

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing June 2015

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#### Algeria Summary 22 June 2015

*The Rassemblement National Démocratique (RND) elects founding president Ahmed Ouyahia as its secretary general. The RND is a key member of the ruling coalition and the move of Ouyahia back to the top of the party leads to speculation that he is positioning himself as a successor to President Abdelaziz Bouteflika (1999- present) who continues to suffer from poor health. Other possible contenders are prime minister Abdelmalek Sellal and Amar Saâdani, the secretary general of Bouteflika's Front de Libération Nationale (FLN). French president Francois Hollande (2012- present) visits Algeria to discuss greater security cooperation and to reaffirm trade ties between the two countries. Relations between Algeria and France are at their highest point since Algeria's independence from France in 1962. Their joint role acting against Islamist militant groups in the region has facilitated this. United Kingdom-based pharmaceuticals group AstraZeneca has signed a deal with Algerian firms Groupe Salhi and Groupe Hasnaoui to build a \$125m plant in Algeria.*

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#### Ahmed Ouyahia's return as RND head prompts succession speculation

The **Rassemblement National Démocratique (RND)**, a major party in the ruling coalition, elected **Ahmed Ouyahia** as its secretary general on 10 June.<sup>1</sup> The move places Ouyahia in a key position to succeed current president, **Abdelaziz Bouteflika** (1999- present), who has been in poor health since 2013. The RND elected Ouyahia as its leader during its national conference at **Zeralda**, a suburb of the capital **Algiers**. He replaced **Abdelkader Bensalah**, the head of the **Conseil de la Nation**, Algeria's upper chamber of parliament.<sup>2</sup> Ouyahia is returning to a position he was ousted from in 2013. He had held the position since 1998 when he and other key political figures founded the party. Ouyahia is currently Bouteflika's cabinet director, a position he has held since 2012. Prior to that he was prime-minister of Algeria from 2008, from 2003-2006 and from 1995-1998.<sup>3</sup> He is close to the president and has managed his last three election campaigns.<sup>4</sup> RND delegates reportedly moved against Bensalah, who ran against Ouyahia, to put a presidential candidate at the head of the party.<sup>5</sup>

*"There is only one reason they would bring him back – to be a potential leader figure."<sup>6</sup>*

*"Ouyahia has made no secret of his desire to 'serve the country' in the top spot... he has strong backing in the political elite and the RND has a good popular base."<sup>7</sup>*

Bouteflika replaced Ouyahia with current prime-minister **Abdelmalek Sellal** in 2013; however, Ouyahia remains a trusted presidential adviser.<sup>8</sup> Political analysts in Algeria believe that Ouyahia and Sellal are the two most likely candidates to replace Bouteflika in the event that he is unable to serve out his fourth term in office which runs until 2019. Another potential is **Amar Saâdani**, the current secretary general of Bouteflika's **Front de Libération Nationale (FLN)**, who is reportedly the

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<sup>1</sup> Reuters, 10 Jun 2015

<sup>2</sup> RND website, 9 Jun 2015

<sup>3</sup> RND website, 10 Jun 2015

<sup>4</sup> Reuters, 10 Jun 2015

<sup>5</sup> TSA, 9 Jun 2015

<sup>6</sup> Source, newspaper editor, Algiers

<sup>7</sup> Source, political analyst, Algiers

<sup>8</sup> TSA, 9 Jun 2015

preferred candidate of Algeria's powerful military and members of the Bouteflika family.<sup>9</sup> International media outlets also report that **Lakhdar Brahimi**, a former **United Nations (UN)** diplomat most recently tasked as peace envoy to **Syria** from 2012-2014, could be a potential candidate.<sup>10</sup> However local sources consider him too far removed from local politics to be a serious contender:

*"Ouyahia, Saâdani and Sellal are looking like the most likely successors...one [Saâdani] is more for the military and the other [Sellal] has more the backing of the business elite... but Ouyahia's nine years as prime minister and closeness to Bouteflika give him a strong chance... Brahimi is seen as an elder statesman more than a potential leader."*<sup>11</sup>

