

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing December 2020

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#### Algeria Summary 21 December 2020

*President Abdelmadjid Tebboune (2019-present) makes his first appearance since mid-October, following his hospitalisation for COVID-19. Despite Tebboune's assurances that his health has improved, uncertainty surrounds his ability to carry out presidential duties upon his return to Algeria. The United States (US) announces it will recognise Morocco's sovereignty over the disputed Western Sahara territory, whose armed wing, the Polisario Front (PF), Algeria supports. The Algerian government calls on the United Nations (UN) and African Union (AU) to intervene. Energy minister Abdelmadjid Attar reports that Algeria's hydrocarbons production dropped by 8% while hydrocarbons export revenue dropped by 33% in 2020, but predicts hydrocarbons production will increase by 12% in 2021. State-owned hydrocarbons firm Sonatrach CEO Toufik Hakkar says oil revenue has fallen by 40% year-on-year in 2020.*

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#### Algeria's power vacuum continues ...

President **Abdelmadjid Tebboune** (2019-present) made his first public appearance on 13 December since contracting **COVID-19** in October and being hospitalised in **Germany** since the end of October (see *ARC Briefing Algeria November 2020*).<sup>1</sup> Tebboune's prolonged absence from **Algeria** has led to speculation about his ability to perform his presidential responsibilities and whether a vacancy of power should be declared, which would lead to the appointment of an interim head of state. Tebboune's address marked the first time he has been seen in public since his 15 October meeting with **French** foreign affairs minister **Jean-Yves Le Drian**.<sup>2</sup>

In a pre-recorded five-minute video on his **Twitter** account, Tebboune provided details of his recovery, confirming that his infection with the **coronavirus** had necessitated his medical evacuation to Germany in October.<sup>3</sup> Despite looking tired and having noticeably lost weight, Tebboune said he was feeling much better, but would need an additional two to three weeks to fully regain his physical capacities. Tebboune reassured Algerians that he was carrying out his presidential duties on a daily basis and was regularly informed of events taking place in Algeria.<sup>4</sup> Referring to the Covid-19 pandemic, Tebboune expressed satisfaction that Algeria's daily infection rate had decreased from an average of 1,300 to 520 cases per day.<sup>5</sup> In reference to the 2021 draft budget, Tebboune said that despite the reduced budget, the purchasing power of Algerians would not be negatively affected.<sup>6</sup> Tebboune also announced the imminent creation of a commission to revise the electoral code in anticipation of the upcoming legislative elections.<sup>7</sup> The commission will take 10-15 days to formulate a new document, which will be followed by the organisation of elections.<sup>8</sup>

The initial confusion and lack of clear communication around Tebboune's illness and subsequent hospitalisation are reminiscent of the lack of transparency that characterised former President **Abdelaziz Bouteflika's** (1999-2019) hospitalisation in 2013 after suffering a heart attack.<sup>9</sup>

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<sup>1</sup> APS, 13 Dec 2020

<sup>2</sup> France24, 13 Dec 2020

<sup>3</sup> Jeune Afrique, 13 Dec 2020

<sup>4</sup> APS, 13 Dec 2020

<sup>5</sup> Jeune Afrique, 13 Dec 2020

<sup>6</sup> Jeune Afrique, 13 Dec 2020

<sup>7</sup> Jeune Afrique, 13 Dec 2020

<sup>8</sup> Jeune Afrique, 13 Dec 2020

<sup>9</sup> ARC Algeria analyst

Tebboune's use of his Twitter account, which has 530,000 followers, as his primary source of communication has also raised concern about who is controlling the information that is being revealed to the public.<sup>10</sup>

Tebboune's prolonged absence has led to speculation whether he will be well enough to carry out his presidential duties in future. Despite his assurances that he is recovering, there has been no medical report or statement from the health professionals who are treating him.<sup>11</sup> Local media have raised the possibility of the application of Article 102 of the Algerian constitution regarding the vacancy of power, which is only within the power of the **Conseil Constitutionnelle** (constitutional council).<sup>12</sup> If the constitutional council decides to apply Article 102, 89-year-old **Senate** president and independence war veteran **Salah Goudjil** would assume the interim presidency for 90 days until elections are organised.

