

AFRICA RISK CONSULTING

Algeria Monthly Briefing December 2022

Algeria Summary 12 December 2022

The International Monetary Fund (IMF) completes its 2022 Article IV consultation for Algeria between 6 and 21 November, focusing on collecting economic and financial information and discussing economic developments and policies with the relevant authorities. The mission concludes that the near-term outlook of the domestic economy is favourable and has materially improved amid a significant increase in hydrocarbon prices. Prime Minister Ayman Benabderrahmane meets with China's President Xi Jinping (2013-present) on 9 December in Riyadh (Saudi Arabia), four days after the two countries sign an executive plan for the joint development of the Belt and Road Initiative (BRI). Algeria and Russia conduct their first joint military exercises on Algerian soil despite Western concerns over the deepening relations between Moscow and Algiers, a key energy supplier to Europe. The African Unity Road, a major trans-Saharan project that will bolster regional integration and promote trade between the north and south of the Sahara, is nearing completion. The highway will span 5,000km and connect Algeria, Mauritania, Mali, Niger, Nigeria and Chad.

IMF completes 2022 Article IV mission to Algeria...

The **International Monetary Fund (IMF)** completed its 2022 Article IV consultation in Algeria between 6 and 21 November, focused on collecting economic and financial information and discussing economic developments and policies with the relevant authorities.¹

Mission head **Geneviève Verdier** noted that the rally in hydrocarbon prices in 2022 has contributed to the domestic economy's recovery post-**Covid-19**, with increased revenue alleviating pressures on external and public finances.² Gross domestic product (GDP) growth is anticipated to reach 2.9% this year while the IMF also forecasts that Algeria's current account balance will record its first surplus since 2013 this year off the back of higher revenues and lower-than-expected spending.⁴ The current account is projected to remain in surplus in 2023 with high hydrocarbon revenue offsetting a recovery in imports.³

While hydrocarbon revenues have certainly assisted recovery, a significant rise in non-hydrocarbon exports has also boosted international revenues from \$46.7 billion in 2021 to \$53.5 billion in September.⁴ Non-hydrocarbon GDP is projected to grow from 2.1% in 2021 to 3.2% in 2022.⁵

Inflation has accelerated significantly throughout 2022 and remains a major challenge, as is the case in many other **African** countries, with the annual inflation rate hovering at around 9.4% in recent months, a level not seen in 25 years.⁶ The IMF noted in its report that the **Bank of**

¹ IMF, 21 Nov 2022

² IMF, 21 Nov 2022

³ IMF, 21 Nov 2022

⁴ IMF, 21 Nov 2022

⁵ IMF, 21 Nov 2022

⁶ IMF, 21 Nov 2022

Algeria (central bank) has taken measures to control its control price pressures and monetary policy remains accommodative but that inflation is expected to remain above 8% in 2023.⁷

Algeria's near-term outlook is favourable however, it is highly dependable on hydrocarbon prices. The IMF, however, also warned that over-reliance on hydrocarbon revenue and the projected sizeable rise in spending in 2023 could pose significant risks to public finances amid high commodity price volatility and ongoing global uncertainty.⁸ The mission noted that a well-balanced budget adjustment is needed to curb inflationary pressures, stabilise government debt and rebuild policy space. Monetary policy tightening is also recommended as a necessity to bring inflation under control. The missions also commended Algeria's progress achieved on fiscal reforms, in particular in the areas of taxation and public finance management.

While the government has not indicated if it will implement the recommendations, in the past it has shown a willingness to enact IMF suggestions. In November 2021, the government announced plans to curb spending on food subsidies after the IMF urged **Algiers** in October 2021 to recalibrate its policies (*ARC Briefing Algeria Dec 2021*).

Algeria signs executive plan for Belt and Road initiative with China...

