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## The Outlook for Algeria

by George Joffé



### ABSTRACT

Algeria today faces a triple crisis. The collapse in global oil prices during 2014 and 2015 has meant that its economic future is potentially extremely sombre. In political terms, the regime faces a complex and uncertain transition as the Bouteflika era comes to an end. Moreover, Algeria's security environment is threatening, given the chaos in Libya, the emergence of extremism in Tunisia and the ongoing violence in northern Mali because of the extremist groups located there. This situation is further complicated by the persistence of "residual terrorism," as the government terms it, inside Algeria itself and the chronic crisis with Morocco over the latter's annexation of the Western Sahara in 1975. This paper analyses each of these factors in turn before seeking to outline short- to medium-term scenarios for the future.

*Algeria | Economy | Domestic policy | Foreign policy | Security*

keywords

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Algeria today faces a triple crisis. The collapse in global oil prices during 2014 and 2015 has meant that its economic future is potentially extremely sombre. In political terms, the regime faces a complex and uncertain transition as the Bouteflika era comes to an end. Moreover, Algeria's security environment is threatening, given the chaos in Libya, the emergence of extremism in Tunisia and the ongoing violence in northern Mali because of the extremist groups located there. This situation is further complicated by the persistence of "residual terrorism," as the government terms it, inside Algeria itself and the chronic crisis with Morocco over the latter's annexation of the Western Sahara in 1975. This paper analyses each of these factors in turn before seeking to outline short- to medium-term scenarios for the future.

### 1. The economic predicament

Algeria's economic predicament is essentially very easily explained; it is a victim of the collapse in oil prices during 2014 and 2015 coupled with declining gas production and rising domestic consumption. One statistic sums up the depth of the impending economic crisis; Algeria's budget for 2015 was predicated, in September 2014, on an oil price of 100 dollars per barrel yet, in reality, oil prices have progressively fallen over the year to a level of 50 dollars per barrel as of September 2015. Since Algeria is a high capital absorber – a state with a large and youthful population in which state spending is dependent on oil and gas revenues – such massive fluctuations in external revenues are unsustainable. Every 1 dollar decline in per barrel oil prices means that Algeria, which produces around 1.37 million barrels a day (b/d) of crude and some 85 billion cubic metres of gas per year, loses 560 million dollars in revenues. Furthermore, Algeria's international gas prices, whether for liquefied natural gas or for pipeline gas, are indexed to crude prices, so gas revenues rise and fall alongside the country's earnings from oil sales abroad – and oil and gas represent 98 percent of Algeria's exports and 58 percent of its government's fiscal receipts.

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Abdelmalek Sellal's government warned of the impending financial crisis as a result of steadily weakening oil and gas prices at the end of 2014 when the premier himself announced proposed cutbacks in development projects and hinted at government austerity and new taxes. Although Algeria had massive foreign exchange reserves, amassed between 2010 and 2014, the government was already eating into them to sustain its expensive consumer subsidy programmes, which had been expanded in early 2011 to buy off popular discontent in the country's own version of the Arab Awakening. From a high of 195 billion dollars in 2013, reserves had fallen to 180 billion by the end of 2014 and, as of September 2015, stand at around 150 billion. They have, in short, declined by a third since oil prices began to fall in June 2014 and, if current circumstances persist, they will be completely exhausted within three years, even if the country's additional 30 billion dollars special reserve were to be included! Just how serious the situation has now become was revealed in the 2016 budget law proposed at the end of August 2015.

In 2015, the government expects the all-important foreign exchange revenues the country will receive to fall to 34 billion dollars, just half of what it had received a year previously, although the country's import bill will remain unchanged at 58 billion dollars. The trade deficit was 8.041 billion dollars in the first seven months of 2015, compared with a surplus in the same period in 2014 of 3.964 billion dollars. With its memories of what happened last time Algeria faced potential financial collapse in 1986 – when the government cut back on imports and subsidies, a decision that led directly to a popular uprising in 1988 and ultimately to the civil war of the 1990s – imports will not be restrained and subsidies will be untouched, even though the budget deficit will double to around 22 billion dollars. Instead, the government proposes to raise value-added tax rates on electricity consumption for major users and on mobile telephone use. It also intends to impose an import tax at a swingeing 30 percent on computers. Domestic diesel prices will also rise by 9.3 percent. New cars will also face tax hikes.

