



Beyond Algeria's Presidential Election

By Haim Malka

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More than 100 candidates have declared their interest in running for president when Algeria heads to the polls on April 18. They range from a former general to an Islamist politician to a housewife. Despite the buzz over old and new faces, all eyes are fixed on one man: 81-year-old President Abdelaziz Bouteflika. The president, who suffered a stroke in 2013, recently announced that he would seek a fifth term as president. His supporters argue that only Bouteflika has the credibility to lead the country. Opposition figures charge that he is too sick to continue performing his presidential duties and that he is being manipulated by people in his inner circle to further their own agendas. The focus on one candidate, however, is a distraction from Algeria's bigger challenges.

Ultimately, it doesn't matter who wins Algeria's next presidential election. What matters for Algerians and the country's partners is whether Algeria's powerbrokers—the military, presidency, and influential business clans—can build a consensus on how to address widespread socioeconomic grievances while maintaining public security and stability. The challenge is developing a strategy to diversify the economy, while creating jobs and economic opportunities to address the demands of Algeria's 42 million people without triggering more economic hardship and public anger in the process. With rising expectations and lagging government performance, Algeria is nearing a critical juncture that requires decisions.

This is no easy feat due to two main defining characteristics of the Algerian system. First, Algeria's political-economic model hinges on energy revenues funding high subsidies, public payrolls, and government handouts. Hydrocarbon

revenues account for approximately 60 percent of government revenues and 90 percent of export earnings. Energy is more than just the driver of the country's rentier economic model; it is at the heart of the state's identity and fragile social contract.

It was this energy revenue and high government spending that helped Bouteflika end the country's civil war, known as the Black Decade, in which 100,000 to 200,000 people died in the 1990s. His national reconciliation process spread Algeria's wealth to average citizens in addition to providing amnesty to former militants and creating space for political Islamists. Starting in 2011, billions of dollars in social welfare spending also helped Algeria avoid the widespread unrest that plagued most of North Africa.

Yet, for nearly a decade, experts have proclaimed that Algeria's political-economic model is unsustainable. The argument is that the country cannot depend almost exclusively on oil and gas to fund high levels of social spending to placate the population. Trends are not in Algeria's favor: oil prices have fallen considerably since their peak in 2008; foreign reserves have dropped by nearly half over the last several years; domestic energy consumption has increased with growing populations, leaving less available product for export; and insufficient investment in existing fields has hampered production. Hydrocarbon revenues jumped 15 percent in 2018 from the previous year, but global price fluctuations mean that budgetary planning is always a guessing game. These economic trends generate uncertainty about Algeria's future and undermine long-term strategic planning.

The second main impediment to change is that policy in Algeria is made by consensus among largely unknown and unaccountable figures in the presidency, military, national energy company, and powerful business elites. These figures are generally risk-averse and feel a responsibility to steer the country on a safe and steady path. Their conservative approach and consensus-driven politics are directly shaped by the horrors of the Black Decade when Algeria was thrown into economic and political turmoil following the collapse of oil prices. Consensus politics means that decisions are made slowly and implemented incrementally, if at all. Algerian decisionmakers largely avoid bold strategies and structural reforms because they can create conflict and alienate important actors, who in turn can use their power and influence to either disrupt policies or attack their opponents.

The result is a vacuum where debates over economic reform, transparency, investment laws, and private enterprise meander with no concrete decisions. A fierce debate has raged over the last decade between Algerian elites who want to preserve the country's protectionist-rentier economic model and those who advocate a more competitive economy. There are some positive indicators that Algeria is trying to diversify its economy and expand its manufacturing base, but these have been tactical rather than strategic steps that spur investment. Instead, Algeria is relying on its long-standing partnership with China, its largest trading partner, to lead the country's economic expansion. Huawei Technologies is the leading partner to build Algeria's 5G network, and Chinese firms are partners on a \$6 billion phosphate extraction plant and a major port expansion project. Algeria has the right to cooperate with any partner it chooses but relying on China will likely further delay any serious reform of Algeria's investment code, which would help create incentives for broader U.S. and European investment.

Without a new consensus among Algeria's ruling elite, economic stagnation will prevent the kind of growth and development necessary to meet the demands of the country's population and address a wide range of domestic and regional challenges.

Algeria's stability matters to the United States and U.S. allies in the region, which all have a direct stake in Algeria's success. Algeria plays an important regional counterterrorism role; works to resolve conflicts in Libya and the Sahel; and is a key energy supplier to Europe. The country's trajectory will not only impact Algeria's immediate neighbors in the North African Maghreb but also impact

the security of Europe, sub-Saharan Africa, and the wider Mediterranean region.

Regardless of whether Bouteflika wins a fifth term or leaves public office in the near future, few Algerian powerbrokers are willing to risk undermining his legacy of peace and security. For the immediate future, they will continue to choose short-term stability over risky economic reforms. In the meantime, Algeria's U.S. partners should look for ways to help Algerians work with their counterparts to increase public and private interaction across a range of educational, scientific, and economic sectors.

Ultimately, only Algeria's people and its leaders can decide their country's path. There is some progress, and Algeria's recent history proves that it is a resilient country, but positive change will depend on more than the outcome of Algeria's next elections.

Haim Malka is a senior fellow and deputy director of the Middle East Program at the Center for Strategic and International Studies in Washington, D.C.

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