

Bouteflika seeks Western investment in Algeria

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The fundamentalist Islamic Salvation Front (FIS) and its armed wing, the Islamic Salvation Army (AIS), this month offered to call off their military struggle against the Algerian government. In return, President Bouteflika offered an amnesty for members of the AIS who gave up their weapons, as well as releasing 4,000 political prisoners.

As part of the deal, the Islamic guerrilla units will join the Algerian military in fighting the Armed Islamic Group (GIA), which split from the AIS in 1994. Since the AIS offer of a permanent cease-fire, sections of the GIA declared their support for the FIS move, but others answered with renewed violence.

The FIS was made illegal by the *Front de Liberation Nationale* (FLN) military-backed government in 1992, when it looked likely that the FIS would win the general election and take power. The FLN regime was widely opposed for the brutal repression of the Algerian population it imposed after strikes and riots in 1988. When the 1992 election was declared invalid, it sparked off seven years of bloody conflict that has cost the lives of about 100,000 people.

In 1997 the FIS called a cease-fire, but this was opposed by the GIA. While the GIA has been pushed away from the urban centres, it still carries out attacks where it is active. According to Human Rights Watch, 250 civilians were killed in March this year alone. One of the GIA's activities is the collection of an "Islamic tax" from families who, if they are unable or unwilling to pay, are then targeted for reprisal, killed or abducted.

Bouteflika, a prominent political figure in the Boumedienne era (1965-79) made "national reconciliation" the main slogan of his election campaign in April this year. He was elected with the support of the military, layers in business and the General Union of Algerian Workers. Conditions were

created for a number of opposition parties to stand candidates and campaign in the election, although they pulled out after alleging vote rigging the day before the polls.

The deal struck with the main Islamic party and opponent of the FLN-run government is the most dramatic political move made by Bouteflika since taking office. It is dictated by internal as well as external factors. The military-backed government is largely isolated, under conditions of growing social tensions demonstrated by the low participation and general political abstention in the election. The Islamic parties, with programmes little different from the government, have also lost considerable support.

Just as decisively, there are strong pressures from the United States and the European Union to open up the Algerian economy to foreign investment. For this, Algeria's ruling elite needs to secure a degree of political stability in the country. "Reconciliation" is therefore vital in order to integrate Algeria—with its considerable resources in natural gas and oil—into the global economy.

One aim of the snap April election was to create the political conditions to push through the further privatisation of industry, 70 percent of which is still state run. In his first "speech to the nation" on May 29, Bouteflika explained that his government was determined to create legal conditions to facilitate private investment. He declared war on "bureaucratic heavy-handedness" and "self interest", which were slowing down the process of privatisation. He called for the "adaptation of our financial system" and the dismantling of national monopolies "which ward off national non-resident investment and foreign investment".

The Algerian petroleum producing company

Sonatrach has recently been opened up to majority foreign ownership. Sonatrach has also made contracts with the Italian Agip and Eni oil companies for research and extraction of oil and gas. Three foreign banks are expected to be given licences to operate in Algeria for the first time (which include France-based Société Générale and Natexis, and Al Rayyan from Qatar). American oil companies like Anadarko have also begun operations in the Sahara. The Algerian government intends to privatise a total of 248 state-owned factories and has symbolically started with big hotels in the capital.

It is also keen to repatriate substantial Algerian assets abroad and invest them in the country. According to various sources, including the World Bank, Algerian assets abroad are estimated to be worth \$30-35 billion. This is the equivalent of the total investment sought by the Algerian investment authority, the *Agence Algerienne de Promotion et de Soutien à l'Investissement*, for the next three years.

One of the plans put forward by government think tanks is to open up Algeria as a kind of European-Mediterranean free trade zone, in which transnational companies can operate without restrictions. For international (including South African) capital, Algeria is important due to its cultural and geographical proximity to Europe. A substantial proportion of the country speaks French (much of the press is bi-lingual) and the European Union (via the former colonial power, France) is its main economic partner.

There is also a growing US interest in Algeria. Initiatives towards bilateral co-operation are being taken at government level, such as a US-Algerian conference soon to be held in Boston; a US government-sponsored investment programme has been agreed.

The Algerian government has also been trying to play more of an international political role. It has embarked on a series of diplomatic missions to open up relations with Sudan, Ethiopia, Egypt and Turkey, and has attempted to patch up its relationship with Morocco. High profile conferences like the next Organisation for African Unity gathering are to be held in Algiers.

Bouteflika made election promises to create new jobs, but his regime faces a mounting social crisis. In a report published on May 24, the National Economic and Social Council (CNES) stated that unemployment has steadily worsened since 1987. It estimates the number

of unemployed at 2.3 million in 1997, 29.2 percent of the country's work force. The report blames this on a decline in the creation of new jobs and massive layoffs. From 1994 to 1998, some 360,000 workers were made redundant, representing over 8 percent of the working population. The job losses were mainly due to the impact of the IMF Structural Adjustment Programme on Algeria. It also said that unemployment is compounded by a high number of dropouts from education, aged between 16 and 19 years old (200,000 each year). Government guaranteed wages are being phased out, and replaced by temporary employment and employment in businesses that are not officially registered, (i.e., businesses avoiding paying tax but also escaping any other regulations).

The government's proposed programme of privatisation and deregulation will push even more people into destitution. According to official statistics, 14 million people already live below the poverty line. Public spending will be closely controlled. Algeria has not contracted new loans from the IMF and has been able to slightly increase its currency reserves to around \$7 billion, due to a small rise in the price of oil. But it is still in the grip of a debt of over \$30 billion, requiring between \$5 billion and \$6 billion each year in repayments.

The Islamic fundamentalists are now openly endorsing the political and economic programme of the IMF, the main imperialist powers and the Algerian military. This latest deal shows that the Islamic fundamentalists in FIS are not concerned with defending the interests of those suppressed by the FLN. They are seeking to join the ruling Algerian elite, in an attempt to benefit themselves from the exploitation of the Algerian workers and poor masses.



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