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WILL ALGERIA TAKE ON A MAJOR ROLE IN NORTH AFRICA?

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North Africa will have to reinvent itself if it is to meet the challenges it faces with any hope of success in the years ahead. Access to the major sources of energy and transporting it from producer to end user defines the way major powers conduct their foreign policy. What threatens Europe today is not some unlikely though widely touted alliance of Muslims against the West but an exacerbation of nationalist ambitions manipulated by major powers from outside the region. Such conflicts are comforted by the fact that military expenditure in leading Maghreb countries are, as a percentage of GDP, among the highest in the world. If North Africa fails to reinvent itself, its vast resources in oil, gas, uranium, solar energy and phosphate rock will attract ever more outside interference.

By dint of its important energy resources, its well trained professional army and its central geographical position in North West Africa, the continent's largest country has re emerged as a key player which can either try and shape the region to suit its own national interests or choose to play a more strategic card and encourage this vast area to reinvent itself. The incapacity of the United Nations to broker an internationally acceptable solution for the future of the disputed former Spanish colony of the Western Sahara has morphed into a much wider security threat to the whole desert belt of Africa which runs from Mauritania on the Atlantic ocean to Somalia on the Indian ocean –which includes Jihadist terrorism and a growing trafficking in drugs –estimated at \$6-7bn annually, and an increasing number of refugees.

Algeria has faced down Islamic inspired terrorism in the recent past but at a horrendous cost –massive physical destruction, the flight of an estimated 600,000 people, including many well educated Algerians, a reluctance to enact bold economic reforms due in part to the utter failure of the fast track democratic attempt in the early 1990s. The wounds of yesteryear are still not quite healed in Algeria but the country needs to move forward if it is to play the role which recent developments in the region are thrusting upon it. Today the views of its leaders are sought by the US, Turkey and major European countries. The UN recently asked it to send a senior figure to help Kofi Annan in trying to broker a settlement to the conflict in Syria, but it demurred.

Should Algeria wish to play a more active role in the region it could do worse than modernise its economic policy. That entails a number of moves: decide once and for all whether it is prepared to give private enterprises which produce goods a more favourable legal framework in which to operate; curb the abuses of an import licence system which encourages well connected operators to re-export to Tunisia and Morocco up to one fifth of the foodstuffs and manufactured goods the country imports –at considerable loss to the exchequer in Algeria where foodstuffs benefit from more generous subsidies; decide once and for all how much it wishes to involve foreign companies in joint partnerships to develop hydrocarbons but also a whole range of manufactured goods; turn the Central Bank which has become a mere rubber stamp of government decisions into a serious institution. Finally, it is extraordinary that Algeria should not boast one think tank worthy of the name at a time when events across the world need analysing by independent experts more than ever before.

With more than \$200bn in hard currency reserves and an income above \$70bn annually the state can choose to be lazy and subsidise social peace rather than face up to the challenge of economic reforms. Such a policy only encourages corruption which has spread in recent years. The government showed its mettle two years ago when it ordered the cleaning up of the energy sector and the state oil company Sonatrach, dismissing the overlord of this vital sector for a decade Chakib Khelil. But more needs to be done, notably in the financial sector. More foreign banks, notably Spanish, should be granted licences, if only to encourage growing commercial and investment ties with Spanish companies. The domestic banking sector needs moving forward from its Jurassic Park way of doing business.

Opening its frontiers to its neighbours in the immediate future would be difficult as their economies are more reformed than Algeria. But how can one explain a policy which allows Algerian middle men to import goods for export to Morocco and Tunisia and is never criticised by the IMF or the US, both of whom claim they are keen to encourage a more liberal and transparent style of economic management? A unified Maghreb market may not be for tomorrow but striving towards one would help rationalise policy making in Algeria and its neighbours. In the medium term, it would comfort the country's ambition to play a pivotal economic role in the region.

International circumstances have thrust Algeria to the fore and turned it into an important strategic partner for the US. If Algeria chooses to sidestep the economic challenges it will miss a once in a generation opportunity to build a future worthy of its proud history and its impatient youth who are desperate for jobs. They share with their counterparts in Morocco and Tunisia the dream of a Maghreb at peace with itself.

Will the country's political rulers and army listen to their people? Will they look at the outside world with confidence and think less of the past and more of the future? Will they open up the political system even if that does not translate into the flawed fast track democracy model which got so badly derailed in 1992? While the European Union is nowhere to be seen, the US sees Algeria and its neighbours as key pieces in their game of regional chess –it is up to North African leaders, particularly Algerian ones, to play their cards to the maximum benefit of themselves and their people.