

**AFRICA RISK CONSULTING****Algeria Monthly Briefing August 2019**

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**Algeria Summary 30 August 2019**

*Direction générale des douanes (DGD) (customs) figures show Algeria's trade deficit rose 12% to \$3.18 billion in the first half of 2019 from the same period a year ago, primarily due to a 6.30% fall in energy revenues. The economy grew 1.5% during the first quarter of this year, the lowest such growth rate in 20 years. Algeria marks its sixth month of anti-government protests with no clear outcome in sight. Algerian authorities deport Human Rights Watch's Middle East communications and advocacy director Ahmed Benchemsi after police arrested him without charges.*

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**Gloomy mid-year economic figures**

Official **Direction générale des douanes (DGD)** (customs) data released on 13 August shows **Algeria's** trade deficit rose 12% to \$3.18 billion in the first half of 2019 from the same period a year ago, primarily due to a 6.30% fall in energy revenues.<sup>1</sup> The state-dominated economy appeared for a long time to have got off lightly during the political turmoil and ongoing protests, but the latest figures show that politics is taking its toll.

Algeria's economy grew 1.5% during the first quarter of this year, the lowest such growth rate in 20 years. Oil and gas exports reached \$17.65 billion, down from \$18.84 billion during the same period a year before. Oil and gas exports accounted for 93.10% of total sales abroad. Overall exports reached \$18.96 billion compared to \$20.29 billion in the first half of 2018. Imports fell 4.30% to \$22.14 billion in the first half of this year. The government's vital revenue-generating industry is in decline.

Economists expect the average price of crude oil to remain at \$60-\$70 for the rest of the year, but that price is far below the \$116 a barrel Algeria needs to balance its budget for 2019. The country crucially needs foreign investment in its oil and gas sector to upgrade its ageing fields, but political turbulence has scared many off. The **International Monetary Fund (IMF)** predicted in December 2018 that Algeria's reserves could slump to \$64 billion by December this year and drop as low as \$47 billion by the end of 2020.<sup>2</sup>

Uncertainty over politics and security (see below) has caused the economy to slow down. The interim government has held back economic reforms planned during the latter end of former president **Abdelaziz Bouteflika's** (1999-2019) 20-year rule to limit the possibility of further dissent. The reforms would have decreased subsidies and liberalised the economy to boost private sector growth and create jobs. The state-owned oil company, **Société nationale pour la recherche, la production, le transport, la transformation et la commercialisation des hydrocarbures (Sonatrach)**, and other firms operating in Algeria's largely untapped energy sector are eagerly waiting for a bill that will loosen regulations to be taken off hold. Sonatrach has said:

*"Output is ongoing at Sonatrach but everything else is completely frozen including talks with [United States-based oil companies] Exxon and Chevron. No visibility for the short term as politics not economics is at the top of the agenda for now."<sup>3</sup>*

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<sup>1</sup> Al Jazeera, 13 Aug 2019

<sup>2</sup> The North Africa Post, 11 Aug 2019

<sup>3</sup> Reuters, 27 Aug 2019

The government has not declared its growth forecast for this year. **Université d'Alger (Algiers University)** economics professor **Abderrahmane Aya** said the turmoil would cost this year's gross domestic product (GDP) 1% of growth, which reached 2.3% in 2018.<sup>4</sup>

Former Algerian government economic adviser **Abdelhak Lamiri** said:

*"Everything seems to indicate that we are going through a long period of economic uncertainty. The government is not empowered to take strategic decisions."<sup>5</sup>*

Economist and member of the Algerian parliament's finance committee, **Houari Tigharsi**, said investors were apprehensive and non-energy domestic production capacity was down 50%. Tigharsi's verdict on the economic situation is clear:

*"If the crisis drags on, we will not only see a fall in growth, but the economy will even face disaster."<sup>6</sup>*

### ... as the democratic transition stalls at its six-month milestone ...

Algeria marked six months of anti-government protests on 22 August, a milestone that will be celebrated by neither the protesters, nor the government and the military.<sup>7</sup> The six-month milestone comes amid a stalling economy (see above) and a stagnant political transition. The longer the country is in a political stalemate, the worse the economy will get and the higher the chance that protesters will wear out – although for now, at least, they appear strong.<sup>8</sup>

Optimism was high early on when months of protests brought down former president Bouteflika in April. An election was promised for July shortly after. The vote never happened, and people are still waiting, with no date in sight. Six months later and, while having achieved several remarkable accomplishments including the resignation of Bouteflika, protesters are still demanding an overhaul of the ruling regime that has shown no let-up. Elections for a successor for Bouteflika have been postponed indefinitely, despite a dialogue between opposition parties and the non-party government managed by army chief lieutenant general **Ahmed Gaed Salah**.

