

Algeria and the EU

Challenges before the elections

SUMMARY

Algeria will shortly be holding elections in April 2019 that will be crucial for its future. The country did, it is true, introduce constitutional reforms in response to the Arab Spring in the region, but whether or not President Bouteflika will have a fifth term in office is still the chief cause of the uncertainly hanging over the country. Although elderly now and in frail health, the President is still the glue binding Algeria's political system together after its terrible civil war in the 1990s.

In this context, the Algerian equation remains a complex one with three unknown factors (youth, climate and migration) that may shape short and medium-term prospects. Algeria has a high number of young people and constant growth is needed for them to find jobs on the labour market. Young people are still not particularly engaged in Algeria's political system and little is known about their preferences. Climate warming is a second unknown: it will have major consequences for the area and will probably push both Algeria's population and people in the wider Sahelian region towards coastal towns, making investment in sustainable urban planning and suitable public services essential. Lastly, demographic dynamics, both as regards the country's own population and how migration affects it, constitute an important challenge for the future.

These concerns place Algeria firmly in its regional context where it plays a central role in the conflicts in the western Sahara, in relation to Libya, and in the Sahel. Algeria is also a vital partner in the fight against international terrorism.

The country's economic situation still needs to be watched: Algeria's economy is coming under pressure from fluctuating energy prices. The Algerian authorities agree that reforms are needed but they are difficult to bring in when the State is facing a fall in revenue.

The European Union is Algeria's main trade partner and the Association Agreement provides a framework for further developing trade relations. The two partners recently opened discussions on Algeria's tariff barriers as they do not seem to be heading in the right direction.



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Reform and Stability Challenges

A Time of Political Uncertainty

Preparing for the April 2019 Presidential Elections

Abdelaziz Bouteflika was first [elected](#) as Algeria's President in 1999, then re-elected in 2004, 2009 and 2014. This was in compliance with the Constitution, which no longer limited the number of successive terms in office between 2008 and 2016. When the civil war came to an end, Bouteflika, a very popular figure who had the backing of the army and was known for his role in the war of independence, was seen as the [glue](#) that could bind Algerian society together. He was last re-elected in April 2014, with 81.5% of the vote. The President is Head of State. He appoints the Prime Minister, plays a central role in foreign policy and serves as Commander-in-Chief of the armed forces. Abdelaziz Bouteflika's re-election in 2014 was complicated by concerns over his health after a stroke in 2013, and by public [protests](#) in 2014.

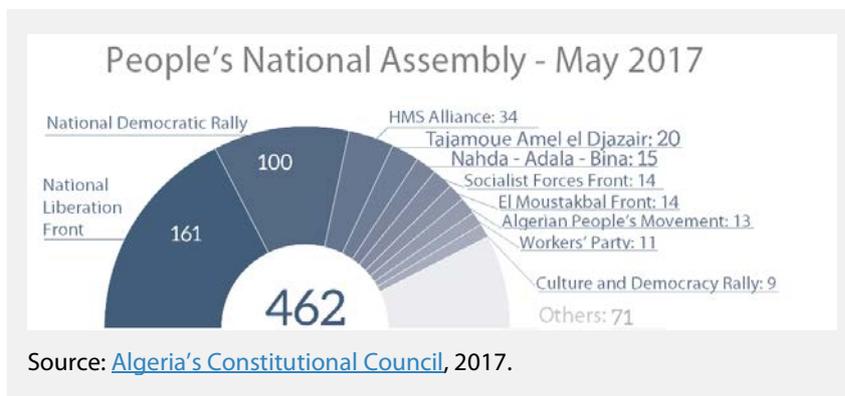
Following legislative elections on 4 May 2017, some parties in the media thought President Bouteflika would [reappoint](#) the sitting Prime Minister Abdelmalek Sellal, in post since 2012. However even though the National Liberation Front (FLN) had won a clear majority, its influence was waning and he was replaced by another person close to the President, Abdelmadjid [Tebboune](#). This was a short-lived government as a partial reshuffle on 17 August 2017 led to Ahmed [Ouyahia](#) taking over the post of Prime Minister. Some sources in the Algerian media [said](#) that Abdelmadjid Tebboune had been a casualty of his own determination to fight corruption in certain economic circles. Ahmed Ouyahia, at that point Chief of Staff to the President, now became Prime Minister for the fourth time in his career and took over the reins of Parliament's second largest party, the National Democratic Rally (RND).

