



BOUTEFLIKA: STANDING DOWN IN 2014 OR STANDING AGAIN?

Old and ailing, the regime ponders its future

As the year draws to a close, there may be some sighs of relief from the Algerian *pouvoir* that revolution fever has not infected Algerians as it has their close neighbours, despite the violent riots that kicked off at the beginning of 2011.

Yet there will also be a great deal of uncertainty as to the future of this still authoritarian state, standing increasingly isolated as the currents of change swirl around it. The question on many lips is not if but when there will be a popular explosion in Algeria. Will the occasion be provided by the forthcoming highly symbolic 50th anniversary of independence from French rule? Or will there be a change of era with the expected departure of President **Abdelaziz Bouteflika** when his term runs out in 2014?

Some even fear that the local and parliamentary elections scheduled for early next year will usher in an Islamist regime like those taking shape in Tunisia, Egypt and Libya. One thing seems certain in the face of the unknowns - that we are witnessing an ailing regime clinging on to power like a dying patient clinging on to life. This is an analogy that is popular both among political analysts and in the local press.

Does the regime accept that it is mortal? The indications are that it does not. Even in the face of much talk of reform, of instilling democracy peacefully and in an ordered fashion from above, partisans such as **Abdelaziz Belkhadem** are saying that they would support a fourth mandate for President Bouteflika in 2014. This

option seems unthinkable in the current geopolitical climate, but the fact that an influential politician, himself a presidential hopeful, is expressing it says something about how inadequate the current regime is as an agent of change.

There is also little indication that the regime has fully metabolised the lessons of the January 2011 riots, sparked by the sudden hike in the prices of basic foodstuffs but deeply connected to the lack of an outlet for political frustration for the vast majority of Algerians. A recent official parliamentary report into the causes of the riots, in which five people died, ignored the political lessons, reducing the causes to global rises in food prices, particularly oil and sugar,

and the speculative practices of some Algerian shopkeepers. This interpretation is borne out by the regime's primary response to the crisis: increasing subsidies and raising salaries, a strategy which caused a snowball effect, making 2011 a year of endless but fragmented social protest, with almost daily strikes, sit-ins and at times larger-scale demonstrations.

The president's now famous speech of 15 April promising "deep political reforms" could have been a landmark moment on the path to political change in Algeria. Instead, it marked the beginning of a highly stage-managed process, failing to engage the majority of Algerians and failing to deliver on even the fairly limited reforms that were originally envisaged. A >>>

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Information staff

Editor: Jon Marks
Managing director: Charles Gurdon
Marketing manager: Judy Hubbard
Production editor: Miles Smith-Morris

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Menas Associates Ltd
4 Bloomsbury Square, Suite 8
London, WC1A 2RP
United Kingdom
+44 (0)20 3397 4311 Phone

info@menas.co.uk
www.menas.co.uk

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parliament staffed by the old political parties, whose vested interests are aligned with the *status quo* has passed through the five legislative texts drawn up by the government over the summer, considerably watering them down in the process.

The quota for women in parliament has been reduced from 30% to 20%. The political parties law has been subject to 165 amendments by MPs, and firmly closes the door to the participation of the banned **Front Islamique du Salut** (FIS) in the political process. The new information law, adopted on 14 December, maintains cumbersome fines for journalists accused of 'press offences', lists numerous 'sensitive' dossiers that are out of bounds for the press and introduces a new press regulation authority, whose president and half of whose members are to be appointed by the government. Journalists have protested about the lack of consultation on the law.

The regime and its cohorts show themselves up as unwilling reformers, but still the reform process trundles on, with revisions to the constitution planned for next year, following the election of a new parliament in early elections slated for as soon as February. One essential question regarding Algeria's political future is whether the Islamist question has been closed. "We have nothing to fear from Islamists" repeat

the likes of **Ahmed Ouyahia** and **Mourad Medelci**. They point to the existence of mainstream Islamist parties - notably **Bouguerra Soltani's Mouvement de la Société pour la Paix** (MSP) - and to the existence of Islamist values in areas such as the family code (much criticised by mainly Western human rights organisations). Other parties with an Islamist tinge, such as **Abdallah Djaballah's** new party, are awaiting imminent official approval, just in time to run for parliamentary and local elections in 2012. Some suggest that the regime is using these parties to control and dilute the Islamist vote. "It is very simple. It is about stopping the enormous Islamist electoral potential from concentrating on a single party. The *pouvoir* can accept everything except having to deal with a large Islamist party," one Algerian source told **Algeria Focus**.

