

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing July 2015

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#### Algeria Summary 27 July 2015

*President Abdelaziz Bouteflika (1999- present) reshuffles three cabinet positions including the trade minister, and replaces three high ranking generals responsible for counter-terrorism and his personal security. Algeria posts a trade deficit of \$7.78 billion in the first half of 2015 due to low petroleum revenues. Energy minister Salah Khabri says that Algeria is considering calling an emergency meeting of the Organization of the Petroleum Exporting Countries (OPEC) to address low oil prices. The security situation deteriorates as an ambush kills 11 soldiers in the Ain Defla region. Al Qaeda in the Islamic Maghreb (AQIM) claims responsibility for the attack. There is further unrest in the south of the country as clashes between Arab and Mozabite Berber ethnic groups in the southern region of Ghardaia leave at least 22 dead.*

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#### Bouteflika reshuffles cabinet and security positions

President **Abdelaziz Bouteflika** (1999- present) reshuffled two ministerial positions on 24 July and three senior security positions on 25 July.<sup>1</sup> This is the second major cabinet reshuffle this year and follows poor economic performance in the first quarter of 2015 and a destabilising security situation.

**Bakhti Belaib** is the new trade minister. Belaib held the position before from 1996-1999 when he stepped down to manage Algeria's move to become part of the **World Trade Organisation (WTO)** and later went on to be head of the WTO delegation.<sup>2</sup> Belaib replaces **Amara Benyounès**, secretary general of minority coalition partner the **Mouvement Populaire Algérien (MPA)**. The MPA are former political opponents of Bouteflika who have supported him since 2004. Benyounès was in the post from 2012.<sup>3</sup>

Bouteflika also merged the agriculture and fisheries ministries. Fisheries minister **Sid Ahmed Ferroukhi** is now the minister of agriculture and fisheries.<sup>4</sup> **Abdelkader Kadi**, the former agriculture minister, will take up the position of Wali (governor) of the coastal district of **Tipaza**.<sup>5</sup> Ferroukhi has 40 years of experience working in agriculture including as secretary general of the agriculture ministry and director general of national research institute, **l'Institut National de la Recherche Agronomique**.<sup>6</sup>

**El Hadi Ouali** is the new sport minister. He replaces **Abdelkader Khomri** who is known to be suffering from ill health.<sup>7</sup> Political commentators in Algeria see this as a continued move towards technocrats in government:

*"Both Belaib and Ferroukhi have careers in trade and agriculture, Benyounès and Kadi were both political appointments who served in multiple portfolios."<sup>8</sup>*

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<sup>1</sup> AFP, 24 Jul 2015

<sup>2</sup> Algérie Presse Service, 25 Jul 2015

<sup>3</sup> Agence Ecofin, 25 Jul 2015

<sup>4</sup> El Watan, 25 Jul 2015

<sup>5</sup> El Watan, 25 Jul 2015

<sup>6</sup> El Watan, 24 Jul 2015

<sup>7</sup> Agence Ecofin, 25 Jul 2015

<sup>8</sup> Source, journalist, Algiers

The president dismissed three senior generals responsible for internal security one day later. **Ali Bendaoud** was removed as director of specialist counter-terrorism unit, **Détachement Spécial d'Intervention (DSI)** (special intervention unit). The presidency has yet to name his replacement.<sup>9</sup> Bendaoud was in the post from 2013.<sup>10</sup> Bouteflika also replaced the head of the **Garde Republicaine (GR)** (republican guard), **Ahmed Moulay Meliani**. The GR is an elite unit responsible for the president's personal security as well as making up the honour guards that protect visiting dignitaries. Major General **Ben Ali Ben Ali**, previously head of the 5<sup>th</sup> military region, is the new head of the GR.<sup>11</sup> The final military replacement is Major-General **Nacer Habchi** who replaced **Djamel Kehal Medjdoub** as head of presidential security.<sup>12</sup>

Bouteflika has not given an official reason for the dismissal of these military personnel. Algerian newspaper **El Watan** speculates that an incident involving two members of the president's security accidentally discharging their weapons at the presidential residence in **Zeralda** on 23 July prompted the changes.<sup>13</sup> However, a militant attack which killed 11 soldiers on 18 July (see below) could also have led Bouteflika to make the changes, particularly to the head of the DSI.

