europe while complicating its security relationship with Russia, pushing Algiers to look for new security partners.
- Europe shares Algeria's concerns about instability in the region, where Russian influence is growing, and security and economic problems loom large.
- The range of overlapping interests between Europe and Algeria form the basis for a broad partnership that extends beyond energy cooperation to economic partnerships and foreign policy coordination.
- Such a partnership would not only help Europe meet its energy needs, it would also improve regional prosperity, weaken Russia's foreign influence, and make both parties more effective at stabilising the southern neighbourhood.

Algeria is back. After years of self-imposed withdrawal from international politics under the leadership of geriatric former president, Abdelaziz Bouteflika, Algeria now wants to reinvigorate its role as a regional power. But it is re-emerging amid heightened tensions with its rival Morocco and rapidly destabilising southern and eastern neighbours. The fallout of Russia's war on Ukraine is aggravating Algeria's domestic and international policy problems and forcing it to rethink the balance of its security partnerships. But the ripple effects of the war in Ukraine have also bolstered Algeria's standing as an energy provider that can help fill the gas gap as countries pull away from Russia. This energy opportunity, the imperative to help stabilise the region, and the desire for new security partners following Russia's degradation have catalysed the country's re-emergence on the global stage.

In many ways, this re-emergence could not come at a better time for Europe, which is confronting many of the same problems. The destabilisation of key countries in the Sahel and Maghreb regions, often helped by malign Russian involvement, is lessening Europe's influence in its southern neighbourhood while projecting security and economic threats across the Mediterranean. Meanwhile, efforts to respond to Russia's aggression against Ukraine are driving a new geopolitical contest for allies, spiking demand for new sources of energy, and limiting European countries' bandwidth to deal with other crises such as those emanating from the southern neighbourhood.

Given their aligning interests, there is great potential for a broad partnership between Europe and Algeria. For now, their partnership is largely limited to energy cooperation, though both Algerian and European actors are exploring how to build on these foundations. Over the past year, Algiers has hosted European Council president [Charles Michel](#), European commissioner for energy [Kadri Simson](#), and high representative for foreign and security policy [Josep Borrell](#). Alongside this, French president [Emmanuel Macron](#) and Italian prime minister [Giorgia Meloni](#) have led delegations to the capital to strengthen bilateral business, security, and political relationships. This year, Algerian president Abdelmadjid Tebboune is returning the favour: he [flew to Lisbon](#) in May and will travel to Paris and Rome for state visits in autumn.

Nevertheless, these relationships will likely grow slowly. Despite small developments, like Algeria's recent [vote](#) in the United Nations General Assembly in favour of a resolution labelling Russia's actions in Ukraine an "aggression", Algiers remains committed to its traditional policy principles such as non-alignment. It is also wary of moving beyond simple transactions with Europe because of scepticism about European intentions and a fear that a close partnership may weaken Algeria's own sovereignty. But Europe and Algeria need each other, and their gamut of overlapping interests creates the drive and opportunity to overcome historical mistrust and develop a mutually beneficial partnership.

By cooperating on shared policy interests from energy to security and regional politics, Europeans can finally forge a closer relationship with the North African giant, which can improve regional prosperity, strengthen European energy security, weaken Moscow's foreign influence, and make both parties more effective at stabilising the southern neighbourhood.

## The “new Algeria”: Tebboune under pressure

Tebboune took over the presidency in 2019 after a decade of upheavals in Algeria. Algiers built its post-independence foreign and domestic policies on core principles designed to maximise state control, leveraging energy sales to manage foreign relationships and placate the population; preserving the military's independence through balanced international partnerships; and mediating rather than intervening in regional affairs. However, this carefully preserved equilibrium was progressively rocked first by the Arab uprisings that shook the regional status quo, leaving Algiers more isolated and under pressure to reform, then by Bouteflika's illness in 2013, which paralysed internal governance and foreign policy, and finally by the oil price crash in 2014. These events conspired to provoke the Hirak in February 2019, a popular uprising that first mobilised against Bouteflika's bid for a fifth term in office and demanded the departure of the ruling elite and a transition towards more democratic governance. The Hirak eventually toppled Bouteflika's administration and initiated a fresh start. However, the regime managed to placate the protesters through greater youth inclusion, new elections, and constitutional amendments, while maintaining the status quo and post-colonial social system. The covid-19 pandemic, which prevented protesters from taking to the streets, then dealt a fatal blow to the Hirak movement.

Tebboune was ushered in as a consensus candidate by the regime to try to placate the Hirak and duly won the 2019 elections. Having secured power amid a tumultuous domestic and regional landscape, he has sought to use foreign policy as a vehicle to legitimise his rule to a disgruntled populace and a suspicious deep state. But almost four years after his election, Tebboune is still struggling to consolidate his place within the ruling system. With upcoming presidential elections in 2024, he is desperately trying to resolve lingering socio-economic grievances before they manifest in renewed social unrest and address the deep insecurities of Algeria's military establishment given the security threats surrounding the country and their increasingly problematic partnership with Russia. A partnership with European capitals, especially on the economy and foreign policy, would help Tebboune prepare his bid for a second term.