The relative timidity of the government's tax proposals reflects its awareness of how limited its options for economic recovery really are. It would dearly like to see the Organization of the Petroleum Exporting Countries (OPEC) cut back on oil production to force oil prices up again, but Saudi Arabia objects. Algeria dare not cut back on subsidies or imports, given its past experience in the 1980s and 1990s, for imported cereals – 6.93 million tons in the first seven months of 2015 at a cost of 1.89 billion dollars; 7 percent more than in the same period in 2014 – form a large part of its essential imports. Import substitution is not an option, despite the suggestions of leading businessmen such as Ali Haddad, for the country's manufacturing capacity has shrunk from 30 percent of GDP in 2000 to 5 percent in 2015. It could, as Saudi Arabia has done, raise funds through an international bond issue but that would ultimately incur foreign debt, a financial burden that Algeria liquidated in the last decade, when oil prices were good – foreign debt today is only 5.9 billion dollars, just 3.4 percent of GDP. One option, favoured by the new finance minister, Abderrahmane Benkhalfa, is to let the currency depreciate, thereby making imports more costly and, presumably, reducing the import bill. Indeed, the dinar has already depreciated by 11 percent in 2015 to around 1 dollar=AD100 and

Benkhalfa would like to see it fall to 1 dollar=AD130-140, quite a drop from the 1 dollar=AD80 of 2014. Algeria is truly a victim of "oil curse"!

In theory, Algeria could save itself from the financial morass in which it finds itself by increasing oil and gas production; it has, after all, conventional proved oil reserves of 12 billion barrels and gas reserves of 4.5 trillion cubic metres. The problem is that, both because the national oil company, Sonatrach, lacks the necessary technological expertise and because it has suffered from a series of scandals over the period from 2006 until the present that have seen repeated changes in personnel and a consequent decline in technical competence, oil production is in secular decline, by 14 percent between 2003 and 2013, as is gas output, which has declined by 5 percent over the same period. Even worse, domestic demand is increasing; consumption of oil has risen by 75 percent over the decade since 2003, absorbing more than a quarter of production, and demand for gas has risen by 51 percent, accounting for 41 percent of overall output.

Both problems could be countered by renewed exploration for fossil fuels but this is expensive and fraught with risk, while Algeria is not a welcoming environment for foreign investment – foreign investors have to take Sonatrach as a majority partner and major international oil companies are cutting back on investment in the current oil price climate. They are also put off by Algeria's unsavoury reputation for corruption; it ranked 100th out of 175 countries on Transparency International's Corruption Perception Index of 2014. As a result, Algeria has seized upon the potential of unconventional oil and gas as its path to economic salvation – it is estimated to have the world's third-largest reserves of shale gas after China and Argentina, at between 20 and 35 trillion cubic metres – and can offer these to foreign investors under much more attractive terms. The Algerian government has proposed a production programme designed to generate 30 billion cubic metres a year by 2020 and has already sunk its first successful well.

However, there is a problem: the best fracking potential is located in the Sahara and fracking requires immense amounts of water. The wells used for fracking, furthermore, have short lives so that constant re-drilling is necessary. The inhabitants of towns and oases in the deep south of the country, particularly in Tamanrasset, Ouargla and In Salah have reacted to the government's plans with angry mass demonstrations that have led to the army being called in to restore order. Despite government reassurances, these civilians fear that the pressure on the local water supply will ruin the desert agriculture on which they depend and that the foreign contractors in the programme will import their own skilled labour, thereby excluding them from alternative employment if their fears are justified. Beyond that, too, Algeria's gas pipeline infrastructure is old, inadequate and in need of investment – something which will be very difficult to remedy due to the country's current straitened financial circumstances. Given the government's sensitivities to public opinion – for riots are now the accepted way in which its attention is drawn to local dissatisfaction (there were 9,200 riots in 2010 alone, for example) – it fears that the response to its fracking proposals, which has led to protests from all over the country, might end up preventing it from exploiting this

option to resolve its financial difficulties.