Tebboune's absence has hampered the coordination of government action and delayed the enactment of the newly voted constitution; his hospitalisation prevented him from taking part in the referendum, whose organisation was a key objective of his political agenda.<sup>13</sup> The 2021 finance law has also not been signed.<sup>14</sup> According to Algerian law, both the constitution and finance law can only be enacted if the president is on Algerian soil. Tebboune's absence also calls into question when legislative elections will take place.<sup>15</sup>

In the midst of this uncertainty, there are rumours that senior military officers held a meeting to discuss whether Tebboune can stay on as president.<sup>16</sup> The army, Algeria's most important institution, has not made any statements regarding Tebboune's health since his hospitalisation. Tebboune can no longer rely on the support of the late army chief of staff General **Gaid Salah**, who died in December 2019 and played a pivotal role in Tebboune's ascendance to power.<sup>17</sup>

Tebboune's absence has also become problematic following clashes between **Morocco** and the Algeria-supported **Polisario Front** in **Western Sahara** (see below). The **United States (US)** recognition of Morocco's control over Western Sahara requires a hands-on reaction by Algeria's head of state, which Tebboune is not currently in a position to undertake.<sup>18</sup>

Tebboune's hospitalisation abroad and extended absence from Algeria have been the culmination of a forgettable first year in power for the 75-year-old. Upon taking up the presidency, Tebboune promised to establish the foundation of the "*New Algeria*".<sup>19</sup> According to Tebboune, this would entail a complete break with the corrupt and clientelist 20-year reign of the Bouteflika regime. The COVID-19 pandemic and Algeria's accompanying economic crisis have prevented Tebboune from pursuing his goal.<sup>20</sup>

Tebboune and his government have failed to win the necessary legitimacy and confidence from the Algerian public, as evidenced by the 23.7% participation rate in the 1 November constitutional referendum (see *ARC Briefing Algeria November 2020*).<sup>21</sup> The high rate of voter abstention can be attributed to the government's failure to pursue genuine rapprochement with the *Hirak* anti-government protest movement.<sup>22</sup> According to the **Ligue Algérienne de la Defense des Droits de l'Homme (LADDH)**, Tebboune's arrival has witnessed an increase in human rights violations.<sup>23</sup> The

<sup>10</sup> El Watan, 15 Dec 2020

<sup>11</sup> El Watan, 14 Dec 2002

<sup>12</sup> Jeune Afrique, 13 Dec 2020

<sup>13</sup> Jeune Afrique, 13 Dec 2020

<sup>14</sup> Jeune Afrique, 13 Dec 2020

<sup>15</sup> Jeune Afrique, 13 Dec 2020

<sup>16</sup> Algerie-Eco, 17 Dec 2020

<sup>17</sup> Algerie-Eco, 17 Dec 2020

<sup>18</sup> Algerie-Eco, 17 Dec 2020

<sup>19</sup> ARC Algeria analyst

<sup>20</sup> Brookings Institute, 2 Dec 2020

<sup>21</sup> Jeune Afrique, 2 Nov 2020

<sup>22</sup> TSA-Algerie, 12 Dec 2020

<sup>23</sup> TSA-Algerie, 12 Dec 2020

**Comité National pour la Libération des Detenus (CNLD)** claims that an estimated 100 activists, journalists and opposition members have been imprisoned since Tebboune came to power.<sup>24</sup>

### Algeria protests US recognition of Moroccan sovereignty over Western Sahara

In a surprise move, the US government announced on 10 December that it would recognise Morocco's sovereignty over the disputed Western Sahara territory, whose armed wing, the Algeria-backed **Polisario Front (PF)** has been in conflict with Morocco for over 40 years.<sup>25</sup> The US will recognise Morocco's control of Western Sahara, officially the **Sahrawi Arab Democratic Republic**, in exchange for Morocco normalising ties with **Israel**, while Morocco will receive \$3 billion in US investment and be permitted to purchase \$1 billion in military equipment from the US.<sup>26</sup> The development is expected to exacerbate already high tensions between Algeria and Morocco, with Algeria outrightly condemning the move by the US and Morocco.

The Polisario Front and Morocco have been in conflict since **Spain** relinquished control of the territory in 1975, with Morocco claiming Western Sahara is part of its kingdom, while the Sahawari have maintained their right to self determination and establishing their own country.<sup>27</sup> The **United Nations (UN)** brokered a ceasefire between the two sides in 1991.<sup>28</sup>

Escalating tensions in the area, the **Polisario Front** placed a traffic obstruction in a buffer zone near **Guerguerat** on the border of **Mauritania** and Morocco on 21 October, stranding 200 Moroccan truck drivers for three weeks and obstructing a significant African trade route (see *ARC Briefing Morocco November 2020*).<sup>29</sup> In response Morocco sent troops to the area of Guerguerat on 13 November, where the Polisario Front accused them of shooting at civilians.<sup>30</sup> Responding to news of the event, UN secretary general **Antonio Guterres** reaffirmed the UN's commitment to upholding the terms of the ceasefire.<sup>31</sup>