## Domestic dilemmas

Algeria's economic model is faltering despite high oil prices. The post-covid economic recovery was largely driven by these higher oil prices, but most of the proceeds went into replenishing Algeria's foreign exchange reserves and increasing public sector spending, while the broader economy remained diminished. Endemically high unemployment, which is officially recorded at 12 per cent and over 20 per cent for the youth was a key driver of the Hirak and remains a festering economic sore of post-covid Algeria. One of Tebboune's first directives after taking office was for his prime minister, Aymen Benabderrahmane, to increase public sector wages by 47 per cent between 2022 and 2024. Alongside this, Tebboune introduced a special unemployment allowance of around \$100 a month for unemployed youth. However, these salary increases and a high uptake of the youth unemployment benefit by almost 2 million people have supercharged the issue of global price inflation in Algeria. With inflation rates high at around 9 per cent since the end of 2022, and the reality likely much higher than official figures represent, these salary increases are being quickly devalued in real terms. To make matters worse, the government's protectionist strategy to ban all non-essential imports to allow Algeria to regrow its foreign exchange reserves has exacerbated the food and supply chain crises resulting from Russia's war on Ukraine. These measures provoked considerable public discontent, leading to the sacking of commerce minister Kamel Rezig and after the central bank began to enjoy healthier reserves at around \$66 billion in March, the policy was reversed.

Tebboune and his close allies at the ministries of interior, startups, and energy, seem progressively more anxious about the 2024 presidential elections. In 2019, Tebboune campaigned on 54 pledges largely focused on reclaiming Algeria's status as a regional power, but also developing and diversifying the economy. He claims to have accomplished the former as Algeria was elected to the UN Security Council in June 2023 and hosted the Arab League Summit in November 2022. But he has not been able to satisfy the economic anxieties of Algerians, which could be key to the 2024 elections. In December 2022, he blamed his government for failing to enact his economic reforms and in March announced a government reshuffle to redress governance problems and inefficiency across commercial and industrial sectors. Tebboune's stated goal is to boost Algeria's GDP above \$200 billion, provide 55,000 new jobs, and generate \$30 billion in non-hydrocarbon exports by 2027. His prioritisation of the economy can also be seen in the focus of his government reshuffle on certain institutions, including the ministry of industry. In addition to oil sales, Tebboune hopes to boost the economy by increasing foreign direct investment. His foreign policy push is thus a crucial part of his economic drive, and his new minister of industry Ali Aoun was quickly dispatched to Turin

as part of his plan to increase investment.

Tebboune also has to account for domestic rivals. Since Algeria's hard-won independence in 1962, the Algerian military has been cast as the nation's guardian against civil unrest and foreign threats. Traditionally, this allowed the army to retain foreign policy as its prerogative, in consultation with the president, who is the face of Algerian policy. Alongside this, the political capital that the military command accrued during and after independence has allowed it to control Algeria's strategic decision-making. The enduring tumult of the Hirak and regional instability mean that Tebboune's economic strategies will depend on the military's approval. Additionally, any recalibration of the country's geopolitical relationships will be the preserve of the military.

The military command is driven by two goals: avoiding a repeat of the Hirak and preserving its independence from governmental and popular scrutiny. Despite their different interests – for the president, growing his powerbase, and for the military, protecting its lions' share of state spending – the two institutions have historically cooperated. However, the fallout of Russia's war on Ukraine has undermined their respective interests, aggravating domestic socio-economic grievances and raising security concerns at a time when Algeria's leadership feels progressively threatened given deepening tensions on its borders, and an increasingly aggressive Morocco. Both the president and the military command may therefore have to break from their traditional doctrines and find new ways to compromise.

The war in Ukraine has also complicated this relationship given the military establishment's ties to Russia. Its intelligence and operational sides have had a close working relationship with the Russian military since the days of the Soviet Union. Algeria is Africa's highest spender on arms and Russian armaments make up about 73 per cent of its arsenal. By contrast, just 15 per cent of its arms come from Western partners including Germany and France, and the remainder come from China, Turkey, and other more marginal partners. Nevertheless, even before the war, the Algerian military had begun establishing limited working relationships with Western militaries, such as with the French military on technical and operational cooperation against common threats like terrorism. As such, a gulf is emerging between older officers who wish to preserve their Russian friendships and younger, more pragmatic officers who would like to build a closer relationship with Western militaries. [1] Russia's invasion of Ukraine and the wave of Western pressure it has solicited have now significantly undermined the utility of the relationship. Algiers has a firm non-alignment doctrine, but its continued relationship with Moscow despite the ongoing war and the recent arrest warrant issued by the International Criminal Court against Russian president Vladimir Putin could undermine this. Besides, Russia's travails to rearm itself suggest Moscow would be unable to cover any new Algerian purchases or resupply should Algiers find itself in conflict.