The return of the FIS in one form or another was too much to countenance, and article four of the new law on political parties effectively bans it from reforming. The FIS was on the verge of winning elections in 1991, albeit with a smaller portion of the popular vote than is commonly assumed, and its leaders and partisans continue to agitate for a political role. **Ali Belhadj**, the former number two in the FIS, was arrested twice this month for protesting against the new political parties law, which he says is "arbitrary", and "designed by *les janviéristes*" - the military

generals who annulled the election results in January 1992.

Clearly many still feel threatened by the FIS, as is reflected in some sections of the press. One newspaper article this month reported on rumours that Qatar, which gave asylum to **Abbasi Madani**, one of the founders of FIS, is intent on fomenting revolution in Algeria, and that a new TV channel launched this month and owned by Madani's son is a vehicle to do so.

It is understandable that many Algerians are against allowing the FIS into politics, given the atrocities of the civil war and the indirect implication of the FIS in it. In his most recent Algerian press interview, Belhadj refused once again to condemn terrorism and insisted that the armed struggle against the state in the 1990s was legitimate. His popularity is in doubt - he was reportedly assaulted during the riots in Bab el Oued in Algiers last January.

Yet there are also dangers inherent in not letting the Islamist current express itself, or only allowing tamer versions of Islamist parties which can be effectively controlled by the governing regime. It heightens the crisis of legitimacy that the regime faces. There is a risk that large numbers will abstain from voting in the 2012 elections, through apathy or as a protest against the incumbent system. This >>>

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will mean that the new parliament, tasked with passing constitutional amendments proposed by the president, will once again be an inadequate agent of change.

Politics and security

Reforms will stand

President **Abdelaziz Bouteflika**, speaking publicly for the first time on the reform process he initiated following his speech of 15 April, has indicated that the reforming laws that have passed through parliament will stand. "The decisions taken are proof of our determination to meet the aspirations of the people," Bouteflika declared during a speech on 13 December, belatedly marking the official start of the academic year at the University of Laghouat.

This will disappoint the many Algerian critics of the reforms, who say that the multiple amendments introduced by parliament have stripped the laws of their substance. Some held hopes that the president would intervene with a 'second reading' of reforms, or that he would invalidate some of the changes introduced by MPs by presidential decree (see *Algeria Focus*, November 2011, page 2).

Making no allusion to the criticisms of the watered-down content of the key reforming laws, which deal with political parties, associations, electoral issues, media freedoms and increasing the role of women in the political process, the president presented them within the geopolitical context of the Arab Spring, arguing that Algeria "as part of this large world ... is influenced by the events taking place around her". This has resulted in moves to put in place "a climate of political, economic and social reforms which respond to the aspirations of society and its demand for continual reforms". He emphasised that a "constructive debate and wide consultation of political actors and members of civil society" had preceded the reforms.

The Laghouat speech appeared highly stage-managed. One newspaper pointed out that during the 5 minutes and 37 seconds of his speech, the president was applauded 18 times, including several standing ovations from the audience of army generals, government figures and other invitees. During a walkabout in Laghouat, he was warmly cheered by an appreciative crowd.

Other than stressing his democratic credentials, the president said little that was new and gave no clues as to the details of a revision of the constitution, which is planned for the second

trimester of 2012, according to foreign minister **Mourad Medelci**. Sources in the local press are suggesting that parliamentary and local elections scheduled for next spring will be brought forward to February, so that a new and ostensibly 'more legitimate' parliament will be in place to vote on constitutional revision later in the year.