## 2. Political stalemate

This tense atmosphere in Algeria's public life reflects a profound political malaise that has affected the country ever since the end of the civil war in 1999 and the first election of Abdelaziz Bouteflika to the presidency. Its immediate cause is the fact that the president, now on his fourth term in office, was severely disabled in April 2013 by a stroke, and it appears that power within the presidency is being manipulated by the family group around him, particularly by his younger brother, Said, to predetermine in their favour the inevitable succession process to the ailing president. But behind this lies a much deeper problem that finds its origins in the outcomes of Algeria's brutal war of independence. The movement that had led the struggle for independence, the *Front de Libération Nationale* (FLN), had both suppressed its rivals for leadership and legitimised its leadership claims by promising to restore the authentic social and political culture that had been ruptured by the 132-year-long colonial experience. Its leadership role was, however, usurped by a military-backed coup at the dawn of independence in 1962, and the subsequent regimes all depended on the arbitrary power of the army and the security services as the "shame-faced sovereigns" of the Algerian political process.

### 2.1 The historical background

Since these regimes both excluded popular participation in the governance process, converting the FLN into a vehicle for regime hegemony and adopting a state capitalist model of development fuelled by hydrocarbon revenues, two consequences followed. Firstly, the inefficiencies inherent in an economic model, based on import substitution that lacked economies of scale and market size to support endogenous economic development but was fuelled instead through externally generated revenues, eventually rendered the Algerian economy so inefficient that reform was inevitable, particularly after 1986 and the worldwide collapse of oil prices. Real reform, however, was delayed until 1994 when recourse to International Monetary Fund (IMF) support made it inevitable and the state capitalist model was definitively abandoned in favour of a free market economy. And, secondly, popular discontent with continued economic hardship, exclusion from any participation in governance in favour of single party and regime hegemony, and the marginalisation of indigenous cultural and ethnic values in favour of an imposed Arabo-Islamic model instead generated massive public protest. This began in Kabylia in April 1980 over Amazigh cultural and linguistic exclusion – the "Berber Spring" –, amplified into countrywide demands for political liberalisation and then degenerated into secular–Islamist confrontation, as the regime encouraged the latter movements to resist the political demands of the former.

By 1986, these tensions had combined with growing anger over harsh import restrictions occasioned by the collapse in oil prices, which, two years later, produced countrywide riots, to which the government responded by suddenly introducing a multiparty political system. By 1989, there were forty political parties preparing to contest municipal and then legislative elections. The Algerian presidency's calculation in introducing such a system seems to have been to split the opposition, allowing itself to act as the essential arbiter between the consequent quarrelling factions and thus maintain overall control. In the event, it discovered that an umbrella Islamist movement, the *Front Islamique du Salut* (FIS) had captured the popular imagination and was to achieve electoral success – not because of its explicitly Islamist message but because it both offered a break with the political corruption of the past and implied the revival of the promised social and political culture destroyed by French colonialism – the promise made by the FLN but subsequently betrayed by the arbitrary political system that had been installed. A popular slogan in Algiers encapsulated this when it claimed that, "*Le FIS est le fils de l'FLN.*" It was the success of the FIS in legislative elections that was to provoke the army-backed coup in January 1992.

The civil war that followed will not be discussed here in detail but some of its consequences affect the Algerian political scene even today. The FIS itself was banned very early on and up to 12,000 of its active members were interned in concentration camps in the Sahara where they remained for up to a year, often in very poor conditions. The banning and the internment process generated immense resentment and split the Islamist opposition into two groups. One moderate group, the *Armée Islamique du Salut*, which was associated with the FIS, created a clandestine armed opposition which sought to force the new army-backed regime to restore the interrupted legislative electoral process and the participatory parliamentary system that had been created. By October 1997, it had negotiated a truce with the army and ceased to fight. Its remnants today, under Madani Mezrag, seek to create a political party instead, to much popular disgust, given Mezrag's previous career as what is widely seen as the leader of a violent extremist group.