This situation makes Tebboune's position increasingly difficult, especially as the military command has not yet decided whether to back him for a second term. Given existential fears over heightened tensions with Morocco, uncertainty over Libya's future, and chaos across the Sahel, Algeria's military establishment will not abandon its relationship with Russia anytime soon and certainly not before securing long-term alternatives. Tebboune therefore needs to strike a difficult balance, demonstrating that he can protect legacy partnerships with Russia in the short term, as well as maintaining and strengthening ties with the West, all while putting forward a convincing economic agenda. The difficulty of this task was clear during his state visit to Moscow in June, during which he attended the St. Petersburg economic forum. On the margins of the forum, Tebboune advocated for Algeria's freedom from international pressure, saying that "Algerians were born free and will remain free in their decisions and actions," and praised Putin's "friendliness". These comments will help to ensure the military's trust, but this may come at a heavy price, as they are also likely to raise suspicions across Europe and in the United States.

## Algeria's place in an unstable neighbourhood

Meanwhile, destabilisation across North Africa and the Sahel, and a spree of accompanying foreign interventions, are complicating Tebboune's presidency and Algeria's foreign policy orientation. As a North African power with a self-proclaimed sovereigntist leader, Tebboune's Algeria has sought to break with the perceived passivity of the Bouteflika era and present strong positions on regional issues. But despite the rhetoric of regional leadership, Algeria's longtime regional absence reduced its influence and has made it unable to address regional challenges without international assistance.

Russia tends to side with Algeria on key regional foreign policy issues, such as protecting Palestinians' rights and supporting a UN-led process on Western Sahara. This is in part an attempt to protect its relationship with Algeria, but it also helps Moscow depict itself as an ally of the global south and a supporter of anti-imperialism among other Arab states, helping it to gain influence in the Middle East and North Africa. However, as the relationship with Russia becomes increasingly problematic, and with Moscow preoccupied due to its war on Ukraine and problems with the Russian private military company, Wagner – which managed the operations of Moscow's Africa policy – Tebboune is looking for other international partners.

In turn, the stability of North Africa and the Sahel is of strategic importance for Europe to retain and expand influence in the region and counter that of Russia, address security concerns like migration that arise from the instability, and explore investment opportunities

amid geopolitical competition.

Algiers' chief concern is the rising tensions with Morocco. The longstanding rivalry between Morocco and Algeria has historically centred on the disputed territory of Western Sahara, claimed by both Morocco and the indigenous Sahrawi people. Algeria backs the pro-liberation Polisario Front, which represents the Sahrawi people in the fight for the territory, and whose leadership and military wings are based in border camps in Algeria. The relationship deteriorated further when Morocco signed the Abraham Accords in 2020 in exchange for US recognition of Rabat's claims to Western Sahara. In August 2021, Algeria cut diplomatic ties with Morocco, with then Algerian foreign minister Ramtane Lamamra citing a lengthy list of "provocations" and "hostile actions" from Rabat. Despite some potential flashpoints, such as an alleged drone strike on Algerian trucks by Morocco near Western Sahara, the dispute has largely remained diplomatic thus far. However, the inability of the UN to find a sustainable and just solution to the conflict, the implicit support of Western actors like Washington, Paris, and the UN for Morocco, and the increasingly likely withdrawal of the UN peacekeeping mission as it struggles to resupply could ultimately push Morocco or the Polisario Front towards a military campaign in the hope of forcing a new status quo. Algeria's military command is currently contingency planning given the host of Polisario leaders based in Tindouf, while diplomatically, Algiers hopes its recent election to the UN Security Council will help to assert its position on Western Sahara.

Western partners have made it clear that any military escalation between Rabat and Algiers would have serious consequences given the threats it would pose to regional stability and European security.[2] Furthermore, the ongoing arms race between Morocco and Algeria may well discourage European investors, further endangering the prospects of regional economic development. This would compound existing socio-economic grievances that constitute a key driver of migratory flows to Europe. Deepening tensions have also increased the risk of further devolutions or of Europeans becoming collateral damage; as Spain discovered in March 2022 when Algiers recalled its ambassador and suspended a twenty-year friendship treaty over Madrid's endorsement of Morocco's autonomy plan for Western Sahara. The broad economic hit Spain received for being perceived to take sides should be considered a warning as the Western Sahara issue reheats under the stewardship of a new UN envoy.