In October 2018, a new crisis [shook](#) the Algerian Parliament: the Speaker of the Assembly, Saïd Bouhadja, came under heavy criticism from a number of MPs in the majority party, following the dismissal of the Secretary General of the People's National Assembly, Djamel Oud Abbès.

They got together to stop him entering the Assembly and demanded his resignation, accusing him of malfeasance. The Prime Minister also [called on](#) the Speaker to step down, but he refused to do so. The election of a new Speaker of the Assembly was arranged for 24 October 2018 although Saïd Bouhadja would not accept the result, [insisting](#) that under the Rules of Procedure the Speaker is elected for the whole of the legislative term. Mouad Bouchareb, Head of the FNL Group in the Assembly, was elected with the support of the RND. The opposition [boycotted](#) the sitting.

Constitutional Reforms

In 2016, the Algerian Parliament passed a constitutional [reform](#) first promised in spring 2011 as a response to the 'Arab Spring' that had shaken the region. After five years in the making, the reform was passed by a large majority in both houses in Congress. It reaffirmed the separation of powers, free elections and the fight against corruption, sought to bolster the independence of the judiciary and recognised the Berber language Tamazight as the country's official language. The new constitution was [criticised](#), however, on account of Article 51 prohibiting people with dual



nationality from holding top public or political offices. Furthermore, although it reformed the security services, this did not appear to usher in any real changes in practices.

The President as a unifying figure

Spring 2018 saw some powerful moments of national unity following the tragic airline [crash](#) on 11 April 2018, which left 257 people dead and for which President Bouteflika decreed three days of national mourning.

Ever since his arrival in power in 1999 and after the civil war in the 1990s, President Bouteflika has always tried to embody national unity, ensuring no other alternative figure emerges in his political entourage. Ministerial reshuffles are the visible signs of the President's pre-eminence in the political system, as in his [appointment](#) in May 2017 of a new Prime Minister after the [retirement](#) of General Mohamed Mediene and the closure in 2016 of the main pillar of the secret services, the Department of Intelligence and Security, which he had run for 25 years.

A similar situation arose in [August 2017](#) when the President dismissed the Prime Minister after less than three months in power to appoint Ahmed Ouyahia, who had already been Prime Minister three times in the past. In January 2018, the President publicly [reasserted](#) his authority over the Prime Minister over privatisations. The Prime Minister then said that he would support the President should he seek a fifth term in office.

The President refuses to discuss who could succeed him or to let anyone who could overshadow him emerge within the FLN or his government. This is all the more problematic because the army and the security services also exercise influence over Algeria's political system and the extent to which this will effect current and future power relationships is difficult to determine. Account must also be taken of the relative weight of parties proclaiming allegiance to political Islam, such as the Rassemblement pour l'Espoir de l'Algérie (Rally for Hope for Algeria) which supports the government and acts as a conservative linchpin in the coalition, as well as providing the President with a counterweight to the power of the army. Some [analysts](#) believe that the family-friendly tax policies of 2018 and the postponement of budgetary consolidation measures until after 2020 are signs of plans by the current President to [run for another term](#), as are his [recent](#) public appearances.

Nevertheless, it would seem that pre-electoral generosity cannot satisfy all social demands and for that reason, as well as the President's frail state of health, the pre-electoral period remains an uncertain one. This being so, the government also wants to show that it is committed to tackling corruption, with the result that several high-ranking [police](#) and [army](#) officers were dismissed recently against a backdrop of in-fighting between different political camps. Furthermore, despite the many criticisms of the health system for its inefficiency, the government wants to show that it is taking all steps necessary to stem the recent cholera [epidemic](#) which had caused two deaths by the end of August and affected over 60 people. After the years of civil war the current government built its legitimacy on stability and subsidies across the board for all economic sectors. These two factors explain why Algeria was spared the shockwaves of the Arab Spring, even if 2014 saw the first open protests against the government.

Three unknown factors: Youth, climate and migration

The important role of young people

The combination of [falling](#) oil prices in 2014, the lack of investment in the oil energy sector, a rise in domestic consumption, the significant drop in subsidies underpinning the economy and the worrying level of youth unemployment all adds to the political uncertainties ahead. To this must be added the regional crises in which Algeria is a key player: in Libya, Western Sahara and the Sahel.