The other group, the *Groupes Islamiques Armés*, a coalition of hardliners, many of them with the experience of the mujahidin in Afghanistan behind them or having been involved in the clandestine *Bou Yali* group in the mid-1980s, which had engaged in armed opposition to the state, were determined to eliminate the Algerian regime and replace it with an Islamic caliphate. It was also eventually penetrated by the Algerian security services in a major counter-insurgency operation, and engaged in a series of staggeringly brutal indiscriminate massacres against uninvolved civilian populations in the outer suburbs of Algiers, in the Blida area and in Relizane province that profoundly discredited it in the eyes of the Algerian population. Many believe that these incidents were provoked by the security services in order to discredit the regime's opponents in the eyes of the rest of the population because of their alleged brutality, which rivalled the brutality of the Islamic State or *Da'ish* today.

In 1997, it split, with a new group, anchored in Kabylia, renouncing indiscriminate *takfiri* massacres and pledging to attack only organs of the state. This organisation, the *Groupe Salafiste de Predication et du Combat* (GSPC), was eventually to become, in 2003, the progenitor of the extremist groups located in northern Mali and the Sahel in 2015. By 1999, the Algerian army and new paramilitary forces – the *Groupes de Légitime Défense* and *Gardes Communales*, had successfully repressed the rural-based rebellion and, although, “residual terrorism” in the words of government representative has spluttered on until the present day, the war was effectively over. The army had had to suppress up to 27,000 extremists over the seven-year period, according to intelligence estimates, and, overall, there had been between 150,000 and 200,000 deaths in the conflict. Thousands had disappeared and there were estimated to have been between 1 and 1.5 million internally displaced persons. The FIS itself, although banned inside Algeria, had maintained its existence outside the state and had even tried, unsuccessfully, to negotiate a settlement with the Algerian government in 2005 with the help of the Sant’Egidio Group in Rome.

The army earned both immense opprobrium for the indiscriminate violence with which it suppressed its opponents, particularly from those who believed that a political compromise was the only way in which the civil war could end – the *conciliateurs* – and praise and support from those social groups, particularly in the secular middle classes, who felt most threatened by the regime’s opponents and formed the core of the support for the *éradicateur* policies of repression that the regime espoused. This is a divide that still profoundly affects Algeria in 2015 and means that Algerians, in their vast majority, will seek to avoid another conflict of this kind, despite the problems of governance and employment that the country faces. There is, however, a vast number of Algerians totally alienated from the state as a result of the civil war, and widespread poverty and lack of employment. One consequence of this and of high unemployment rates, officially only 10 percent in 2013 compared with 34 percent in 2001, but, in reality, far higher, especially amongst youth (43 percent of youth between 15 and 24 years old were unemployed in 2010), is that Algeria also acquired a massive informal employment sector which is only now being integrated into the formal economy.

Eventually, in 1999, the army brought in Abdelaziz Bouteflika, a former foreign minister and activist from the war for independence, as president, in a trumped-up election in which the other candidates all withdrew the day before the vote because they realised that the election was rigged. In his first term, Bouteflika was not permitted, by the army leadership, to deal with domestic politics, apart from implementing a restrictive amnesty law, an initiative that was repeated with little success in 2006. The amnesty failed mainly because it required submission to the state rather than offering a genuine amnesty and did nothing to address the excesses of the army during the struggle. It was only in 2004 that the army decided to stand aside from direct engagement in the political process and President Bouteflika was able to engage in reformulating domestic policy in Algeria, although he has not been as free as he would have liked in this respect. The last decade since 2004 has seen the president pervert the constitution to enable an illegal third and fourth presidential term, despite a serious illness in 2006 – which is believed to have been

stomach cancer – and his stroke in April 2013. The result has been that, despite cosmetic change, the Algerian political system today is recognisably that created after the riots of October 1988.

### 2.2 Algeria today

Algeria today is the amalgam of these past experiences for, despite the crisis of the civil war, the political system of 2015 is a replica of what existed before it. In other words, although contemporary Algeria is very different from the state that existed in the 1980s, the underlying factors that determined its complex and occult politics then still determine the future of the state today. In essence, contemporary Algeria is a state with a superficially democratic system but in which the electoral process, with rare exceptions, has been subject to state interference. Algerians themselves are well aware of this and refer to their political system as “façade democracy.” Nonetheless, the state has also learnt that it can tolerate quite a wide range of individual freedoms, so that there is limited freedom of expression, although freedom of association can be and often is circumscribed.