The committee in charge of preparations for the elections, presided over by prime minister **Ahmed Ouyahia**, held its first meeting on 8 December. The president's personal representative **Abdelaziz Belkhadem** was also present, along with several officials from the Ministry of Defence. With the new political parties act only just passed by parliament, the interior minister has to approve any new parties before they can begin electioneering. If an election is to take place in February, that gives them scant time to get ready and present their platforms to voters.

International observers for elections

During a meeting of the Conseil des Ministres (cabinet) on 18 December, the president confirmed that a constitutional revision would follow on from parliamentary and local elections. He also promised that new parties will be agreed soon to enable them to participate. The forthcoming elections will be held in "a climate

of plurality without precedent, with the participation of a political class which will be reinforced by new parties and the mechanisms which the law gives to independent candidates", he affirmed.

It has also been agreed that international observers will be called in for the polls. The government will send invitations to election observers from the Arab League, the African Union, the Organisation of the Islamic Conference, the European Union and the United Nations. Previous polls in Algeria have been marred by accusations of fraud and over-inflated turn-out figures, but this time the authorities have a lot to lose if they are not judged as free and fair.

Belkhadem vs Ouyahia

The two most prominent parties of the presidential alliance, the **Rassemblement Nationale Democratique** (RND) and the **Front de Libération Nationale** (FLN) are increasingly trading insults over the reform process, using it as a means of point scoring, with an eye on the 2012 parliamentary elections and even the presidentials of 2014. Belkhadem, head of the FLN, or at least of the part that has not splintered, said that his party would support a fourth presidential mandate for President Bouteflika "unless he decides otherwise".

This is hardly reform-minded talk, and the RND was quick to seize on this. "I think it is premature to talk about a fourth presidential mandate. The priority for the moment is the success of the reforms," said the RND's number two, **Chihab Seddik**, talking to journalists on 10 December. He said that he had instructed >>>

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BELKHADÉM: MARGINALISED BY REFORM PROCESS?

deputies in his party to support the reforms going through parliament, unlike the FLN, whose behaviour he portrayed as obstructive. Some believe that the FLN has been marginalised by the reform process as, unlike Ouyahia, Belkhadem has played no major role in shaping the reforms. The FLN secretary general denies this. "I don't see how the FLN has been marginalised," he said.

The spat between the FLN and RND is less about differing political platforms – they are still both broadly bound to support both the president and the *status quo* – and more about personalities. The rivalry between Ouyahia and Belkhadem is becoming more overt, although neither admits publicly to being rivals for the presidency. "This is an idea that exists only in the heads of some people," said Belkhadem in a newspaper interview on 6 December.

New anti-corruption body to target state officials

As if to show that there will be no let-up in the fight against corruption, President **Abdelaziz Bouteflika** this month inaugurated yet another

official anti-corruption body. The **Office Central de Répression de la Corruption** (OCRC), brought into being through presidential decree, will be under the supervision of the Ministry of Finance. Its first task will be to investigate 60,000 public officials, according to its president **Ibrahim Bouzeboudjane**. Another official body charged with fighting corruption already exists, but most corruption cases have been investigated by the **Département du Renseignement et de la Sécurité** (DRS) military intelligence services or by the police, particularly the **Direction Générale de la Sûreté Nationale** (DGSN), and then passed on to the courts.

The OCRC will undertake lengthy and deep investigations into the undeclared wealth and property of public officials, including the presidents of local government, local *walis* and their deputies, the PDGs and DGs of public companies, and even senior civil servants, according to its mission statement. "We have a road map which will help us to better carry out our investigations, because it is clear that the task that awaits us will be very difficult," states Bouzeboudjane, who admits that corruption is still "a real threat to the national economy, and to the stability and security of Algeria".

New phase in anti-corruption war?

Le Matin describes the creation of the OCRC as a form of political marketing, pointing out that it was announced the day before the UN's International Anti-Corruption Day, and suggested it was an official reaction to Algeria's dismal rating in the latest report published by the global anti-corruption watchdog, **Transparency International**. Algeria was positioned 112th out of 183 nations on a scale

of the least to the most corrupt. A senior official from the Ministry of Justice objected to the NGO's findings. "If Algeria was singled out by Transparency International, it is not for want of trying on the part of the judiciary or the services in charge of the fight against corruption. It is more about a suspicion of corruption. The phenomenon is not quantified in Algeria," said **Mokhtar Lakhdari**, director of criminal affairs at the ministry.