European countries also share Algeria's concern about the crisis on its doorstep in Mali. The long-simmering internal conflict in Mali recently inflamed into a theatre of foreign power competition as the Wagner group entrenched. It is a competition that Russia seems to be winning as Wagner-driven disinformation capitalised on a trend of anti-French sentiment across the Sahel to further alienate Paris, leading to Macron's announcement in February 2022 of a full French withdrawal from Mali after nine years of a French-led counter-terrorism

mission in the country. Despite the military interventions of multiple allies, Algeria has always advocated a political solution and came the furthest in securing a settlement with its 2015 peace and reconciliation agreement between Malian authorities and rebel groups. However, successive coups in Mali in 2020 and 2021 and deeper strategic shifts due to other foreign interventions and the war in Ukraine have undermined that agreement and imperilled Algiers' vision of a post-crisis Sahel. Nevertheless, both the president and military command still believe the 2015 agreement to be the cornerstone to any future solution and are prioritising avoiding a formal division of Mali. To this end, Algiers is diverging from Russia's and France's security-centric approach and exploring socio-economic tactics towards securing a peace that could both stabilise their border and provide lucrative investment opportunities for Algerian and other foreign companies. For example, in February, Tebboune announced a \$1 billion development fund to finance projects for education, health, and water desalination in select African countries, giving shape to Algeria's policy of pursuing stability through development.

From a European perspective, Algeria's role in the Sahel is critical to ensure a return to constitutional order in Mali and fight terrorism and organised criminal groups, given its geographic proximity and deep sociopolitical links with the region. Algiers' involvement may also offer hopes of replacing Russian actors in the country with local actors who are willing to engage in a more constructive manner focused on peace and reconciliation rather than power politics. Previous security operations in the Sahel led by European capitals such as Paris and Berlin have been limited and are unlikely to generate support from local communities and authorities who lack trust in foreign actors.

Alongside these security challenges, complex political and economic problems are destabilising Algeria's eastern neighbours, Tunisia and Libya, with further consequences for Europe. Algiers' response to Libya's complex instability is similar to its approach to Mali, based on a strategy that seeks stability through development. Whilst Algiers believes in legislative and presidential elections as a sustainable route to that end, Tebboune has built a strong relationship with Libya's Tripoli-based prime minister Abdul Hamid Dbeibah, considering him a useful vehicle for Algerian investment as part of this development to stability nexus. There is also domestic consensus in Algeria that until elections are held, the safest option is to endorse the government with international legitimacy.

Finally, Tunisia's seemingly inexorable economic collapse under the problematic governance of its authoritarian president, Kais Saied, has given both Algeria and Europe considerable cause for concern. Tebboune has a close relationship with Saied, who has proven to be a useful force multiplier on regional diplomatic issues, for example publicly welcoming the head of Western Sahara's Polisario Front, Brahim Ghali, to an international trade conference



in Tunis in August 2022. In return, Tebboune has unapologetically supported Tunisia and Saied, insisting on firm respect for Tunisia's sovereignty. Despite this bromance, other Algerian policymakers, particularly within the military, are concerned about their neighbour's breakdown, including authorities' difficulties in managing a domestic high-level dialogue and their constant need for financial help. [3] They remain acutely aware of the many security and socio-economic risks that could develop should Tunisia collapse, and feel some diplomatic exposure given they are broadly considered to be Saied's main international backer.

Stability in Tunisia and Libya is also a worry for Europe, especially from a national security and border safety perspective. European capitals, particularly Rome, echo Algiers' security fears and are particularly worried about migration risks from North African countries to Europe via Italy. In fact, European countries recently disregarded Tunisia's democratic backsliding in favour of a stabilisation policy aimed at avoiding the local economy's collapse. Algeria is currently the main interlocuter for European countries when discussing the situation in Tunisia and given the strong institutional and personal relationships between Algiers and Tunis, it is a valuable partner when attempting to reach agreements with Saied and deepen cooperation with Tunisian institutions. This is also true in the case of Libya, where Europe is struggling to revive the electoral process without regional backing. Algeria has a vested interest in seeing Libya through the election process, as any further upheavals will have a direct impact on its national security. Europe therefore needs Algiers' support, contacts, and mediation efforts to ensure a clear and workable path towards elections.

## Post-Ukraine: Gas, guns, and diplomacy

Now dragging through its second year, Russia's war on Ukraine has transformed the Mediterranean space and geopolitics more broadly, and created opportunities for Algeria and Europe to work together.

One decisive consequence of the conflict was Moscow's weaponisation of gas in an attempt to coerce European countries into abandoning Ukraine. Algeria has a longstanding reputation in southern Europe as a reliable energy supplier in times of tumult. When the Arab uprisings affected Euro-Mediterranean cooperation, Algeria served as a safety valve on security and energy cooperation and ensured supply to Spain and Italy as the whole of North Africa fell into disorder. In 2022, Algiers therefore capitalised on this reputation and opportunistically offered to help fill the Russian gas gap, sensing the financial and diplomatic benefits. During that year, Algeria's national energy company secured new long-term contracts amounting to \$60 billion. Algeria quickly replaced Russia as Italy's main gas supplier through bilateral and multi-party agreements

and renewed energy partnerships with Spain despite differences. Both Algeria and European countries have used these new supply contracts as a springboard for more diverse cooperation. For instance, the Italian energy company Eni inked deals to transfer technology to Algeria's national energy company Sonatrach to help reduce the carbon dioxide emissions of its operations. In November, Sonatrach also signed an agreement with Slovenia's largest energy trader to provide 300 million cubic meters of natural gas to Slovenia per year via the Tunisia-Italy Trans-Mediterranean gas pipeline. Despite the small quantities, this amount will fulfil one-third of Slovenia's energy needs.