Political parties, therefore, whilst able to engage in often vigorous political debate, also know their limits, as do journalists who face draconian libel laws if they exceed the prescribed bounds. Although there is now a significant number of political parties covering most shades of political opinion, from moderate Islamist to secular left-wing groups, all know the limits on their freedoms of action, not least an explicit endorsement of Islamist or ethnic objectives. The regime continues to patronise and encourage two political parties, the FLN and a correlate created in 1997, the *Rassemblement National Démocratique* (RND), and, until 2014 also enjoyed the support of the major Islamist party, the *Mouvement pour une Société de Paix* (MSP). The MSP has now, however, joined with other Islamist parties in the *Alliance Verte*, in opposition to the regime; its candidate for the presidency suffered an electoral collapse in consequence.

The real control of Algeria is articulated by the “deep state” – the combination of the army and the security services, populated in the Algerian imaginary by “*le pouvoir*” or “*les décideurs*,” those unaccountable and largely unidentified figures that actually make decisions about state policy. During the civil war period, this group was dominated by the quintumvirate that actually manipulated government and had carried out the coup in 1992 – Generals Mohamed Lamari, Khaled Nezzar, Larbi Belkhair, Mohammed Touati and Mohamed Mediène – but, after 2004, the presidency was able to progressively shunt them aside. In part they were removed by age, retirement and death, and in part because they were associated with what was known as “*hizb fransa*” (the “party of France”) – leading figures in the military who were believed to be sympathetic to their counterparts in France – or were part of what was called the “mafia” – individuals who exploited their positions for corrupt economic advantage. They were, however, replaced by other figures in the military and the security services who limited the president’s freedom of action and were supplemented by a new group of economically active individuals upon



whom the presidency came to rely – the “economic barons.” In other words, power relationships inside the Algerian “deep state” have not changed in nature, even though the personnel may have changed and the presidency might have acquired a greater degree of freedom of action. In reality, in short, the country remains trapped in a situation of dynamic stasis.

This has become particularly acute as of 2015 because of the succession issue. Most observers do not believe that the president can complete his presidential term, but the succession process is obscure, for the president’s family, particularly his younger brother, seek to inherit the position. This can only be done with the agreement of the “deep state” and the obstacle there has been General Mediène, the head of the security and intelligence services, the *Direction du Renseignement et de la Sécurité* (DRS). His power has, however, been considerably weakened by the president’s decision in September 2013 to attach elements of his organisation to the army command, a move made possible by the incompetence of Mediène’s subordinate, General Athmane “Bachir” Tartag, who commanded Algerian forces at the siege of the gas facility at In Amenas in January of that year. However, General Mediène’s acquiescence was needed to ensure the president’s re-election in April 2014, so he remained a powerful player, while General Tartag was recalled from disgrace to become the president’s military adviser. It has only been Mediène’s retirement in mid-September 2015 that has removed him as a player – but the intelligence and security services he created has now been transferred as an integral whole to the army command – under General Tartag. In other words, the DRS continues unchanged and will therefore continue to be a vehicle for the manipulation of the state, alongside the army command, leaving the presidency as vulnerable to pressure as it has always been!

Perhaps the most striking feature of the Algerian political scene is not the manoeuvres within the occult power elite, setting the presidency against the economic elite or the military and security structure. It is, rather, the apparently total disconnect between these manoeuvres and the activities of the Algerian society and polity at large. In this relationship, most of the institutions which should mediate between the central executive and the population are either lacking or inoperative. The legislature is subordinated to the executive and its occult backers, so the political parties do not act as vehicles of transmission between the population and the institutions of the state. Local and regional administrations are corrupt and ineffective, so popular grievance is rarely addressed with appropriate administrative responses – it is for this reason that rioting has become the preferred mechanism for attracting the attention of the authorities to serious domestic problems. It is probably only the memory of the civil war – a memory that is fading – that prevents Algerians from a more violent response to the misgovernment that they experience.