However, while observers ask questions about the influence of, respectively, the ruling party, [political Islam](#) movements and the [army](#), it is the attitude of Algeria's numerous young people, who are struggling to find their place in the economic and political arena, that remains the great

unknown factor in future political developments. At present, they seem to be largely indifferent to politics and the majority of them abstain from voting during elections. In 2010, 65% of Algeria's population was under 35, compared to 36% of Germans. The high number of young Algerians presents a challenge in terms of their education and training, but also for healthcare, as the number of children per woman continues to [rise](#), contrary to forecasts linked to demographic transition.

This situation calls for strong economic growth each year, so as to be able to find these new generations jobs on the labour market. But the labour market seems to be stagnating and job opportunities in the public sector, far less than before owing to the economic situation, can no longer fill the gap. [Unemployment](#) stands now at 11.1% (9% for men, 19.5% for women, with a slight drop to 26.4% for young people).

Nevertheless, the state is making considerable efforts to integrate its young people: Algeria is well placed on the Human Development Index ([85/188](#)) and nearly all young people of school age are enrolled in school, while at the same time the government is increasing allowances for schoolchildren and building new schools.

Acute awareness of global warming

While Algeria has had some success in the fight against poverty, about 10% of its population still live in [precarious](#) circumstances, relying mainly on the informal economy in large cities and on government subsidies. Economic instability could undo what success there has been and make the lives of these people even more precarious, particularly since Algeria's demographic geography shows a high concentration of people living along the Mediterranean coast. [Climate change](#) – and the harnessing of new energy resources – in Algeria could well push people to migrate towards the coast, but the infrastructure there is ill-prepared to receive them or provide them with jobs and public services. Moreover supplies of fresh water would fall, as would agricultural yields. A [2018](#) study by Femise [the Forum Euro-Méditerranéen des Instituts Économiques] highlights it will be the southern and eastern states that will suffer the most in the Mediterranean basin from rising temperatures, with a significant increase in the number and intensity of extreme weather events.

Environmental considerations are increasingly a factor in Algerian politics. Although, traditionally, protest movements have been confined to the north of the country, protests have started to occur since 2014 in the south, a region previously viewed as calmer, on account of the exploitation of [shale gas](#). With declining national oil revenues and rising domestic demand, exploitation of shale gas by international companies appeared to be a promising solution, as these resources are very substantial. But demonstrators are concerned about the lack of consultation, the environmental risks and above all, the amount of water that would need to be abstracted for this work in a region that is already suffering from water stress.

It would appear therefore that climate and demographics are key factors in the medium term for Algeria's stability and development.

An emigration, immigration and transition country

Algeria remains a country of immigration, according to the [International Organization for Migration](#) (IOM). The IOM points out that this migration, which is sometimes illegal, is largely the result of there being few economic prospects for rural youth.

The effects of global warming and conflicts in the Sahel are not just causing a certain degree of migration within Algeria, or even increased [emigration](#) by Algerians in the face of economic difficulties. They are also driving the populations of the Sahel to try to reach Algeria, across borders whose length and nature make them difficult to control. NGOs now estimate that there are 100 000 illegal [immigrants](#) in Algeria, which is a [safer destination than Libya](#). For the first time, the authorities have addressed this issue by [stating](#) that the protection of national sovereignty is their first priority. On social networks and in public opinion, 2017 was marked by an often virulent anti-immigration [campaign](#). It would seem that Algeria has [deported](#) 11 000 sub-Saharan Africans over

the desert border into Niger since autumn 2017, in humanitarian conditions that are a cause for concern.

These migrants are now there legally, but their situation is very precarious: although part of the national economy, they sometimes receive an expulsion order but this is rarely acted upon, despite [media](#) reports of figures having risen.

Algeria is also a transit country and the socio-economic conditions there and in its southern neighbours could see this grow. It realised recently that it should give these migrants a status, in keeping with its image as a country fighting for its emancipation and supportive of other African countries. In June 2018, the Interior Minister [announced](#) it would organise a census and that residence and work permits might be possible.