Algeria has also capitalised on liquefied natural gas (LNG) in addition to its existing pipelines. It is already increasing LNG exports, which rose to 2.8m tonnes between January and April 2023, up from 2.4m tonnes during the same quarter of 2022. Most of Algeria's LNG shipments between January and April 2023 went to European markets, such as France. France also signed a new 25-year contract with Sonatrach for the shared production of hydrocarbons and emissions reductions.

These deals helped Algeria's diplomatic resurgence into the Mediterranean: Algiers hosted more foreign delegations in 2022 than it did during the entirety of Bouteflika's last term in office, attempting to transmute energy opportunism into broader gains. In return, France hosted the first visit of an Algerian army chief of staff since 2006, alongside a military delegation, which resulted in the signing of a joint cooperation roadmap to strengthen military and security cooperation. Meanwhile, Algiers used its gas deal with Italy to initiate broader investments in renewables and industrial projects, including a ten-megawatt solar facility in south-eastern Algeria and car manufacturing. Tebboune used the prestige of these high-level meetings and their economic benefits to bolster his image as a strong successful leader in interviews with the local media. These deals also served as a counter-strategy against Spanish allegations that Algiers was playing Moscow's game after the invasion by refusing to reopen the Maghreb–Europe gas pipeline that runs through Morocco. (Algiers stopped renewing contracts for the pipeline in November 2021.)

However, it was not just Algeria that tried to leverage the new gas deals: some senior delegations of European and American officials attempted to use the talks to decouple Algeria from its longstanding military cooperation with Russia. [4] Algeria has traditionally maintained cold relations with NATO as part of its anti-imperialist, sovereigntist objection to foreign intervention. As such, its engagement with the Western military alliance is limited to its participation in the Mediterranean Dialogue. But Ukraine changed Algeria's stance towards Western militaries as it realised the need to procure equipment. While it tries to protect its relations with Russia using non-military means such as joint business forums and by encouraging private investments, Algeria is now trying to fulfil its security needs through

deals with other countries. In November 2022, Algiers quietly cancelled previously scheduled joint military exercises with Russia, and initiated talks with Italy and the United Kingdom over new arms deals. The government is also exploring the possibility of investing new gas revenues into joint ventures with European countries to develop key equipment like helicopters locally.

While it tries to lessen its military dependency on Russia, Algiers is seeking to leverage its position to gain independent gravity on the global stage, rather than simply developing a new dependency on Europe and the US. In November 2022 Algeria officially applied to join the BRICS, the economic group named after its members – Brazil, Russia, India, China, and South Africa – in what Tebboune described as an attempt to strengthen Algeria's foreign policy. A BRICS membership would allow Algeria access to the BRICS bank and help it to attract urban investments, which it could use to fuel its stability through development policy. In June, Algeria's finance minister began formal negotiations to join the BRICS new development bank in a bid to raise such funds.

But Algeria may be unable to balance such strong ties to BRICS with its relations with the West. For example, for Washington, boosting economic cooperation with China amid its ongoing geo-economic competition with Beijing could be read as a sign of strategic alignment. Indeed, during his visit to Russia, Tebboune spoke of the need to free Algeria's economy from the control of Western currencies, which could be understood as siding with Eastern partners against Western economic hegemony. Some US policymakers may overlook Algeria's links with Moscow and Beijing and aim to opportunistically secure American investments in Algeria, but others have already called for sanctions against Algeria for purchasing Russian weapons.

Ultimately, while there is scepticism in the US and Europe about Algeria's hardline, anti-imperialist stances and cozy ties with the east as it plays the field, the economic impact of BRICS in Algeria is still lagging behind that of Europe. Algeria's trade with China and India – the primary BRICS partners – amounted to about \$17 billion in 2021. By contrast, in 2022, Algeria was involved in almost €56 billion worth of commercial activities with EU member states. Moreover, despite having signed strategic cooperation documents with Beijing, Algeria's relationship with China remains largely economic and lacks the cultural and security foundations to extend it to a meaningful foreign policy rapprochement.

European countries, led by Rome and Paris, have opted for productive economic and security engagement to counter Russian and Chinese influence. Algiers' cozy ties with Moscow do not seem to affect this approach as European capitals are willing to tolerate these ties as long as there is a pathway for a deeper rapprochement with Algerian authorities. Given its existing

network of trade and relationships, Europe is well placed to be an effective development partner for Algeria. Through such a partnership, Washington and European capitals can hope to seduce the Algerian regime with the benefits of closer ties, while Algiers can also reassure Western capitals about its ties with Moscow. These policies can serve as cautious opening steps towards a closer relationship that ultimately benefits all parties.

