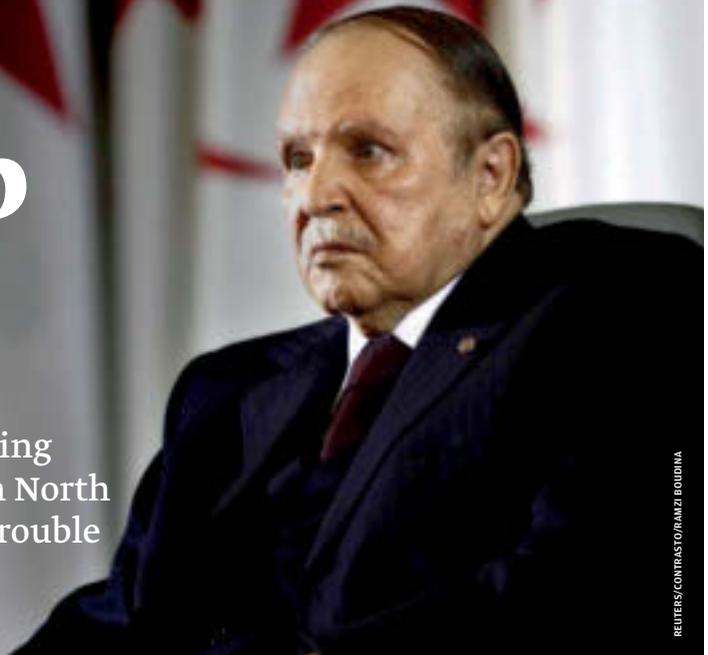


How its leadership is failing

While dreaming of becoming the pan-African gas hub and unseating the leadership of Egypt and Libya in North Africa, the country today is in dire trouble

by Valentina Saini *



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Last February, the second-largest shopping centre in the Magreb opened in Algeria: 45,000m² of shops, bars, restaurants (even a skating rink), all in Sétif, a city of just 290,000, east of Algiers. Unsurprisingly, Algerian giant Prombati was behind the large investment. In a 2012 report, Deloitte included Algeria among the five African nations with the largest middle class relative to its overall population. And over the last ten years, the annual per capita Algerian wage (based on purchasing power parity) has continued to grow, from 11,400 dollars (€10,316) in 2006 to almost 15,000 dollars (€13,574) this year, according to IMF figures.

Algeria also continues to enjoy fairly sound security, despite being surrounded by countries that are swarming with terrorist organisations. Foremost among them is Mali, where Al-Qaeda in the Islamic Maghreb (AQMI) is wreaking havoc, along with other jihadi groups. And there is also Libya to the east, where the

situation remains chaotic and potentially explosive.

But even among the bright lights, there are also a few dark corners in Algeria. Behind the confident consumer outlooks and apparent stability, the country may be tottering on the brink of disaster. President Abdelaziz Bouteflika, in power since 1999, is seriously ill. Only a chosen few are fully aware of the state of his health, a fact which has been generating rumours and a deepening anxiety. Some say he is still clear-minded, leading the government by sending messages to his ministers. Others believe him to be alive but out of commission. All that is known is that last July, during his first public appearance in two years, Bouteflika looked very weak and frail.

“The state of the president’s health and the lack of a clear plan for succession have people very worried”, explained Silvia Colombo, an expert on Mediterranean and Middle Eastern politics and senior fellow at the International Affairs Institute. “And

as if this were not enough, Algeria is also going through an unprecedented economic crisis”. This assessment was supported by Hocine Malti, vice president of Sonatrach (the Algerian national oil company) between 1973 and 1975, “The financial situation is very tricky due to the drop in oil prices, not to mention the fact that oil production has been constantly dropping since 2010”.

James Cockayne, editor-in-chief of *MEES*, one of the most important hydrocarbon sector publications, also agreed: “Oil production has actually dropped, and the fact that gas production has increased slightly is of no consequence because it all goes to satisfy internal demand. The real income is provided by exports, and they’ve dropped”. This is a serious problem as the Algerian economy relies almost exclusively on gas and crude oil exports. “Hydrocarbons represent around 96-97% of foreign currency revenue”, said Cockayne. “Algeria should have started to diversify its economy years ago, but it



Left. An image of the port of Algiers. Opposite page. Algerian President Abdelaziz Bouteflika. During his latest public appearance in July after a two-year absence, Bouteflika seemed tired and in poor health. In charge since 1999, it is believed he will relinquish power well before the end of his mandate.

might explode, but in recent months we have witnessed how this crisis that has been in the making for some time is now coming to a head. The purges that have taken place within the military hierarchies in recent years are undoubtedly part of the president and his circle's attempt to clear the decks. Everyone knows that sooner or later a succession will have to take place that will involve radical personnel changes at all levels".

That is why, Multi continued, the Bouteflika 'clan' is working feverishly to prepare for any eventuality. "There is good reason to believe that the president will relinquish power well before the end of his term. Even before December". Thus it is no surprise that the former energy minister, Chakib Khelil, a childhood friend of Bouteflika's, returned to Algeria a few months ago. "He is very probably the person who has been chosen to replace him", Malti concluded.

But this is not enough to appease observers, especially considering the proximity of Mali and Libya. "Even on a regional level, Algeria is considered to be on the brink", said Colombo. "And there's good reason to be concerned: this is the second North African country in terms of population, with a wealth of resources in its under-soil. No one would want to see it slip into chaos". **e**

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didn't. Therefore, in a situation like the one we have today, it can't avoid being seriously affected".

It should be noted that other countries, such as the Gulf states, are also having a hard time due to low oil prices. But Cockayne sees one major difference: "Kuwait or Qatar can fall back on very considerable monetary reserves, but not Algeria. If the price of gas and oil goes through the floor, Algiers has to cut its public spending, a very unpopular measure. I can't say for sure that serious problems will arise, but if I were an Algerian politician, there's no doubt I'd be a little anxious".

The country's foreign currency reserves are quickly being whittled away: standing at 186 billion dollars (€168bn) in 2014, the central bank announced that the reserves had dropped to \$153bn (€138.5bn) in the third quarter of 2015. And in June, Prime Minister Abdelmalek Sellal admitted that there had been a further reduction in Algeria's currency reserves, down to \$137bn (€124bn).

"At this rate they'll be exhausted within two years", Malti noted. A very risky prospect. "In Algeria, there haven't been any revolts like the ones that took place in Tunisia or Egypt during the Arab Spring", Colombo explained. "However, there have been protests, though for purely economic reasons, in other words due to poverty. The Algerian authorities have tried to address the issue, for example by raising the minimum wage, but in so doing, they're further burdening the state coffers, leaning on financial resources that are being depleted anyway".

According to Malti, "the regime is very worried about the idea of no longer being able to subsidize everyday household goods and grant economic privileges to the security forces. After all, that is how it has always bought itself social stability and guaranteed its own survival". But according to Colombo, the crisis that might hit Algeria will not have appeared out of the blue. "We can't know for sure whether and when the Algerian bomb