Despite this apparent top-down commitment to ridding Algeria of insidious corruption in both the public and private sectors, the phenomenon is still alive and well. New cases, whether they concern petty officialdom or larger-scale corruption involving lucrative commercial contracts, are frequently detailed in the press. It is more evident that wrong-doers are being investigated and pursued by the courts, but the press complains that the most high-profile individuals often escape punishment. In two of Algeria's highest-profile corruption cases, that of the **Khalifa** business empire and the 2010 investigation into **Sonatrach**, the biggest fish have not yet been caught.

In the case of Sonatrach, prison sentences have been passed against the company's senior management (see *Energy industry*, page 8), but the former energy minister **Chakib Khelil**, whom many hold responsible as he was in charge of overseeing Sonatrach and the sector more widely, is a free man and was not even questioned as a witness. In the case of the

Khalifa group, **Abdelmoumine Rafik Khalifa** is still being held in the UK, entangled in a legal process. Many Algerians, particularly those who lost out when his banking empire and other businesses collapsed, feel he has escaped justice.

Nezzar accused of kidnapping and torture

A human rights activist has accused General **Khaled Nezzar** of being behind his kidnapping last October, as well as being responsible for his incarceration in a prison camp in southern Algeria in the 1990s. The activist, **Nouredine Belmouhoub**, is pursuing Nezzar through the Algerian courts, and also appealed to the Swiss NGO **Trial** for assistance.

On 20 October, Nezzar was arrested by the Swiss authorities while on a trip to Geneva (see *Algeria Focus*, October 2011, page 6). Following complaints against him by Algerians who say they suffered human rights abuses at his hands, and an investigation by Trial, Swiss magistrates questioned him about his actions in Algeria during the civil war, when he played a prominent role serving on the High Council of State (the military-led body that ruled Algeria after elections were annulled in 1991) and as defence minister. Nezzar was held for less than two days by the Swiss judiciary, and has since returned to Algeria a free man, where he has defended himself in the press.

According to Belmouhoub, it was Nezzar's men who kidnapped him on 23 October in front of *la maison de la presse* near 1st May Square in >>>

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Algiers and then tortured him for three days. "He is the one who is behind this act, and I restate that in front of the investigating judge. Nezzar acted in revenge after I resorted to the justice system for my imprisonment in the south and the assassination of my wife while he was defence minister," said Belmouhoub, adding that "the reason for my kidnapping was the arrest of Khaled Nezzar and his questioning by Swiss magistrates".

Geopolitics

Aisha Qadhafi angers her Algerian hosts

Aisha Qadhafi, the daughter of the late **Muammar Qadhafi**, has been severely reprimanded by her Algerian hosts for violating the terms of her asylum in Algeria for a second time. Aisha, who along with her brothers **Hannibal** and **Muhammad**, and their mother are hiding in a secret location in Algeria, gave an audio interview with the Syrian TV channel **Al Rai TV**, calling on Libyans to avenge the death of her father, who she called a "martyr".

Her intervention was described as "inacceptable" by **Amar Belani**, the main spokesman for the Algerian foreign affairs ministry. "We deplore this unacceptable speech, just as we strongly deplore the fact that Madame Aisha Qadhafi has violated, for the second time, the rules of hospitality which have been accorded to her in Algeria on humanitarian grounds," he said.



AISHA QADHAFI: UNWELCOME COMMENTS

Aisha's first press interview, also with Syrian TV, took place last September, when she issued a call for Libyans to resist the National Transitional Council. The Algerian authorities issued a statement calling on her to respect the conditions of her stay, granted on "humanitarian" grounds, and banned her from issuing further public pronouncements. In current conditions, the Algerians certainly do not want to be seen as offering a platform for the Qadhafi family to stir up trouble in Libya. Last month, President **Abdelaziz Bouteflika** formally made peace and shook hands with NTC leader **Mustafa Abdul Jalil** in Qatar.