Bouteflika's health is a national obsession in Algeria. His last health scare was in November 2014 when he was treated in a clinic in **Grenoble, France** for unspecified health problems. The president has appeared at a number of public functions in 2015 but is looking increasingly frail.<sup>12</sup> A succession of visiting foreign leaders, including **South Africa's Jacob Zuma** (2007- present) and **Kenya's Uhuru Kenyatta** (2013- present), have made comments during press conferences on how good the president's health is.<sup>13</sup> However the comments, which are remarkably similar in nature, have not convinced local and international media sources that the president's health is improving.<sup>14</sup> Despite this, the president reportedly has no intention of stepping aside. His inner circle, which includes his powerful brother **Saïd Bouteflika**, continues to help maintain his grip on power.<sup>15</sup> It is not clear under what circumstances the president might step aside, other than a major loss of capacity to govern.

### France and Algeria talks improve security and economic cooperation

French president **Francois Hollande** (2012- present) met President Bouteflika in Algiers for talks on 15 June.<sup>16</sup> The meeting was primarily to discuss further cooperation on tackling militant Islamist groups operating in **North Africa** and the **Sahel**. Despite an acrimonious colonial and independence history – many of the generals that fought in the 1954-1962 war of independence against France remain close to the presidency – the two countries are going through a period of unprecedented military cooperation.<sup>17</sup> France sent a military taskforce into **Mali** in 2013 to help secure the destabilised north of the country, and Algeria hosted peace talks between the Malian government and **Tuareg** separatist groups from 2014-2015.<sup>18</sup> The killing of French hostage **Herve Gourdel** by the **Jund al-Khalifa** militant group in Algeria in September 2014 was a further prompt to greater Algerian/French cooperation.<sup>19</sup>

*"Relations with France are the best they have ever been...and Bouteflika should keep them that way or risk relations with a major trading partner."*<sup>20</sup>

Hollande praised Algeria's role as a force for regional stability in hosting the Mali talks, discussions to set up a stable government in Libya (in 2014 and 2015), and for ongoing military actions against Islamist militant groups.<sup>21</sup> Bouteflika described the relations between the two countries as

<sup>9</sup> TSA, 9 Jun 2015

<sup>10</sup> Reuters, 10 Jun 2015

<sup>11</sup> Source, political analyst, Algiers

<sup>12</sup> Liberté, Mar, Apr, May 2015

<sup>13</sup> Algerian Foreign Ministry, 28 Feb 2015 and 16 Mar 2015

<sup>14</sup> Jeune Afrique, 11 Jun 2015

<sup>15</sup> Reuters, 10 Jun 2015

<sup>16</sup> Liberté, 15 Jun 2015

<sup>17</sup> AFP, 15 Jun 2015

<sup>18</sup> RFI, 14 Jun 2015

<sup>19</sup> Voice of America, 2 Oct 2014

<sup>20</sup> Source: journalist, Algiers

<sup>21</sup> AFP, 15 Jun 2015

“unrivalled” in the years since independence.<sup>22</sup> The ongoing conflict in **Libya**, a major cause of instability and increased militant activity in the region, was the highest item on the agenda at the talks.<sup>23</sup>

*“The talks are part of France’s strategy to be an active player in the region’s security...it is more willing to play an active military role when necessary in its former colonial sphere of influence...with Algeria, however, it will be information sharing as French troops still stir up strong memories.”<sup>24</sup>*

The two premiers also discussed improving business links. France is a major Algerian trading partner, its second largest after **China**. Trade flows between the two countries in 2014 were \$11.9 billion and approximately 450 French companies operate in Algeria.<sup>25</sup> Hollande claimed that France was Algeria’s “first trading partner”. However, China has been Algeria’s largest trading partner since 2013.<sup>26</sup> The president announced that major French companies including car manufacturers **Renault** and **Peugot**, transport developer **Alstom**, and pharmaceutical company **Sanofi**, would all soon begin to operate in Algeria.<sup>27</sup> Local business analysts argue that France has much to gain from increasing trade with Algeria:

*“The French economy is in need of a boost... large investments in Algeria, and an increase of both imports and exports would help...Hollande can use political leverage on security issues to encourage business ties.”<sup>28</sup>*

This visit is the second of Hollande’s presidency. He visited in 2012 when he publicly acknowledged the “brutal” colonial rule of France over the country and during the independence war which reportedly left 1.5m Algerians dead.<sup>29</sup>