Prime Minister **Ayman Benabderrahmane** met with **China's** President **Xi Jinping** (2013-present) on 9 December in **Riyadh (Saudi Arabia)**, four days after the two countries signed an executive plan for the joint development of the **Belt and Road Initiative (BRI)**.⁹ Algeria signed an agreement with China in 2018, joining the BRI, and on 5 December Algeria's foreign affairs minister, **Ramtane Lamamra**, signed the new executive plan along with **Khou Lifang**, the chairman of the **National Development and Reform Commission of China**, in an online ceremony.¹⁰ Lamamra said during the signing:

*"The executive plan is another building block for the further deepening and enhancement of cooperation within the framework of the Belt and Road initiative, which the country joined in 2018."*¹¹

China is Algeria's leading trading partner and became the main exporter to Algeria in 2013, overtaking **France** which had monopolised trade for decades.¹² Chinese news agency **Xinhua** reported on 10 December that during the meeting in Riyadh, Xi highlighted Algeria and China's traditional friendship and that their practical cooperation has yielded fruitful results.¹³ China needs **Middle East and North Africa (MENA)** states to supply it with the energy resources it needs to sustain and strengthen its economic growth, while MENA states such as Saudi Arabia and Algeria need China's assistance to diversify their international relations beyond the **United States (US)** and **Europe**.¹⁴ A local source told **Africa Risk Consulting Briefing (ARC)**:

*"Some of Beijing's proposals in the deal like the use of the Yuan are going to be hard to achieve, however, Beijing's other diplomatic and economic plans may prove appealing to Algiers."*¹⁵

⁷ IMF, 21 Nov 2022

⁸ IMF, 21 Nov 2022

⁹ Middle East Monitor, 6 Dec 2022

¹⁰ Middle East Monitor, 6 Dec 2022

¹¹ Silk Road Briefing, 8 Dec 2022

¹² Middle East Monitor, 6 Dec 2022

¹³ Anadolu Agency, 10 Dec 2022

¹⁴ China Global South Project, 8 Dec 2022

¹⁵ ARC Source, Local Resident

The BRI, launched in 2013, is China's \$1-trillion infrastructure investment programme seeking to connect **Asia** with **Africa** and **Europe** "via land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth".¹⁶ The BRI agreement signed with Algeria seeks to boost cooperation in various fields, including investment, trade, security, military, education, culture, and tourism.¹⁷ However, during their meeting in Riyadh, Xi noted that China is willing to deepen cooperation with Algeria in the fields of infrastructure, mining, energy and aerospace under the BRI cooperation.¹⁸

Algeria and Russia conduct military drills amid western concerns over relations

Algeria and **Russia** conducted their first joint military exercises on Algerian soil despite Western concerns over the deepening relations between Moscow and Algiers, a key energy supplier to Europe.¹⁹ The joint anti-terrorism exercises, called '2022 Desert Shield' ran between 16 and 28 November in **Bechar** province, near Algeria's border with long-time rival and neighbour **Morocco**.²⁰ Similar exercises were conducted in Russia last year and come a month after joint naval manoeuvres in the **Mediterranean**.

Algeria, a member of the **Organization of the Petroleum Exporting Countries (OPEC)**, has been thrown into the spotlight this year as Russia's invasion of **Ukraine** sent European countries scouring the region for alternative oil and natural gas resources.²¹ Several European leaders, including former **Italian** prime minister **Mario Draghi** and French prime minister **Elisabeth Borne**, have visited Algeria in recent months looking to secure new energy deals or boost shipments.²² However, as Algiers strengthens its links with Europe, it is also deepening cooperation with Russia.

Algeria sells the bulk of its gas and oil resources to Europe and prior to Russia's invasion of Ukraine was the continent's third-largest supplier after Russia and **Norway**.²³ However, ties are also strong between Russia and Algeria - Russia is Algeria's main arms supplier with defence links stretching back to the **Soviet Union** era.²⁴ **Moscow-based Centre for Analysis of Strategies and Technologies** reports that Algeria imports almost 80% of its weapons from Russia and is the third largest buyer of such arms after **India** and China.²⁵ Russian state channel **RT** reported on 31 October that Algeria is also considering signing a new long-term \$17 billion arms deal with Russia for the purchase of warplanes, submarines, stealth fighter jets and advanced air defence systems.²⁶ President **Abdelmadjid Tebboune** (2019-present) is expected to finalise the 10-year contract during a visit to Moscow in December.²⁷

Moscow-based **Middle East** expert **Elena Suponina** told **US-based** media house, **Bloomberg**, on 17 November that the current tensions from the west towards Algeria and Russia's growing ties are only pushing the two "closer together" and Algiers is "refusing to adopt an anti-Russian stance."²⁸ Algeria abstained twice this year from voting on **United Nations (UN)** resolutions