## Stepping stones to a broader Europe-Algeria partnership

Europe and Algeria have a broad overlap of interests in fields from energy to security and geopolitics. Mirroring Algerian needs, European countries are interested in developing an energy partnership with Algiers and addressing regional security challenges to curtail influence from competitors like Russia. A better relationship and deeper partnership would help both sides. To achieve this, both parties need to work on establishing close cooperation in each area of mutual interest, from oil and gas to green energy and foreign policy, before they can connect the dots and transform transactional, limited partnerships into something that better resembles a deep relationship.

### Energy diplomacy

Europeans are seeking to diversify their energy sources by making multiple deals, helping providers export greater amounts, and reducing dependency on gas through green energy. Algeria, conversely, is in desperate need of greater and diversified energy sales to bolster revenues, service its international image, and improve the efficiency of its own energy infrastructure to better meet rising domestic demand. Europe should therefore build off the existing deals to create a new model of energy collaboration that could benefit both parties.

Sonatrach's CEO, Toufik Hakkar, aims to attract \$40 billion in investment by 2026 to improve exploration, production, and export capabilities. The company is therefore searching for additional agreements with European stakeholders. European governments and private stakeholders have an opportunity to work with Sonatrach and Algeria's energy ministry – which remain the first and main interlocutors for any new potential deals – to organise high-level delegations to this end. What is more, the existing deals between Algeria and France and Italy have shown that such energy deals can quickly become a foundation for further cooperation.

Algeria's need for investment provides an avenue for Europe to not only benefit from this production, but to ensure it is in line with Europe's green goals. Algeria's energy ministry hopes to distinguish itself from other providers and attract investment through its

commitment to renewables. Europe therefore has an opportunity to develop a local ally to make Algeria's energy evolution a green one. Green hydrogen could be invaluable for both Algeria's and Europe's growing energy demands. Algeria's minister of energy, Mohamed Arkab, has recently unveiled a plan to develop this field, envisaging exports of green hydrogen to Europe from 2030, which should eventually total 10 per cent of Europe's energy needs. Arkab may be grandstanding slightly with this vision, especially given Sonatrach's continued heavy focus on oil and gas, but it nevertheless represents a ready foundation for deepening European-Algerian green energy cooperation. In December, on the sidelines of the Algerian-German Energy Day conference in Algiers, Sonatrach signed a memorandum of understanding with the German gas company VNG AG for a 50-megawatt green hydrogen plant. With government support, similar agreements could proliferate. While the support of governments is crucial in this, improved company to company relations would also empower new actors, such as those managing Sonatrach or at the Algerian ministry of energy, thereby helping to broaden the base of relations between Europe and Algeria and move it away from overly formal, protocol-heavy meetings between senior officials. This will help induce familiarity between the two systems and therefore facilitate further cooperation.

With an understanding of local energy needs, European actors should step in as active designers and not mere beneficiaries of Algeria's energy policy. This approach will entail substantial sector investments from European oil and gas stakeholders to help Sonatrach with its exploration operations. With such investment, Europeans can also buy themselves the opportunity to work with Sonatrach to cooperatively develop a comprehensive plan to upgrade infrastructure and thereby increase Algerian LNG shipments, allowing for direct sales to more European countries. European governments, especially those that need Algerian gas but have not yet engaged, should be encouraged by Algeria's 2019 hydrocarbons law, which created new, more liberal regulations for concessions and foreign oil and gas stakeholders.

EU bodies could also play a major role in encouraging Algeria's energy transition. In November 2022, during the European Union-African Union summit, Brussels launched its Green Deal Initiative, an ambitious €3.4 billion investment plan to develop green energy in Africa. The EU should include Algeria in these plans to enable investment in renewables in the country and to set an example for new models of cooperation between Europe and the African continent.

## Broader economic partnership

Algeria's efforts to use Europe's energy needs to secure greater investment belies its more general need for greater foreign investment. Tebboune needs this to float the economic

diversification and growth to support the economy and garner popular legitimacy, particularly among the younger voter base. In 2022, Algeria passed a new investment law designed to facilitate international economic cooperation, which was trumpeted in meetings with French and Italian officials and with select European industrial companies to begin inducing investment. A broader European investment agenda in Algeria would have benefits for both parties. European companies could find fertile ground for new markets, which in exchange could help Algeria address its unemployment problem. For example, Fiat recently invested €200m in an Algerian partner to create a factory that would provide more than 2,000 jobs by 2026. Alongside this, Algeria could also prove to be a useful ‘nearshoring’ location for bigger European industry. To this end, European countries should include interested commercial actors in their Algeria delegations.