### **AstraZeneca signs \$125m Algeria pharmaceuticals deal**

**United Kingdom (UK)**-based pharmaceuticals firm **AstraZeneca** has signed a deal with Algerian firms **Groupe Salhi** and **Groupe Hasnaoui** to build a \$125 million pharmaceutical development plant in Algeria.<sup>30</sup> The AstraZeneca **al-Djazair** plant is expected to be operational in October. It will produce medicines to treat cardiovascular and gastroenterological diseases, as well as cancer and diabetes.<sup>31</sup>

*“AstraZeneca are a major player in the global market...they would have considered **Morocco** but it is a sign of the growing strength of our market that they went with us instead.”<sup>32</sup>*

Salhi and Hasnaoui jointly own 51% of the venture. Salhi is a privately owned Algerian group that primarily distributes lubricant products for oil companies through its fleet of transportation vehicles.<sup>33</sup> Hasnaoui is another privately owned group of companies that specialises in the construction and development sectors.<sup>34</sup> Under the **2009 Complementary Finance Law** domestic companies are required to own at least 51% of any joint venture in Algeria.<sup>35</sup>

Algeria has encouraged growth in the pharmaceuticals market through policy document **Algeria 2020**. Neighbouring Morocco currently has the largest pharmaceuticals industry in North Africa.

<sup>22</sup> AFP, 15 Jun 2015

<sup>23</sup> RFI, 14 Jun 2015

<sup>24</sup> Source, regional security analyst, Dubai

<sup>25</sup> RFI, 14 Jun 2015

<sup>26</sup> Middle East Institute, 12 Jun 2015

<sup>27</sup> AFP, 15 Jun 2015

<sup>28</sup>Source: economist, London

<sup>29</sup> AFP, 15 Jun 2015

<sup>30</sup> AFP, 2 Jun 2015

<sup>31</sup> AFP, 2 Jun 2015

<sup>32</sup> Source, consultant, Algiers

<sup>33</sup> Salhi website, 2015

<sup>34</sup> Hasnaoui website, 2015

<sup>35</sup> Algerian embassy information, 2015

Algeria is a close second and has taken steps to encourage international companies to base manufacturing in the country. The policy has been successful and the sector is rapidly growing. There are currently 141 other pharmaceutical facilities under construction in Algeria. The country has 75 fully operational facilities. Algeria imported \$2.1 billion of pharmaceutical products in 2014 accounting for 60% of the domestic market.<sup>36</sup>

### Implications

Political manoeuvring around Bouteflika's succession has been ongoing in Algeria for some time. The 78-year-old president has been in poor health for a number of years and the movement of Ouyahia to the top of the RND does not make his removal from power more likely. Seen in the broader context of the recent cabinet reshuffles, where Sellal kept his position as prime minister, Ouyahia's re-election is more about making sure that the RND retains influence *if* Bouteflika's reign comes to an end, rather than a direct attempt to grab power. Ouyahia, Sellal, Saâdani, and Brahmini are all long-standing allies of Bouteflika and tied into the military and business elite that wields enormous power in Algeria. When the succession to Bouteflika does come, there is little indication that any potential successor will embark on a programme of major change or reform.

France has reached out across North Africa following the terrorist attacks in **Paris** in January 2015 against magazine **Charlie Hebdo** and a kosher supermarket. However, the development of relations with Algeria is particularly important. Not only is it France's largest trading partner in the region but France has a significant population of first and second generation Algerian migrants that bind the country strongly to its former colony. The ongoing threat from Islamist groups in the region has sped up a rapprochement that could have taken significantly longer. Both countries will benefit economically from increased political cooperation and Algeria, who is seen by many western powers as a less reliable ally than Morocco, will gain an important ally on the regional stage.

The AstraZeneca investment is good news for Algeria. The country is pursuing a programme of economic diversification in order to lessen its reliance on income from petroleum products which currently makes up 80% of the value of its exports. Pharmaceuticals is an important sector for North Africa, as the region is positioned close to the high value markets of Europe and to the growth markets of **sub-Saharan Africa** which have increasing appetite for medicine, particularly in the 'over the counter' low-end market.

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<sup>36</sup> AFP, 2 Jun 2015

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

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