The US went ahead with the diplomatic agreement despite the tension between Morocco and the Sahawari. The US government claimed Western Saharan independence is not a realistic option and that the Sahawari authorities should adopt Morocco's 2007 autonomy plan that would grant Sahawari limited autonomy.<sup>32</sup>

Algeria, the Polisario Front's most important foreign supporter, unequivocally condemned the agreement between Morocco and the US. Prime minister **Abdelaziz Djerab** stated on 12 December that Morocco's moves would fail.<sup>33</sup> The **Armée Populaire National** (national defence forces) in its monthly magazine said it would be compelled to carry out its regional obligations in the wake of the agreement, referring to possible military intervention on its part.<sup>34</sup> Algeria's foreign affairs ministry stated that only international law should be used to resolve the Western Sahara situation, calling for UN and **African Union (AU)** dialogue between the two sides.<sup>35</sup> On 14 December, the foreign affairs ministry issued a further statement reiterating its support for Sahawari self-determination.<sup>36</sup>

Algeria has hired US-based lobbyist **David Keene** to liaise with foreign policymakers in an attempt to dissuade the US from pursuing its agreement with Morocco.<sup>37</sup> The Algerian government seeks to show it is not in US interests to alienate Algeria, since it is a strategic security partner in the fight against

<sup>24</sup> TSA-Algerie, 12 Dec 2020

<sup>25</sup> Al Jazeera, 11 Dec 2020

<sup>26</sup> Al Jazeera, 11 Dec 2020

<sup>27</sup> Al Jazeera, 11 Dec 2020

<sup>28</sup> Al Jazeera, 11 Dec 2020

<sup>29</sup> Atalayar, 14 Nov 2020

<sup>30</sup> Al Jazeera, 11 Dec 2020

<sup>31</sup> Al Jazeera, 11 Dec 2020

<sup>32</sup> Al Jazeera, 11 Dec 2020

<sup>33</sup> RFI, 12 Dec 2020

<sup>34</sup> RFI, 12 Dec 2020

<sup>35</sup> TSA Algeria, 12 Dec 2020

<sup>36</sup> APS, 14 Dec 2020

<sup>37</sup> Jeune Afrique, 18 Dec 2020

terrorism.<sup>38</sup> Keene is well connected in US **Republican Party** circles. Algeria's stance on the agreement between Morocco and the US is supported by former US National Security adviser **John Bolton**<sup>39</sup> and former secretary of state **James Baker**, with the latter suggesting it could lead to conflict in **North Africa**.<sup>40</sup> US-based **American University** lecturer **William Lawrence** claims that, despite the decision being that of the outgoing **Donald Trump** (2017-present) administration, president-elect **Joe Biden** is unlikely to reverse any decision concerning the normalisation of ties with Israel.<sup>41</sup> Nonetheless, **Yamina Abouzzahar**, visiting fellow at the **Qatar-based Brookings Doha Centre**, believes that the US position will not change the stance of the UN and the **European Union** (EU) on the possibility of self-determination for the Sahawari.<sup>42</sup> AU sources say AU diplomats are not happy with the decision as both the Sahawari Republic and Morocco are AU members, and the move complicates AU relations with the US.<sup>43</sup>

### Algeria's hydrocarbons sector experiences difficult 2020

Energy minister **Abdelmadjid Attar** declared before parliament's budget and finance committee on 18 December that Algeria's hydrocarbons production has dropped by 8% in 2020 while hydrocarbons export revenue has fallen by 33%.<sup>44</sup> Attar blamed the situation on the Covid-19 pandemic, which has significantly reduced the demand for hydrocarbons products, and the subsequent fall in global oil prices which saw **Brent Crude** oil prices drop to below \$20 per barrel in April.<sup>45</sup> In a communiqué issued by the **Assemblée Populaire Nationale (APN)** lower assembly on 18 December, Attar highlighted hydrocarbons production fell to 143m tonnes of oil equivalent while exports amounted to 82m tonnes of oil equivalent.<sup>46</sup> This has caused a \$22 billion drop in hydrocarbons export revenue in 2020.<sup>47</sup>