Europeans can also leverage other institutions such as the European Bank for Reconstruction and Development (EBRD), which Algeria joined as a stakeholder in 2021, to increase economic cooperation with Algeria. EBRD investment could help stimulate Algerian entrepreneurship and small and medium enterprises, which could then partner with European companies. Helping to grow the Algerian private sector with the EBRD and then providing it access to the single market could help further tie Algeria to Europe through a shared regulatory environment that facilitates ever closer economic cooperation. However, this would require further efforts by Algerian officials to reform the banking sector and speed up the digitalisation process, which will not be easy given the existing bureaucratic barriers, but remains feasible with the right political willingness and legal assistance.

Beyond helping Algeria, investing in Algerian entrepreneurship would increase European soft power and spin a web of relationships that could bring further benefits. During Macron’s visit to Algeria in August 2022, he announced the establishment of an Algerian-French incubator for young entrepreneurs, with further projects to link diaspora Algerians in Marseille and Paris with Algeria planned for Tebboune’s follow-up visit to Paris. Eventually, both presidents hope that Algerian cities can then twin with their French counterparts, thereby creating a platform to build relationships between local governments alongside local businesses. Encouragingly, Italy and the Netherlands are following the French example and initiating similar programmes. The EU could enhance these bilateral programmes through tools like the European Neighbourhood Instrument or the EU-Algeria 2005 association agreement, which is expected to be revised soon.

The EU and involved member states could use these bilateral programmes and the promise of closer economic cooperation to jointly push for further regulatory reforms, especially on issues like judicial independence and rule of law standards to ensure an adequate business environment for investors. As direct attempts to encourage democratisation would likely be

perceived as meddling and solicit an official and public backlash, Europeans should focus on limited concessions towards stability and the development of a new business mindset that could empower local democratic actors. Investments of this kind, the soft power they accumulate, and the broader relationship base it builds can then be a conduit for more productive discussions on sensitive topics like migration. Moreover, this soft power helps to push back the narratives of Europe's exploitation and neglect of partners that China and Russia use to grow influence, while creating a bulwark against Beijing's and Moscow's own encroachments into the southern neighbourhood.

Like cooperation on energy, the EU can help facilitate investments. Given its prominence as a major player and partner in the southern neighbourhood, Algeria should be a primary target of the EU's new Global Gateway strategy. The EU could use the initiative to instigate projects that respond to Algeria's infrastructure and digital needs, especially given the current administration's focus on developing the local business environment. It could discuss these offers and incorporate them into the next EU-Algerian association agreement and draft an Algerian working agenda that fits within the Global Gateway's 2021-2027 timeframe. Algiers already voiced its interest in a win-win agreement with Brussels, and the latter could begin its own evaluation of trade relations to make new proposals in line with the different incentives and mechanisms that are available. This will provide Europe a new growth sector and help create a more hospitable environment for strategic talks on foreign policy dossiers.

## Foreign policy coordination

Algeria has not sought to reclaim a geopolitical position as a regional leader just for the prestige. Considerable anxiety is bubbling in Algiers over brewing crises in its neighbourhood and it therefore wants to exert greater control in the region. Given the shared concern between Europe and Algiers over instability in Tunisia, Libya, and the Sahel, there is potential to develop coordinated policies for each of these crises that could eventually grow into more general Algerian-European cooperation in the region. For Europe, Algeria can be a useful local actor, able to operate where Europeans cannot, while European diplomatic and economic assistance will be invaluable legitimising tools and force multipliers that Algeria can benefit from to improve its impact in the region. Moreover, engaging Algeria on regional files will facilitate high-level military dialogue that would appeal to the regime's military base and introduce Europe as a powerful strategic partner that could counter Russia's influence.

Despite France's disengagement, the Sahel remains a pressing problem across Europe for economic, security, and migration reasons. Given Europe's shrinking, and Russia's growing, influence in the region, supporting Algeria's Mali policies could be a useful foil to neutralising both Russian and local threats. Recently, Tebboune has been keen to revive a security

platform that Algiers created in 2010 known as the Joint Operational Staff Committee (CEMOC) which gathers Algeria, Niger, Mauritania, and Mali, and which was eventually made irrelevant when France established the G5 Sahel force. Foreign ambassadors from France and Germany have participated in meetings on CEMOC's reinvigoration hosted by Tebboune and the military command, laying the groundwork for further cooperation. Interested Europeans can bolster this process and security initiatives it creates such as joint patrols along the Algeria-Niger border through diplomatic and technical support. In exchange, the Algerian services could offer greater intelligence sharing, building off the recent first of its kind senior-level exchange between French and Algerian intelligence services, and other security exchanges to ensure European security interests are met. Alongside security cooperation, Europeans can also help enhance Algerian soft power policies to help stabilise Mali through mediation and development. For example, Europeans could recognise and encourage Algerian mediation efforts with sub-Saharan populations as they did during recent roundtables between Palestinian factions in Algiers. European development and mediation organisations could then follow up on these meetings to help identify developmental needs and substantiate grievances raised by these communities that can make Algerian mediation more credible as it employs a bottom-up approach towards a political settlement.