### 3. International and security dilemmas

One aspect of Algeria's post-civil-war foreign policies has been to rebuild the image of the Algerian state, given its original international moral status as a leader of the Non-Aligned Movement, a reputation which it lost as a result of the civil war but has now been able in part to restore. In this respect, the Bouteflika regime has been relatively successful and has been able to reassert cautious links with France and to move towards an embrace of the Anglo-Saxon world as well. However, in regional terms, it still faces major tensions with its neighbour, Morocco. There are problems over the role each wishes to play as regional hegemon within the Maghreb, not least because diplomatic relations have been poor since 1994 when Morocco closed their mutual border, which Algeria now refuses to agree to reopen. They disagree over their respective positions in the Western Sahara dispute: Morocco annexed the region in 1975 as part of its pre-colonial sovereign territory; Algeria supports the right of the Sahrawis, as represented by the Polisario Front, which is based on its territory, to self-determination. Finally, the two countries cannot agree on the issue of security cooperation on regional security issues. In reality, of course, all these issues are interconnected and mutually influence each other.

The regional security crisis stems directly from the Algerian civil war and from the collapse, in late 2011, of the Libyan state after the civil war there. At the beginning of the twenty-first century, the GSPC in Kabylia found itself under considerable army pressure and linked into small extremist groups in the Sahara, under Mokhtar Belmokhtar, which were also involved in the smuggling networks there. After a spectacular kidnapping of European tourists in early 2003, which eventually netted the group involved a 5 million euros ransom, one branch of the GPSC set up a redoubt in the ancient and remote salt mines of Taoudenni in northern Mali. In 2006, this group announced its allegiance to Al-Qaeda and renamed itself as Al-Qaeda in the Islamic Maghreb (AQIM). In late 2011 and early 2012, AQIM, together with two companion groups, MUJAO (a splinter group of non-Algerian extremists) and Ansar al-Din (a Touareg Islamist group), piggybacked on the Touareg rebellion against the government in Bamako, which created an autonomous Touareg region called Azawad, to create an Islamist-controlled region involving the major towns of northern Mali, including Timbuktu. In January 2013, the combined group made an attempt to capture the Malian capital, Bamako, at the same time as a dissident group under Mokhtar Belmokhtar attacked the Tiguentourine gas facility at In Amenas in eastern Algeria.

Although the Algerian government had been able to ignore the crisis emerging in northern Mali between 2003 and 2013 since the region lay outside its national borders, the combination of residual terrorism inside Algeria itself, mainly in Kabylia, the attack on the Tiguentourine gas facility, the looming security crisis in neighbouring Libya which was spilling over into Tunisia, and the attack on Bamako – where Algeria had traditionally seen itself as the arbiter of Sahelian affairs but was now in danger of being displaced by France, which had intervened in support of the beleaguered Malian government – made it imperative for Algeria

to react. It has, as a result, sought to facilitate an agreement between the Touareg and the Malian government, provided reluctant support for France's intervention, engaged in more covert support for American attempts, through AFRICOM, to control extremism in the Sahel, securitised its border with Libya, provided military support to the Tunisian army in the Jabal Chamba border region and sought to construct a regional security alliance headed by itself. The one country excluded from these arrangements is, of course, Morocco, which has, as a result, launched its own regional security initiative in direct competition with Algeria, thus adding to the tensions between the two states. Perhaps the most striking outcome of these moves is that Algeria has moved from its neutral position as a non-aligned state into a close security relationship with Europe and the United States!

### 4. The future

The future for Algeria basically depends on the way in which the presidential succession question is handled when the issue arises. This is likely to occur before the presidential term ends in 2019. Ideally, this should involve direct elections for a slate of independent candidates without official interference. However, it is most likely that the candidates will be those acceptable to both the deep state and the presidential clan. Names such as Abdelmalek Sellal, the prime minister, Abdelqader Bensalah, the parliamentary speaker, Lakhdar Brahimi, a former ambassador and senior United Nations official – all presidential loyalists – have been mentioned. Other names acceptable to the occult "*décideurs*" include Ahmed Ouyahia, a former premier and now head of the presidential cabinet, and Mouloud Hamrouche, another former premier. The actual choice will undoubtedly reflect the nature of the future regime. But one thing that will be certain is that the current division of power and the covert nature by which it is articulated by army and security services will not substantially change.