Civil liberties under surveillance

Freedom of assembly, of association and of expression continue to be [restricted](#). Freedom of assembly is tightly controlled, demonstrations are banned in Algiers and elsewhere in the country, and in general the security forces disperse rallies. The working conditions of journalists are complicated by a judicial arsenal that pushes them to self-censorship. A number of the media are also prohibited. As highlighted in the 2015 EU Annual Report on Human Rights, freedom of association [suffers](#) from restrictions, particularly in regard to registration of associations. This is particularly true of the freedom to organise, something that the European Parliament drew attention to in a [resolution](#) in 2015, highlighting how the authorities have made the exercise of social protest in the face of the growing economic challenges facing Algeria increasingly difficult.

An important regional player

A tradition of independence

Traditionally, Algerian diplomacy has favoured participation in international and regional organisations as a means of regulating international relations. Algeria is a member of the UN and of a number of regional organisations (African Union, Arab League, Arab Maghreb Union, Union for the Mediterranean) as well as thematic organisations (Organisation of Islamic Cooperation and the Organization of the Petroleum Exporting Countries (OPEC)). Because of its history, and the long-standing socialist inspiration of its government, Algeria remains a champion of the struggle for emancipation and wants to strengthen this image among its partners.

Recently, Algeria has also shown an interest in closer relations with [Russia](#), particularly with regard to military equipment. In a sign of this rapprochement, a Russian naval vessel [called](#) at an Algerian port in 2018.

Relations with the Maghreb

Morocco

Relations with Morocco have, for [historical](#) reasons, traditionally been marked by tensions. The civil war in the 1990s, during which Algiers accused Rabat of harbouring some of the Islamist groups fighting in Algeria, the conflict over [Western Sahara](#), but also more broadly their competing for diplomatic leadership in Africa have only caused these tensions to grow worse. Because of this adversarial relationship, the border between Algeria and Morocco remains closed.

The issue of Western Sahara, in which Algeria supports the Sahrawi side, remains a major obstacle in the normalisation of relations between the two partners. Algeria supports the Polisario Front's demand for a referendum on self-determination in response to the autonomy plan put forward by the Moroccan Government in 2007. The UN, through [positions](#) expressed in the Security Council, also supports the position that a referendum is needed. The relaunch of the peace process following the appointment of a new Special Envoy and the judgments of December 2016 and February 2018

concerning, respectively, the Agreement on the liberalisation of agricultural and fisheries products and the [Fisheries](#) Partnership Agreement, with which the EU must comply, have brought these sensitive issues back to the fore.

The European Union has been [supporting](#) Sahrawi refugees for 20 years through its humanitarian actions. Some 90 000 Sahrawis have been living in the Tindouf area of Algeria for 40 years in very precarious economic and climatic conditions. Since 1993, the European Union has provided them with EUR 222 million in assistance, including EUR 9 million in 2016. In 2015, the European Anti-Fraud Office (OLAF) revealed that the Algerian Government was taxing this humanitarian aid granted by the European Union. In 2016, the Commission gave an [assurance](#), in its answer to a parliamentary question, that the Algerian authorities had given instructions that value added tax (VAT) should not be collected anymore on humanitarian foodstuffs.

Tunisia

In comparison, relations with Tunisia are much more developed, not only in the economic arena but also in the field of security and intelligence, where both countries must contend with Libyan instability.

The two countries are also working to develop cooperation in the areas of education, teaching and heritage, as well as to facilitate the movement of goods and people at the border.

Libya

Algiers was [opposed](#) to the 2011 military intervention. The Libyan situation is a cause for concern for the Algerian authorities, who have stepped up their military presence at the border, particularly in the wake of the deadly attacks in [Tinguentourine](#) in 2013. Algeria is expanding its initiatives to resolve the conflict.

It [welcomed](#) the progress made at the Paris meeting on 29 May 2018, which brought the four major Libyan players in the conflict to the table for the first time with a view to holding elections in autumn 2018.

In addition, the two countries came to an agreement in January 2018 on the [exploitation](#) of hydrocarbon deposits on the border which had been a source of bilateral tension for almost two decades.

However, the instability in Libya [threatens](#) this slight improvement in the diplomatic climate: General Haftar, who controls the east of the country, threatened recently to march on Tripoli, and has also threatened to bring his troops in the west to the Algerian border, denouncing an incursion by Algerian troops into Libya. Algiers has denied any such incursion, stressing its strict policy of respecting borders, even though it maintains a force of 30 000 to 40 000 troops on its eastern border.