*"It can be no accident that a week after a major attack on the army that the head of counter-terrorism gets replaced."*<sup>14</sup>

### Algeria lobbies to increase oil price after further increases in trade deficit

Low revenues from petroleum products have led to Algeria's trade deficit increasing to \$7.78 billion for the first half of 2015.<sup>15</sup> Algeria is under considerable pressure due to the low price of oil. Energy minister **Salah Khabri** said on 14 July that Algeria is considering calling an emergency meeting of the **Organization of the Petroleum Exporting Countries (OPEC)** to try to increase the price.<sup>16</sup> Algeria has pressured OPEC to limit the supply of petroleum products to force up oil prices since they crashed late last year. However, it faces opposition from the **Gulf States** who fear that non-OPEC oil producers will be able to undercut OPEC's prices, removing businesses in the medium term. Khabri said that unless the oil prices stabilised to a "satisfactory"<sup>17</sup> level, Algeria would continue to seek multinational action to increase it.<sup>18</sup>

*"Algeria has little chance of persuading the movers and shakers in OPEC to restrict their supply...this looks more like a publicity stunt than a promise of serious action."*<sup>19</sup>

The renewed attempts to move OPEC nations into restricting supply are tied to the latest round of economic statistics. The central statistical agency, **Centre national de l'informatique et des statistiques (CNIS)** (national information and statistics centre), reported a trade deficit of \$7.78 billion for the first half of 2015 on 21 July.<sup>20</sup> The figure is in line with earlier finance ministry predictions due to the ongoing low price of oil. The deficit has steadily increased across the first six months of the year to \$6.3 billion at the end of May. The \$1.4 billion decrease in June is the largest in 2015 so far.<sup>21</sup> Overall Algeria's exports for the first half of 2015 covered just 71% of its exports. In 2014 the country posted a \$3.36 billion trade surplus.<sup>22</sup> Algeria's central bank, the **Banque d'Algérie**

<sup>9</sup> Liberté, 25 Jul 2015

<sup>10</sup> Liberté, 25 Jul 2015

<sup>11</sup> AFP, 25 Jul 2015

<sup>12</sup> AFP, 25 Jul 2015

<sup>13</sup> El Watan, 24 July 2015

<sup>14</sup> Source, journalist, Algiers

<sup>15</sup> Jeune Afrique, 21 Jul 2015

<sup>16</sup> Algérie Presse Service, 14 Jul 2015

<sup>17</sup> Algérie Presse Service, 14 Jul 2015

<sup>18</sup> Algérie Presse Service, 14 Jul 2015

<sup>19</sup> Source, oil analyst, London

<sup>20</sup> Jeune Afrique, 21 Jul 2015

<sup>21</sup> Jeune Afrique, 21 Jul 2015

<sup>22</sup> Jeune Afrique, 21 Jul 2015

(BA), released figures showing that the country's currency reserves fell \$19 billion in the first quarter of 2015 on 15 July.<sup>23</sup> Algeria now has reserves of \$159.9 billion, down from \$178.93 billion at the end of 2014.<sup>24</sup> Oil exports accounted for 60% of state revenues and 95% of external trade revenues by value in 2014.<sup>25</sup> The **European Union (EU)** remained Algeria's largest trading partner, purchasing more of its goods than any other country or region.

### Militant attacks and social unrest increase security risk

Algeria's security situation destabilised in July due to Islamist militant attacks against Algeria's military, the **Armée Nationale Populaire (ANP)**, and violence linked to ethnic tensions in the south of the country. Algeria fought a civil war from 1991-2002 and a coordinated campaign of violence could threaten its stability. An ambush on the night of 18 July left 11 soldiers dead.<sup>26</sup> The attack took place at **Djebel Louh** on the road to **Tifran**, a wooded area in the south of **Ain Defla** commune.<sup>27</sup> Militants attacked a military convoy *en route* to a remote outpost in the area and managed to flee the scene before reinforcements arrived.<sup>28</sup> Prime minister **Abdelmalek Sellal** promised an increase in military operations against militant groups and a "*relentless pursuit*" of the perpetrators of the attack.<sup>29</sup> Ain Defla is an area with a history of instability and was a stronghold of the **Groupe Islamique Armé (GIA)** during the civil war.<sup>30</sup>

**Al Qaeda in the Islamic Maghreb (AQIM)**, the Islamist terrorist group's presence in the region, posted an online statement claiming responsibility for the attack on 19 July.<sup>31</sup> It is not possible to verify this statement. However the Algerian army has carried out systematic campaigns against militant groups in the first half of 2015, making a retaliatory attack likely.<sup>32</sup> The Algerian army claims that it has killed or captured over 100 Islamists in the first half of 2015.<sup>33</sup> The army has also seized large quantities of automatic and semi-automatic weapons including 1,300 explosive devices.<sup>34</sup> The army claims to have killed or captured 100 Islamists across 2014 – this year's operations look set to have significantly more impact.<sup>35</sup> The defence ministry, which released the statement on behalf of the army on 7 July, said that persistent military action against potential threats decreases the chance of an attack against civilian targets.<sup>36</sup> However, the general threat from Islamist militants is increasing. The **Islamic State (IS)** has also threatened violence against Algeria. In an online statement released on 16 July, IS accused Algerians of apostasy and encouraged its supporters to carry out terrorist attacks in the country.<sup>37</sup> It said that a group of militants in **Skikda** commune in the north-east of the country had pledged allegiance to its leader **Abu Bakr al-Baghdadi**.<sup>38</sup>

*"It is highly likely that Algeria, and especially the military forces, will face further attacks from militant groups. The border with Libya is too porous to stop weapons and forces coming into the country...I think it is likely that these will remain on a small scale, Algeria's counter-terrorism efforts have so far been quite effective."*<sup>39</sup>