¹⁶ European Bank for Reconstruction and Development, Accessed 17 Jan 2022

¹⁷ Morocco World News, 5 Jan 2022

¹⁸ Xinhua, 10 Dec 2022; Anadolu Agency, 10 Dec 2022

¹⁹ Bloomberg, 17 Nov 2022

²⁰ Sputnik, 16 Nov 2022

²¹ Aljazeera, 9 Jun 2022

²² France24, 9 Oct 2022

²³ Bloomberg, 17 Nov 2022

²⁴ Bloomberg, 17 Nov 2022

²⁵ Taipei Times, 18 Nov 2022

²⁶ RT, 31 Oct 2022; Taipei Times, 18 Nov 2022

²⁷ Bloomberg, 17 Nov 2022

²⁸ Bloomberg, 17 Nov 2022

condemning Russia for the war in Ukraine and annexing parts of its territory.²⁹ In turn, Moscow has adopted a neutral stance over the dispute in **Western Sahara**, a former **Spanish** colony that Morocco claims is its land, and is in a stand-off with the Algeria-backed **Polisario Front**.³⁰

A bipartisan group of 27 members of the US Congress raised concerns in a letter to US secretary of state **Antony Blinken** on 29 September about Algeria's growing ties with Russia, calling for sanctions against officials in the Algerian government for arms deals with Moscow (*ARC Briefing Algeria October 2022*).³¹ The group, led by congresswoman **Lisa McClain**, followed a similar call from senator **Marco Rubio** for President **Joseph Biden's** (2021-present) administration to issue sanctions against Algeria. On 17 November, seventeen members of the **European Parliament** (MEPs) also renewed their concerns over Algeria's growing support for Russia and their arms deals. The MEPs also expressed "*astonishment*" over Algeria abstaining from voting for resolutions condemning Russia's acts of war against Ukraine.³²

African Unity Road linking Algiers to Lagos nears completion...

The **African Unity Road**, a major trans-Saharan project that will run nearly 5,000km from **Algiers to Lagos (Nigeria)**, aimed at bolstering regional integration and promoting trade between the north and south of the Sahara, is nearing completion.³³ The trans-Saharan highway, an idea formed over 50 years ago, will connect Algeria, **Mauritania, Mali, Niger, Nigeria** and **Chad**.³⁴ The section of the project stretching 7km at **In Guezzam** on the border between Algeria and Niger is the final phase to be completed.³⁵ **Fayçal Amrouche**, the Wali (custodian) of In-Guezzam, believes the road will be an "*economic artery*" for Algeria and promote economic and social benefits for the populations across all six countries.³⁶ The African Unity Road section in Algeria is known as the **National Road 1 (RN1)** and connects remote regions such as **Tamanrasset** to Algiers, a total distance of 1,900km.³⁷

The African Unity Road is also lined with thousands of cables as part of another multinational project, the **Trans-Saharan Fibre Optic Backbone**. This project also includes the six African Unity Road countries and is expected to provide cheaper alternatives to satellite internet solutions.³⁸ Algeria has already completed its section of the fibre optic backbone, which covers 2,500km from Algiers towards Mauritania to a central hub on the border with Niger.³⁹

The two projects will greatly improve logistics and interconnectivity between the six member countries. The secretary general of the trans-Saharan liaison committee, **Mourad El-Allia**, says that the African Unity Road will "*enable access to the international market for countries that have no coastline, no access to the sea and no submarine cable*."⁴⁰ It is also expected to allow start-ups and innovation to emerge within the member countries.

The fibre optic backbone has also improved internet connectivity within Algeria - remote areas like Tamanrasset now have the same internet speeds as Algiers - with similar results expected

²⁹ Taipei Times, 18 Nov 2022; Bloomberg, 17 Nov 2022

³⁰ Taipei Times, 18 Nov 2022; Bloomberg, 17 Nov 2022

³¹ Morocco World News, 29 Sep 2022

³² Africa News, 17 Nov 2022

³³ Euro News, 21 Nov 2022

³⁴ Africa News, 21 Nov 2022

³⁵ Euro News, 21 Nov 2022

³⁶ Africa News, 21 Nov 2022

³⁷ Euro News, 21 Nov 2022

³⁸ Africa News, 21 Nov 2022

³⁹ Africa News, 21 Nov 2022

⁴⁰ Euro News, 21 Nov 2022

in other member countries.⁴¹ Increased access to the internet has changed daily life in places like In-Guezzam, with credit cards more widely used and digital schools created to benefit students.