The Sahel

Algeria is working to promote the multilateral framework in its relations with its neighbours, which is why it was [disturbed](#) by France's intervention in Mali (Operation Serval, followed by Operation Barkane since January 2013). Algiers recognises the need to stabilise the region and fight against Islamist groups, but is reluctant to see Western powers establishing themselves there and further complicating the management of its own border. In addition, Algeria traditionally does not commit its troops outside its borders, and initiatives such as the Joint Military Staff Committee (CEMOC) created in 2010 with its southern neighbours are, in practice, defunct. Nevertheless, Algeria is taking part in the training of special forces from Niger and Mali to counter terrorist threats.

In 2014, the G5 Sahel (Mauritania, Mali, Burkina Faso, Niger and Chad) was formed. France supports the G5 Sahel in its fight against jihadist groups. Algiers is kept regularly informed, and cooperates in a pragmatic way through its very efficient security services. Algeria continues to be a key partner in this region for the European Union and the United States, but is struggling to find a leading role. Nevertheless, Algeria's military and security clout gives grounds for [expecting](#) Algiers to be

associated with resolving the Sahel issue, even though the country remains [outside](#) the G5 Sahel itself. Algeria is, in fact, [campaigning](#) for the G5 Sahel to be placed under the auspices of the African Union, which France is not involved in.

However, the Algerian [media](#) say that Algiers has provided around EUR 85 million in aid to support countries in the region, equip them and train their special forces.

A counter-terrorism partner

Algeria is a key partner of the European Union and the United States in combating terrorism, both in the region and globally.

The European Union recognises that in combating terrorist threats and organised crime, Algeria has developed significant expertise and resources. Algeria's positive role in the security crises in Libya and Mali was recognised in the priorities [adopted](#) in March 2017 between the EU and Algeria (Association Council, Joint Priorities, 'Strategy and security dialogue' section). The text states that the EU and Algeria have decided to strengthen their dialogue in order to develop a 'Partnership for Peace and Security'. A counter-terrorism component is included in the EU's political dialogue with Algeria but an action plan for combating terrorism with concrete measures is needed, along the lines of those that exist with other countries in the region. In addition, the EU has deployed a security and counter-terrorism expert to its delegation in Algeria (as it has to a dozen other delegations in Africa and the Middle East).

Locally, several groups such as GSPC (Salafist Group for Preaching and Combat), which was renamed AQIM (Al Qaeda in the Islamic Maghreb) in 2007, and MUJAO (Movement for Unity and Jihad in West Africa), continue to operate illegally on Algerian soil (murder of a policeman in Constantine on 28 October 2016 and a foiled attack on a police station there on 26 February 2017).

The terrorist attack on the Tinguentourine gas facility in January 2013 (67 deaths, including 37 foreigners), carried out by a commando unit from Libya composed of terrorists of different nationalities, was a tragic reminder that the phenomenon of terrorism had taken on a regional dimension. A branch of AQIM also left the organisation in September 2014 to pledge allegiance to Dae'sh/ISIL and calls itself Jund Al-Khilafah. The main members of the group have since been arrested or taken out by the Algerian army.

In 2017 the EU and Algeria set in motion a high-level dialogue on security and combating terrorism, whose first informal meeting took place in Brussels on 19 October 2017.

An economic situation to be watched

A major African economy

Algeria is classified as an upper-middle income country by the [World Bank](#). With an overall GDP of around USD 170 billion, the country ranked 53rd among world economies in 2016 and 2017, dropping four places compared to 2015 (49th). It is the fourth largest economy on the African continent after Nigeria, which is in 30th place, South Africa in 32nd place and Egypt in 44th place¹. The recovery in oil prices in 2017 and early 2018 saw per capita GDP (USD 4 123 in 2017) rise again.

Because of its abundance of oil reserves, and of gas in particular, the country's economic model is largely based on its hydrocarbon exports which bring in sizeable revenues and allow it to rely on public spending and support certain sectors (basic goods, education, housing and health).