State-owned hydrocarbons firm **Sonatrach** CEO **Toufik Hakkar** reported on 15 December that oil and gas revenue has fallen by 40% in 2020.<sup>48</sup> Sonatrach, which controls 75% of Algeria's petroleum production,<sup>49</sup> generated \$33 billion in revenue in 2019, while in 2020, the figure will be \$20-\$21 billion.<sup>50</sup> Hakkar noted that 80% of the contraction resulted from the oil price drop, which affected the prices of other hydrocarbons products such as gas, liquefied natural gas and condensate.<sup>51</sup> Hakkar stated the remaining 20% was lost due to Algeria's application of the **Organisation of Petroleum Exporting Countries (OPEC)** production quota.<sup>52</sup> Hakkar assured that Sonatrach would not incur losses in 2020, as a result of a reduction in investments in 2020 to \$5.4 billion compared to \$8 billion in 2019.<sup>53</sup> Sonatrach also reduced management fees by \$3 billion to balance the drop in investments and revenue.

Despite the negative results, Attar projects hydrocarbons exports will increase by 12% to 92m tonnes of oil equivalent in 2021.<sup>54</sup> This estimate takes into account the OPEC quota for Algeria of 912,000 barrels per day.<sup>55</sup> In total, Attar expects Algeria to produce 30m barrels of oil in 2021.<sup>56</sup> Attar noted

<sup>38</sup> Jeune Afrique, 18 Dec 2020

<sup>39</sup> Jeune Afrique, 18 Dec 2020

<sup>40</sup> APS, 17 Dec 2020

<sup>41</sup> Al Jazeera, 11 Dec 2020

<sup>42</sup> Al Jazeera, 11 Dec 2020

<sup>43</sup> Addis Ababa-based US diplomat

<sup>44</sup> TSA-Algerie, 19 Dec 2020

<sup>45</sup> TSA-Algerie, 19 Dec 2020

<sup>46</sup> TSA-Algerie, 19 Dec 2020

<sup>47</sup> TSA-Algerie, 19 Dec 2020

<sup>48</sup> Algerie-Eco, 16 Dec 2020

<sup>49</sup> Brookings Institute, 2 Dec 2020

<sup>50</sup> Algerie-Eco, 16 Dec 2020

<sup>51</sup> Algerie-Eco, 16 Dec 2020

<sup>52</sup> Algerie-Eco, 16 Dec 2020

<sup>53</sup> Algerie-Eco, 16 Dec 2020

<sup>54</sup> Algerie-Eco, 17 Dec 2020

<sup>55</sup> Algerie-Eco, 17 Dec 2020

<sup>56</sup> Algerie-Eco, 17 Dec 2020

that, with the exception of January, the rest of 2021 will see positive demand for hydrocarbons products, with **China, India** and the rest of **Asia** being the primary drivers behind this trend.<sup>57</sup> Attar highlighted that the government will launch new projects to improve the hydrocarbons sector, including the rehabilitation of local refineries to increase their refining capacity.<sup>58</sup> Attar said upon completion **Hassi Messaoud** refinery will have an annual refining capacity of 5m tonnes of oil equivalent.<sup>59</sup> **South Africa**-based **African Energy Chamber (AEC)** president **NJ Ayuk** shares Attar's optimism about the short-term prospects of Algeria's hydrocarbons industry.<sup>60</sup> Ayuk says Algeria will play a major role in satisfying global demand for gas over the next two years.<sup>61</sup>

Nonetheless, Attar underlined the need for Algeria to move away from its current dependence on hydrocarbons activity amid depleting reserves, which are currently sufficient to meet its domestic needs only until 2040.<sup>62</sup> Attar said hydrocarbons exports will decline from 2030 and Algerian needs to take steps to ensure its energy security through development of renewable energy sources.<sup>63</sup> Hakkar noted that Algeria has exhausted 62% of its hydrocarbons reserves.<sup>64</sup>

**Commisariat aux Energies Renouvelables et a l'Efficacite Energetique (CEREE)** (renewable and efficient energy commission) director general **Noureddine Yassa** says Algeria plans to raise installed capacity to 22,000 MW by 2030.<sup>65</sup> In June, former energy minister **Mohamed Arkab** confirmed that the ministry had commenced discussions with **Germany**-based **Desertec** over the \$3.2 – \$3.6 billion **Desertec Industrial Initiative (DII)**, which aims to set up photovoltaic solar plants across the country, producing 4GW of solar energy.<sup>66</sup>