This framework of Algerian-led, bottom-up mediation processes with European backing can also be applied to other shared areas of concern like Libya, where Algeria and European countries share a belief in the importance of elections, which are looking increasingly unlikely under the current UN-led process. Here, Algeria can leverage its good relations with all Libyan factions to engage different Libyan constituencies and directly ramp up pressure on Libyan elites to hold elections in coordination with the UN and involved European actors. Europeans can in turn provide technical assistance to ensure successful elections can be held. Similarly on Tunisia, Europe and Algeria can work together to prevent an economic collapse. As the EU, France, Italy, and Algeria are already providing budget support, they could work together to ensure Tunisia is able to maintain necessary imports, whilst Algeria engages with the Tunisian presidency to encourage Saied towards an IMF deal or at least to identify any changes to the deal that are required before he will agree. Although encouraging an IMF deal opposes Algeria's traditional doctrine, the shared concern over a Tunisian collapse, the lack of alternative options, and the promise of building a broader foreign policy cooperation with Europe should be sufficient inducements for Algeria to pursue such a policy.

Europe also has a prime opportunity to wean Algeria off its security dependencies on Russia. Algeria's relationship with Russia is a legacy partnership, born out of post-independence necessity and convenience rather than ideological commitment. By engaging on other foreign policy issues, Europe could gradually replace Russia as a diplomatic partner and may even be



able to develop a deeper security partnership with Algeria. This would have financial benefit for Europe given that Algeria is historically Africa's largest spender on defence. Arms supplies could also create additional leverage over Algiers and by drawing it into multilateral security partnerships eventually create new forums to try to breed better relations with Morocco. However, Europeans will have to move carefully to gradually fill Russia's shoes, so as to not upset the regime's self-perception as a non-aligned power. They should not leverage military cooperation to control or interfere with Algeria's defence strategies and foreign policy stances, but rather use it as a communication asset to gain the military command's trust. Russia was able to maintain its military partnership with Algeria because it understood the latter's concerns about independence and sovereignty, and Europeans should follow the same path if they want to approach Algerian military officials.

Cooperation on these shared areas of concern would inevitably develop a deeper understanding between Algeria and Europe. This could help induce more constructive discussions on broader regional questions of shared interest but different perspectives, such as the Algeria-Moroccan rivalry. The devolving situation between Algiers and Rabat throughout 2022 highlights the urgent need for a broader group of concerned states, which both factions consider to be neutral honest brokers, to help mediate a solution. Europeans should try to compartmentalise Algeria-Morocco relations away from bigger, messier questions like the Abraham Accords or Western Sahara. Spain's recent policy shift in support of Morocco's position demonstrates the pitfalls of anything but a carefully guarded neutrality. By following established international law, consensus positions, and the UN's special envoy, Europeans can try to depoliticise themselves with regards to the Western Sahara and instead initiate an informal mediation process between Rabat and Algiers, focused on identifying military red lines to stop the current escalation, followed by a series of confidence building processes.

Moreover, European capitals should start developing policies on Algeria and Morocco that are country specific and respond to each of Algiers' and Rabat's interests rather than attempting to balance statements out of fear of either's response. Algiers feels ganged up on and thinks that Europeans are treating Rabat softly despite its acts of aggression such as the Pegasus scandal and pushing migrants towards Spain. European leaders need to act with an objective, predictable rulebook if they are to be perceived as fair brokers between the two or a neutral power in the region. Then the EU will have the ability to build a web of pressure, in league with other multilateral bodies like the AU and Arab League, to advance a workable reconciliation agenda.

## Conclusion

Russia's war on Ukraine is a wake-up call for Europeans to review their policies towards their southern neighbourhood and increase their influence to build more effective partnerships with regional powers. These partnerships can act as force multipliers and help European countries guarantee their key security, economic, geopolitical, and energy interests. Today's Algeria provides the perfect opportunity for Europe build on shared economic and foreign policy interests to create such a partnership. This opportunity is only heightened by the dynamics surrounding Algeria's upcoming 2024 presidential election as policymakers feel pressure to demonstrate accomplishments by resolving socio-economic grievances and foreign policy dilemmas.

Although scepticism and differing sociopolitical identities may slow progress between Europe and Algeria, these should be considered growing pains rather than a meaningful obstacle to progress. Dossiers like energy, economy, security, and foreign policy are routes to consolidate relations and gain lasting influence across North Africa. The EU can help cohere and catalyse such a process through existing frameworks like the Green Deal and the Global Gateway to extend ties beyond energy deals to renewables and industrial ventures. Besides economic relations, Europe's shared history and common interests could pave the way for a progressive security dialogue on stability across North Africa and the Sahel. EU member states will need flexibility, firmness, and foresight to face the global disorder and the continued, multifaceted competition with Russia.

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[1] Author's interview with retired Algerian security official, March 2023.

[2] Author's conversation with a European diplomat, March 2023.

[3] Author's interview with retired Algerian security official, March 2023.

[4] Author's conversations with European diplomats, February-April 2022.

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