<sup>23</sup> Liberté, 15 Jul 2015

<sup>24</sup> Liberté, 15 Jul 2015

<sup>25</sup> Algérie Presse Service, 14 Jul 2015

<sup>26</sup> Liberté, 19 Jul 2015

<sup>27</sup> Liberté, 19 Jul 2015

<sup>28</sup> AFP, 19 Jul 2015

<sup>29</sup> AFP, 22 Jul 2015

<sup>30</sup> Liberté, 19 Jul 2015

<sup>31</sup> Liberté, 19 Jul 2015

<sup>32</sup> AFP, 19 Jul 2015

<sup>33</sup> Liberté, 7 Jul 2015

<sup>34</sup> Al-Arabiya, 7 Jul 2015

<sup>35</sup> Liberté, 7 Jul 2015

<sup>36</sup> Liberté, 7 Jul 2015

<sup>37</sup> ARA News, 17 Jul 2015

<sup>38</sup> ARA News, 17 Jul 2015

<sup>39</sup> Source, regional security analyst, Dubai

Longstanding ethnic grievances have led to further unrest in the south of the country. At least 22 people died during clashes between Arab and **Mozabite Berber** ethnic groups in the southern region of **Ghardaia** on 9 July.<sup>40</sup> Violence started in the town of **Guerara** on 8 July and continued into the following day. Groups from the rival communities erected barricades and pelted each other with stones.<sup>41</sup> Local media reported masked gunmen riding through the town with hunting rifles destroying shops and properties.<sup>42</sup> The majority of the casualties (15) died in hospital in the following days from wounds associated with thrown projectiles.<sup>43</sup> The violence also led to the destruction of a number of local businesses.<sup>44</sup> Local residents reported that the police were unequipped to stop the violence.<sup>45</sup> Bouteflika ordered regional commander general **Cherif Abderreza** to move forces into the area to restore order on 9 July.<sup>46</sup> Since then there have been sporadic outbreaks of violence that the army and police have quickly moved to disburse.

The two communities have had poor relations since 2013 when a Berber shrine was vandalised during a disagreement over land ownership and both communities blamed the other. Violence erupted in 2014 in which two people died.<sup>47</sup> Regional languages and religion also divide them – Arabs are **Sunni** and Berbers follow the **Ibadi** school of Islam practiced amongst Berber communities in **North Africa, Tanzania and Oman**.<sup>48</sup>

### Implications

Bouteflika's reshuffle appears to reflect his move, earlier in the year, towards a technocrat dominated government. It is unclear whether he believes that they are more effective at governing than political appointments, or that their non-aligned political stance makes them less of a threat in the ongoing tussle to succeed him. The trade and agricultural ministries are a key part of government's efforts to rebalance the economy away from its over-reliance on petroleum products. Two experienced new ministers are well placed to encourage those sectors to grow. The replacement of Bouteflika's personal security and counter-terrorism chiefs is harder to decipher. It could be linked to the reported incident at the president's residence last week, or it could be that the president is using the incident as an excuse to get rid of ineffective personnel. Medjdoub has a poor reputation in the Algerian press, which has expressed concerns over his competence in the past.

Algeria has little chance of persuading OPEC's members to increase the price of oil. Major players including **Saudi Arabia** oppose the move, favouring a situation where the oil price drops so low that OPEC's competitors, such as shale-oil producers, are driven out of business. Algeria stands with other smaller states, including **South American** producers such as **Venezuela** in opposing them but they lack the political pull to change the course. The lack of financing from petroleum products is undermining Algeria's public finances. Unless the government rethinks its current fiscal strategy it will have to take on large amounts of debt to continue spending at its current level.

Algeria will face an ongoing threat from militant groups that claim a link to AQIM and IS. The army's aggressive tactics over the past couple of years will have prompted some amongst the affected communities to develop sympathy for the militant cause. However, the greatest threat remains from the borders with Libya and **Mali**. Since the **El Amenas** attack in January 2013 the army has tried to take on threats pre-emptively. However, it will be the counter-terrorism forces of the DSI that will need to act against the possibility of AQIM/IS-sponsored attacks coming over the border. The ethnic clashes are a reminder that Algeria is still a nation fragmented along religious, factional and ethnic

<sup>40</sup> Liberté, 9 Jul 2015

<sup>41</sup> AFP, 9 Jul 2015

<sup>42</sup> El Watan, 9 Jul 2015

<sup>43</sup> AFP, 9 Jul 2015

<sup>44</sup> El Watan, 9 Jul 2015

<sup>45</sup> El Watan, 9 Jul 2015

<sup>46</sup> Algérie Presse Service, 9 Jul 2015

<sup>47</sup> Reuters, 9 Jul 2015

<sup>48</sup> Reuters, 9 Jul 2015

lines during the civil war of the 1990s. With an increased threat from militant groups, the army will retain its position at the heart of government as many see it as the only mechanism for guaranteeing security.

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