Since taking office, President Tebboune has consistently stressed the need for Algeria to diversify its economy (see *ARC Briefing Algeria June-August 2020*). The **International Monetary Fund (IMF)** forecasts that Algeria's economy will contract by 5.2% in 2020. Algeria's foreign exchange reserves are estimated to fall to \$44 billion by the end of 2020, a significant drop from \$195 billion in 2014.<sup>67</sup> Tebboune has repeatedly stressed that Algeria needs to pursue structural economic reform and encourage private sector-led growth.<sup>68</sup> A long-term economic diversification plan may include foreign exchange earning activities such as mining and tourism, as developed in formerly resource-dependent nations such as **Indonesia** and **Malaysia**.<sup>69</sup>

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<sup>57</sup> *Algerie-Eco*, 17 Dec 2020

<sup>58</sup> *El Watan*, 19 Dec 2020

<sup>59</sup> *El Watan*, 19 Dec 2020

<sup>60</sup> *El Watan*, 7 Dec 2020

<sup>61</sup> *El Watan*, 7 Dec 2020

<sup>62</sup> *El Watan*, 7 Dec 2020

<sup>63</sup> *El Watan*, 7 Dec 2020

<sup>64</sup> *Algerie-Eco*, 16 Dec 2020

<sup>65</sup> *Algerie-Eco*, 25 Aug 2020

<sup>66</sup> *Economist Intelligence Unit*, 25 Jun 2020

<sup>67</sup> *Brookings Institute*, 2 Dec 2020

<sup>68</sup> *Brookings Institute*, 2 Dec 2020

<sup>69</sup> *Brookings Institute*, 2 Dec 2020

## Planner

2021 (TBA) **Algiers (Algeria)** Legislative elections;  
 2021 (TBA) **Istanbul (Turkey)** Turkey-Africa Economic and Business Forum;  
 2021 (TBA) **Algiers (Algeria)** Algeria Oil & Gas Summit & Exhibition;

## Chronology

20 Dec 2020 **Algiers (Algeria)** *Algerie-Eco*. President **Abdelmadjid Tebboune** announces that Algeria will acquire doses of the **Covid-19** vaccine from January 2021;

19 Dec 2020 **Algiers (Algeria)** *TSA-Algerie*. Energy minister **Abdelmadjid Attar** reports hydrocarbons production dropped by 8% while hydrocarbons export revenue dropped by 33% in 2020;

17 Dec 2020 **Algiers (Algeria)** *Algerie-Eco*. Energy minister **Abdelmadjid Attar** projects hydrocarbons exports will increase by 12% to 92m tonnes of oil equivalent in 2021;

16 Dec 2020 **Algiers (Algeria)** *Algerie-Eco*. State-owned hydrocarbons firm **Sonatrach** CEO **Toufik Hakkar** reports that in 2020, oil revenue fell by 40%, to between \$20-\$21 billion;

13 Dec 2020 **Berlin (Germany)** *APS*. President **Abdelmadjid Tebboune** posts a video on social media platform **Twitter**, assuring **Algerians** that he is recovering from **Covid-19**, in his first public appearance since 15 October;

11 Dec 2020 **Washington D.C (United States)** *Al Jazeera*. The United States recognises Morocco's sovereignty over **Western Sahara** in exchange for Morocco's re-establishment of diplomatic ties with **Israel**;

11 Dec 2020 **Algiers (Algeria)** *Agence Ecofin*. State-owned **Entreprise Nationale de Transport Maritime de Voyageurs (ENTMV)** (national maritime transport company) has lost a reported 9 billion dinars (\$68m) since the suspension of its activities in March due to **Covid-19**;

10 Dec 2020 **Algiers (Algeria)** *Sonatrach*. State-owned hydrocarbons operator **Sonatrach** signs a memorandum of understanding (MOU) with **Italy**-based energy giant **Eni** to strengthen their partnership with respect to exploitation of the **Berkine** basin;

9 Dec 2020 **Algiers (Algeria)** *El Watan*. State-owned airline **Air Algerie** reportedly lost 40 billion dinar (\$301.5m) as a result of suspension of activity caused by the **Covid-19** pandemic;

8 Dec 2020 **Algiers (Algeria)** *TSA-Algerie*. The **Cour d'Alger** (court of Algiers) has authorised the detention of former post and telecommunications minister **Houda Imane Feraoun** and former mines and industry ministry **Djamila Tamazirt** on charges of corrupt acts committed during the reign of former President **Abdelaziz Bouteflika**;

2 Dec 2020 **Algiers (Algeria)** *Agence Ecofin*. The government authorises the resumption of domestic flights across Algeria from 6 December, following their suspension in March due to **Covid-19**;

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