It will also be the case that the succession process will do little to resolve Algeria's economic problems, for the state will continue to be profoundly oil and gas dependent. In addition, the all-pervading corruption of the economy will persist and will implicate members of the government, as has happened in the very recent past. Small and medium-sized businesses will continue to find themselves hampered by it, and even government attempts to encourage business creation by a programme of easily available no-interest loans to youths is unlikely to substantially alter the employment picture. Quite apart from the need to move away from oil and gas dependence or to rid the economy of its pervasive corruption, Algeria needs, above all else, an effective programme of job creation for its increasingly frustrated and despondent youth. It also needs dramatic improvements in administrative efficiency to ease the massive social tensions that exist. All of these changes, furthermore, will have to take place against a profoundly uncertain regional security environment, which is likely to worsen.

If this does not occur, then the current pattern of informal sector employment – said to represent 40 percent of the economy – and political disaffection – reflected in constant and violent local protest – will continue and will gradually worsen. Such a deterioration will be accelerated the more critical Algeria's economic situation becomes. Eventually it will degenerate into a pattern of urban violence last seen in 1988, in the riots that forced political change on the country then. Once that occurs, three possible outcomes can be envisaged, all of them discouraging. Either the government will attempt to buy off the demonstrators, as it did in 2011, with consumer subsidies and cosmetic political change. This might provide short-term relief but at immense, damaging and unsustainable cost to the country's economic future. Or the situation will rapidly degenerate into organised resistance to government, of a kind last seen in the 1990s. The regime may then be challenged so profoundly that it is effectively replaced, with incalculable implications for the future of the country. Otherwise it may respond with main force – and the Algerian army today, despite a self-denying ordinance not to intervene in domestic unrest, is far better equipped to do so than in the past, and is also reinforced by a police force and gendarmerie that has recently tripled in size. Such an outcome would produce a level of repression that would also have unpredictable outcomes but would probably mean the introduction of the political system akin to that in power in Egypt as of 2015.

The only way in which such gloomy outcomes could be avoided is if efficient, participatory and honest government were established in the country, but that would require such profound change and careful management that even to suggest it is a counsel of impossible perfection! In addition, if any lessons can be drawn from the regional experience of the Arab Awakening since 2011, it is that political transition is complex and lengthy, so that the kind of evolution that would be required would probably not occur within an acceptable time frame, as external conditions worsen both in security and economic terms. One aspect of potential change that will probably not occur, however, will be the introduction into the Algerian environment of extremist *takfiri salafi-jihadi* views and principles; such developments, despite the growth in moderate apolitical *salafi* sentiment in the country which the government seems willing to tolerate, would be resisted by a significant proportion of the population as well as by the security organs of the state. Insofar as any meaningful prediction can be made of the future, over the medium term up to, say, 2020, the best that can be anticipated is that the current political stasis in Algiers endures and that popular frustration can be contained.

External actors, whether states, regional organisations such as the European Union or international bodies like the United Nations should, therefore, seek to engage with Algeria to encourage it to both regularise and modernise its economy away from oil and gas dependence, and to properly institutionalise its political system away from the current pattern of “façade democracy” and neo-patrimonial power towards genuine participatory democratic governance. Such approaches will require subtlety and diplomatic delicacy as the Algerian government is notorious for jealously guarding its sovereign prerogatives. Yet it is far more amenable to international engagement than it has been in the past and has recovered much

of the international prestige it enjoyed before the civil war. It has also come to recognise that it cannot simply rely solely on its own resources to resolve the security problems it faces, but that regional problems require regional solutions. In this respect, perhaps the most important contribution that external actors can make in the short term is to aid in the resolution of the Western Sahara conflict that perpetuates the chronic conflict between Algeria and Morocco over regional hegemony, for that is the greatest impediment to the solution of Algeria's own problems in both diplomatic and security terms. It also impedes the development of a viable regional economy, capable of the endogamous economic development, as embodied in the concept of the Maghreb Arab Union and as encouraged by the European Union since 1993 without success.

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