The signs are not promising. As the economy grinds to a halt, it will be the citizens that suffer. This will push them to find a solution, which is likely to favour immediate stability over the long-term goal of democratic governance.<sup>9</sup> The military knows this and looks to be settling in and slowly ratcheting up the pressure on its critics (see below). However, protesters recognise this and are fighting back. ARC's source reports:

*"Slogans are becoming more closely focused on General Salah and the generals. Attempts by the military to infiltrate the protests with counter slogans have largely failed. Salah's proposal for presidential elections to be held in October doesn't look workable. There is decantation of positions. Salah had hoped to be embraced by the movement after getting rid of Bouteflika, then hoped to hold elections after which he could then shift control to himself."<sup>10</sup>*

For now, protesters look set to continue. According to ARC's source:

*"That the movement keeps coming out every week in substantive numbers is extraordinary. All the attempts by the military to defuse 'the movement' have failed to prevent this. First, the military got rid of Bouteflika, nothing changed, then they hoped **Ramadan** would affect, now the summer. None of these things has had an appreciable effect on the movement. Moreover, next week it is la rentrée sociale (the end of holidays when people return to work, and universities as*

<sup>4</sup> Abderrahmane Aya quoted in Reuters, 27 Aug 2019

<sup>5</sup> Reuters, 27 Aug 2019

<sup>6</sup> Reuters, 27 Aug 2019

<sup>7</sup> Mail & Guardian, 22 Aug 2019

<sup>8</sup> Source, analyst, London

<sup>9</sup> Source, analyst, London

<sup>10</sup> Source, Peter Cross of Yaqut, the consultancy

well). We expect more mobilisation. When work, school and university resume, we expect more people on the streets.”<sup>11</sup>

Adding to this, ARC’s source reports that the protest movement is “hardening” and becoming “more clearly defined” because of three factors:

- A national conference is taking place outside of the control of the regime;
- There is a move towards a constituent assembly; and,
- The departure of the military generals.<sup>12</sup>

The **Middle East and North Africa (MENA)** region has experienced its fair share of failed revolutions, so Algeria should look to its neighbours for potential outcomes. It can either make the same mistakes as **Egypt’s** 2011 failed revolution or follow the example of the markedly more successful 2018-2019 **Sudanese** protests. While Algeria has not experienced the level of violence that pro-democracy protesters experienced in Egypt and Sudan, violence will become more likely as the economy worsens. Protesters on 2 August called for “civil disobedience” for the first time. As the economic and political spheres are stagnating, the security situation is heating up.

### ... and a human rights observer is thrown out

Algerian authorities on 19 August deported **United States**-based non-governmental organisation **Human Rights Watch’s (HRW) Middle East** communications and advocacy director, **Ahmed Benchemsi**, to **Morocco** after they arrested him without charges.<sup>13</sup> Algerian authorities accuse Benchemsi of being “part of a foreign agenda aimed at infiltrating” the pro-democracy protests.<sup>14</sup>

Benchemsi had been in Algeria since 1 August on the organisation’s behalf. The police detained him on 9 August for 10 hours and seized his passports, holding them for 10 days before deporting him. HRW reports that they held him without allowing him to contact anyone, confiscated his cellphone and laptop computer, and ordered him to provide his passwords to unlock both devices, which he refused to do. Benchemsi was observing the 25<sup>th</sup> consecutive Friday pro-democracy demonstration in downtown Algiers. Benchemsi published “An Algerian Spring Day” for HRW in March, an article about the situation surrounding Algeria’s protests.<sup>15</sup>

HRW executive director **Kenneth Roth** said:

*“Ahmed Benchemsi was in Algiers simply doing his job observing human rights conditions. His arbitrary arrest and mistreatment send the message that authorities don’t want the world to know about the mass protests for more democracy in Algeria.”<sup>16</sup>*

HRW reports that police “demanded aggressively” that Benchemsi provide his passwords, which he refused to do. HRW also reports that

*“At no time did Algerian authorities notify Benchemsi of any charges against him or the legal basis for confiscating and retaining his passports, phone and laptop, or for demanding that he surrender the passwords to the devices.”<sup>17</sup>*

HRW says in regards to the overall human rights situation in Algeria:

*“Despite constitutional amendments passed in 2016, Algerian authorities continued to resort to criminal prosecutions for peaceful speech, using articles in the penal code criminalising ‘offending the president’, ‘insulting state officials’, and ‘denigrating Islam’. An indefinite blanket ban on demonstrations in Algiers, the capital, imposed in 2001, is enforced with few exceptions.*

<sup>11</sup> Source, Peter Cross of Yaqut, the consultancy

<sup>12</sup> Source, Peter Cross of Yaqut, the consultancy

<sup>13</sup> Human Rights Watch, 19 Aug 2019

<sup>14</sup> Morocco World News, 19 Aug 2019

<sup>15</sup> Human Rights Watch, 20 Mar 2019

<sup>16</sup> Human Rights Watch, 19 Aug 2019

<sup>17</sup> Human Rights Watch, 19 Aug 2019

*Perpetrators of torture, enforced disappearances, and extrajudicial executions during the internal strife of the 1990s enjoy impunity. The Algerian government blocks the registration of many Algerian nongovernmental organisations working on women's, ethnic, and human rights, and has maintained its non-cooperation with several **United Nations** human rights experts and mechanisms."<sup>18</sup>*

### Planner

13-15 Oct 2019 **Cic D'Alger (Algeria)** Algeria Future Energy Summit & Exhibition;  
 19-21 Nov 2019 **Sidi M'Hamed (Algeria)** Algeria Oil & Gas Summit;  
 2019 **(Algeria)** (Trade ministry) Diversification strategy for exports for 2019-2023;

### Chronology

30 Aug 2019 **Algiers (Algeria)** *The Times*. **United Kingdom**-based exploration and production company **Neptune Energy** cuts its production outlook from 155,000 to 150,00 after delays at a gas project in Algeria;

25 Aug 2019 **Algiers (Algeria)** *BBC*. Culture minister **Meriem Merdaci** resigns after the deaths of five young music fans in a stampede at a packed concert in **Algiers**;

22 Aug 2019 **Algiers (Algeria)** *Mail & Guardian*. Algeria marks six months of anti-government protests;

20 Aug 2019 **Algiers (Algeria)** *Asharq Al-awsat*. Opposition party **Front des Forces Socialistes (FFS)** urges authorities and the army to draw inspiration from **Sudan's** democratic transition;

19 Aug 2019 **Algiers (Algeria)** *Human Rights Watch*. Authorities deport **Human Rights Watch** official **Ahmed Benchemsi** to **Morocco** after arresting him without charges;

18 Aug 2019 **Aïn Témouchent (Algeria)** *Afrik21*. **Beni Saf Water Company** CEO **José Minguillon Fouteza** announces \$3m expansion plans for its seawater desalination plant in northwest **Algeria**;

13 Aug 2019 **Algiers (Algeria)** *Reuters*. **Direction générale des douanes (DGD)** (customs department) figures show that **Algeria's** trade deficit rose 12% year-on-year in the first half of 2019 due to a fall in energy revenues;

12 Aug 2019 **Algiers (Algeria)** *Algerie Presse Service*. The **Direction des études et de la prospective des Douanes (DEPD)** (Customs' department of studies and prospects) says that exports reached \$18.96 billion in the first half of 2019, down from \$20.29 billion in 2018;

9 Aug 2019 **Algiers (Algeria)** *africanews*. Internet rights group **NetBlocks** reports that **Algeria** briefly blocked internet on 8 August after former defence minister **Khaled Nezzar** called on the public to overthrow military leader **Ahmed Gaid Salah**;

6 Aug 2019 **Algiers (Algeria)** *Engineering News*. A military court orders the arrest of former defence minister, **Khaled Nezzar** for conspiring against the army and disrupting public order;

5 Aug 2019 **Algiers (Algeria)** *Al Jazeera*. The supreme court orders former transport minister **Abdelghani Zaalane** and former labour minister **Mohamed El Ghazi** into custody over suspected corruption;

31 Jul 2019 **Algiers (Algeria)** *VOA*. Interim president **Abdelkader Bensalah** fires justice minister **Slimane Brahmi** amid corruption investigations and appoints **Belkacem Zeghmati** as

<sup>18</sup> 'Algeria', Human Rights Watch, hrw.org.

replacement;

30 Jul 2019 **Algiers (Algeria)** *Al Jazeera*. Army chief **Ahmed Gaid Salah** says that there will be no preconditions to end the political crisis and elections must be held soon;

30 Jul 2019 **Algiers (Algeria)** *Reuters*. **L'Office national des statistiques (ONS)** (national statistics bureau) figures show annual inflation fell to 3.1% in June from 3.6% the previous month due to a drop in prices for some food items;

### About Africa Risk Consulting:

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