Algeria's main trading partners

Origin of imports				Exports destination				Trade partners			
#	Origin	€ millions	%	#	Destination	€ millions	%	#	Partners	€ millions	Balance
1	EU28	17 293	43,7	1	EU28	17 910	58,9	1	EU28	35 203	+ 617
2	China	7 214	18,2	2	United States	2 870	9,4	2	China	7 822	- 6 605
3	United States	1 548	3,9	3	Brazil	1 898	6,2	3	United States	4 418	+ 1 322
4	Turkey	1 741	4,4	4	Turkey	1 211	4,0	4	Brazil	3 098	+ 698
5	South Korea	1 452	3,7	5	South Korea	774	2,5	5	Turkey	2 952	- 530
Imports (total) :		39 598		Exports (total) :		30 426		Trade balance:			- 9 172

Source: European Commission, [DG Trade](#), 2018.

Importance of hydrocarbons

According to OPEC's [World Oil Outlook 2017](#) the country is ranked among the top ten hydrocarbon producers in the world and is the fourth largest gas producer within OPEC, after Iran, Qatar and Saudi Arabia. OPEC also ranks Algeria among the top ten countries in terms of shale gas reserves, which it has continued to exploit to offset the decline in conventional oil, despite opposition from the people living in the south of the country. In March 2018, the press reported on the start of operations at the Timimoun non-conventional gas field, following the signing of a contract between Sonatrach, Total and Cepsa. The press have also mentioned other projects to consolidate conventional gas production and relaunch the extraction of shale gas reserves.

Hydrocarbons [account for](#) 30% of GDP, 60% of the country's budget revenue and 95% of export earnings. The degree of dependency has fallen slightly, since in the period 2002-2014 the average for these figures was 36%, 69% and 98% of GDP respectively, but nevertheless it remains very high.

With the rise in hydrocarbon [prices](#) during the 2000s, this proved to be a profitable decision and generated colossal revenues, in the order of USD 750 billion between 1999 and 2014. But since mid-2014, the drastic fall in oil prices from USD 125 to USD 50-60 per barrel in one year has provoked a crisis that calls Algeria's economic model into question. The fall in oil prices generated a 70% loss in oil revenues in less than two years, with the economic situation showing worrying signs of a deterioration in macroeconomic balances – dwindling government reserves and an expanding while still remaining reasonable (around 20% of GDP) public deficit – which continued in 2016 despite respectable growth of [3.8%](#). While foreign exchange reserves remain high, the oil stabilisation fund (Fonds de Régulation des Recettes – FRR), estimated by the IMF at 40% of GDP before 2014 and which has been used to finance public debt, is almost dry.

For these reasons, Algeria was very active in pushing for the [OPEC agreement](#) to limit production, signed in Algiers in September 2016. Although this effectively raised oil prices and generated a 15% rise in hydrocarbon exports during the first 11 months of 2017 compared to 2016, prices are nevertheless still below the point at which Algeria's public finances achieve equilibrium.

In 2016, the Council of Ministers adopted a '[New Economic Growth Model](#)', strongly supported by President Bouteflika, which set ambitious targets for the structural transformation of the economy and its diversification in order to bring in sustained GDP growth, excluding hydrocarbons, of 6.5% per year between 2020 and 2030. The first phase (2016-2019) would focus on launching the model, the second phase (2020-2025) transition, and the third (2026-2030) stabilisation. The government

raised taxes on electricity and fuel in 2016 and increased VAT by 2% on a large number of products in 2017. But it gave up plans to [cut](#) direct subsidies, particularly in education, health and social housing. Pursuing a restrictive monetary policy, the Bank of Algeria allowed the dinar to lose 20% of its value during 2016. This resulted in inflation rising to 7% in early 2017.

With its public deficit reduction targets in mind, the Algerian Government took some bold steps with the [2017 finance law](#). In order to curb the public deficit and the trade deficit in the medium term – which remains the government's top priority over the next three years – the finance law planned for a drop in investments and imports and undertook to seek new sources of financing, particularly for local authorities. All budget allocations were cut, with the exception of the defence budget, which was maintained at 6% of GDP. Reducing the deficit was also why measures to [cut imports](#) of many products were introduced in 2016 and strengthened in 2017.

The current [situation](#) is far from achieving the targets set, and the recent rise in oil prices has not spurred the government into taking bold steps towards sustainable growth.

Relations with the European Union

The EU is Algeria's largest trading partner, absorbing almost 60% of its exports (although EU exports have been declining since 2015)². According to the [European Commission](#), in 2017 Algeria was the EU's 20th largest partner for imports and 24th largest for exports. However, trade between the EU and Algeria represents only 1% of the EU's total external trade.