Planner

Dec 2022 **Moscow (Russia)** President **Abdelmadjid Tebboune** to visit Moscow;

Dec 2022 **Algiers (Algeria)** **Palestinian** factions to hold a new round of talks to discuss the Palestinian reconciliation process

Chronology

10 Dec 2022 **Algiers (Algeria)** *Middle East Monitor*. **Turkish** foreign minister **Mevlut Cavusoglu**, during a press conference with his **Algerian** counterpart **Ramtane Lamamra**, vows that **Turkey** will further develop its multi-faceted relations with Algeria;

10 Dec 2022 **Oran City (Algeria)** *Kenya News*. Foreign affairs minister **Ramtane Lamamra** meets with **Kenya's** foreign affairs cabinet secretary **Alfred Mutua** in a high-level bilateral meeting focused on agricultural and horticultural products, fertilizer, oil and gas, and pharmaceutical manufacturing among others;

10 Dec 2022 **Washington (United States)** *Morocco World News*. **United States (US)** state department places **Algeria** on its list of states under “*special surveillance*” for committing or tolerating serious violations against freedom of religion;

7 Dec 2022 **Wahran (Algeria)** *Middle East Monitor*. Foreign affairs minister **Ramtane Lamamra** calls for reform of the **United Nations Security Council (UNSC)** so **Africa** may have two permanent seats;

7 Dec 2022 **Algiers (Algeria)** *Algeria Press Service*. President **Abdelmadjid Tebboune** holds a telephone conversation with the **Republic of Congo's** President **Denis Sassou-Nguesso**, underlining Algeria's support for him as the chairperson for the **Africa Union (AU)** high-level committee on national reconciliation in **Libya**;

4 Dec 2022 **Algiers (Algeria)** *Algeria Press Service*. Energy minister **Mohamed Arkab** says the **Organization of the Petroleum Exporting Countries Plus's (OPEC+)** decision to keep output unchanged was appropriate to market fluctuations;

3 Dec 2022 **Algiers (Algeria)** *Asharq Al-awsat*. **Hamas** announces that **Palestinian** factions will hold a new round of talks in Algeria at the end of December to discuss the Palestinian reconciliation process;

3 Dec 2022 **Algiers (Algeria)** *English Almayadeen*. **Algiers** governor **Mohamed Abdenour Rabeh** says Algeria needs to harmonize its legislation with **BRICS** countries before joining the economic bloc;

1 Dec 2022 **Algiers (Algeria)** *North African Post*. Official **Algerian** media censure neighbouring **Morocco's** win over **Belgium** at the **FIFA World Cup** in **Qatar**;

⁴¹ Africa News, 21 Nov 2022

30 Nov 2022 **Algiers (Algeria)** *Military Africa*. Air force announces it intends to acquire new AW249 attack helicopters and seven AW-139 helicopters from **Italian** arms manufacturer **Leonardo**;

29 Nov 2022 **Algiers (Algeria)** *Middle East Monitor*. Defence ministry denies reports that the armed forces have conducted joint manoeuvres with their **Russian** counterparts near the **Moroccan** border;

29 Nov 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** renews his call for defending **Palestinian** rights on the International Day of Solidarity with the Palestinian People;

24 Nov 2022 **Algiers (Algeria)** *BBC*. An Algerian court sentences 49 people to death after being found guilty of lynching **Jamal Ben Smail**, who was wrongly suspected of starting forest fires last year, which activist publicly denounce;

23 Nov 2022 **Algiers (Algeria)** *Amnesty International*. Human rights group **Amnesty International** says Algerian authorities must ensure that the investigation into the enforced disappearance of activist **Abdelhamid Bouziza** is independent, effective, and impartial;

20 Nov 2022 **Doha (Qatar)** *Algeria Press Service*. President **Abdelmadjid Tebboune** attends the official opening ceremony of the **2022 FIFA World Cup** in **Qatar**;

17 Nov 2022 **Algiers (Algeria)** *Economist*. **The Economist**, a **United Kingdom**-based weekly newspaper, publishes a scathing story on the economic, political, and social situation in **Algeria** describing it as “a rotten regime saved, for now, by gas”;

15 Nov 2022 **Algiers (Algeria)** *Africa News*. **Abdelmoumen Ould Kaddour**, the former CEO of state-owned oil and gas group **Sonatrach**, is sentenced to 15 years in prison for corruption in connection with the purchase of a refinery in **Italy**.

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.

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