Bilateral trade between the two partners is primarily based on Algerian exports of oil and gas products. Algeria is the EU's [third](#) largest supplier of natural gas, after Russia and Norway. According to figures for 2017, fuels and mining products account for more than 95% of Algeria's exports to the EU, compared to 2.9% and 0.6% for chemicals and agricultural products respectively. Exports from the EU to Algeria consist of industrial and transport products (86.9%) and agricultural products (12.9%).

However, as a supplier to Algeria the EU is facing strong competition from Asia, particularly China and more recently South Korea, and to a lesser extent Turkey. The volume of trade with the EU is decreasing, while trade with China and Turkey is on the rise.

The EU's long-standing trade deficit, due to high oil prices, was turned around in 2015 and stabilised at near equilibrium in 2017. According to Commission figures, the rate by which imports are covered by exports fell to 102% in 2017, from 124% in 2016, and the [balance of trade in goods](#) stabilised at USD 0.3 billion. However, the balance of trade in services is clearly in the EU's favour, rising from USD 1.9 billion in 2015 to USD 2.1 billion in 2016.

European direct [investment](#) reserves in Algeria are estimated at EUR 14.6 billion, according to the latest available figures for 2016, representing almost 50% of direct foreign investment in the country³.

The trade relationship between the EU and Algeria is strong, even if marked on Algeria's side by problems in honouring its commitments, but it is [mired in conflict](#). The trade component of the [Association Agreement](#)⁴ aims at the gradual establishment of a free trade area for goods and services, with preferential access for agricultural products. To this end, dismantling of tariffs on Algerian imports from the EU was to have been phased in over a 12-year period starting in September 2005.

The potential this offers remains to be realised as since 2015 Algeria has introduced frequent, unilateral [trade restrictions](#) that have also affected the EU, without any prior notification. These measures have mainly consisted of the introduction of non-automatic import licences for certain products, such as cars, cement and reinforcing bars, until the end of December 2017.

From 2018, import licences have been limited to cars only. However, new measures have been introduced, as described in the ['Report on EU-Algeria relations in the framework of the renewed](#)

[ENP](#) of April 2018, including suspending imports of 45 product families (851 tariff items), increasing customs duties to 30% and 60% for 32 finished product families (129 tariff items) and requiring an official document certifying the marketing of imported products, to be provided by the country of consignment and/or origin. These measures are in addition to the requirement for importers to deposit 120% of the import value of the goods with a bank at least 30 days prior to delivery in order to obtain a letter of credit, a requirement which remains in force.

The European Commission had already criticised in its [Report on Trade and Investment Barriers: 1 January 2016 - 31 December 2016](#) the import licences and the industrial localisation policy introduced by the 2015 finance law, whose aim is to introduce a horizontal consumer credit for the purchase of products manufactured or assembled in Algeria from 2016. The Commission confirmed this in its [Report on Trade and Investment Barriers: 1 January 2017 - 31 December 2017](#), published in June 2018, which warns EU enterprises about the introduction of a new and even stricter Algerian import regime.

In this context, the EU, and the Commission in particular, intend to take every opportunity to improve the situation and bring it into line with existing agreements. The European Union stressed once more the importance of the Association Agreement being adhered to, at the 10th meeting of the EU-Algeria Association Council in March 2017.

The European Parliament

In 2015, the European Parliament adopted a [resolution](#) on the imprisonment of workers and human rights activists in Algeria, in which it expressed its concern at the arrest and detention of labour rights activists, who were being detained in spite of the fact that their activities were fully permissible under Algerian law and in line with the international human rights instruments that Algeria had ratified.

Relations between the European Parliament and the People's National Assembly have been strengthened recently. Interparliamentary meetings were organised in 2016 and 2017, and a 2017 decision by the EU-Algeria Association Committee led to the [establishment](#) of a Joint Parliamentary Committee (JPC) in 2018. The JPC held its first meeting in Brussels on 28 June 2018.

Notes

¹Figures for 2017.

²Exports fell in 2017, according to European Commission DG Trade figures, April 2018.

³Source: [European Commission, DG Trade, April 2018](#), consulted in September 2018.

⁴The trade component is limited to goods (including agricultural goods), services, tenders and intellectual property rights.

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