On the one hand, Aisha's attempts to stir up a resistance movement in Libya are awkward for Algeria, which has come round to supporting the new Libyan authorities. On the other hand, her violations of the terms of her residence in Algeria could present an excuse for the Algerian

authorities to hand the Qadhafis over without losing face or looking like they are caving into foreign pressure. There have already been hints from the authorities that the Qadhafis will not be given indefinite asylum. According to Belani, "the Qadhafi family is the guest of Algeria for a time", and he warned that there would be "consequences" resulting from Aisha's transgression. It looks increasingly unlikely that the Qadhafis will be long-term guests in Algeria.

Algeria vies with France for Sahel leadership

Through its own sustained efforts, Algeria has established itself as the *de facto* leader co-ordinating the Sahel states and their fight against terrorism, organised crime, smuggling, narcotics and people trafficking in this vast but poorly controlled region. It has been moulding this geostrategic role for several years now, insisting that the security problems of the region have to be addressed by the states of the region through close military, security and economic co-operation rather than through foreign military interference.

It has succeeded in establishing a joint military command centre, based in southern Algeria and grouping the army chiefs of staff of what are known as *les pays du champ* (Algeria, Mali,

Mauritania and Niger), and it has been able to put aside past misunderstandings with states such as Mali to focus on closer cooperation.

In September, hosting a large international conference in Algiers to which the regional players were invited, plus the European Union and the United States, Algeria received international recognition and praise for its proactive approach.

However, one country remains unimpressed. France continues to attempt to bypass Algerian influence, and seems intent on guarding its own influence in the region, where many of the states are former colonial territories. French special forces have carried out their own raids - not always successful - against **Al-Qaeda in the Islamic Maghreb (AQIM)** targets and to the fury of Algiers, have continued to pay ransoms to armed gangs with links to terrorism to free Western hostages. In response, Algerian officials mount a continuous international PR offensive, arguing with some justification that paying large sums of money to these groups funds terrorism and illicit activities in the region, perpetuating the problem. This month foreign minister **Mourad Medelci** brought the issue up again during a visit to Moscow.

At the same time, France was hosting its own international conference on Sahel security >>>

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issues in Bamako. Everyone was invited apart from Algiers. It grouped representatives from Mali, Mauritania, Niger, Morocco, France, the African Union, the UN and other regional groupings, side-lining Algeria in a very public manner. However, Algerian influence in the region is real and growing, and the French manoeuvre - interpreted as a Franco-Moroccan plot in elements of the Algerian press - looks like a case of sour grapes.

Both the US and the EU this month confirmed their support and appreciation of Algerian policy in the Sahel. There was praise from US counter-terrorism chief **Daniel Benjamin**, who said on 8 December that the co-operation between Algeria and the other Sahel countries had yielded "good results". "We have seen positive signs of greater co-operation, particularly between Algeria, Mauritania, Niger and Mali," said Benjamin, speaking at a counter-terrorism conference in Washington.

In Brussels, EU foreign policy chief Baroness **Catherine Ashton** met Algerian African affairs minister **Abdelkader Messahel** and representatives from the Sahel states in Brussels. The meeting was a follow-up to the 7-8 September Algiers conference and similar to the high-level discussions Messahel had with US officials last month (see **Algeria Focus**, November 2011, page 5).

France is being pressed by the European Commission to apply the principles agreed at the conference, which include supporting economic and social development in the Sahel to counter the security problems in the region.

It was also agreed in Brussels that there will be another follow-up conference in February, in either Bamako or Niamey, according to Messahel. As well as *les pays du champ*, a second circle of more peripheral states will be invited: Nigeria, Chad and Burkina Faso, as well as the other Maghreb countries, Morocco, Libya, Tunisia and Egypt. The conference is being dubbed 'Algiers II'.

For Algiers, dealing with the fall-out of the Libyan war, and particularly the flow of arms into the Sahel region is a major priority. "The collateral damage arising from the Libyan crisis has to be dealt with urgently," said Messahel in Brussels, adding that the February conference will be aimed at agreeing "concrete action" with the Americans and Europeans. Messahel also pressed the EC to make good its promise to assist with regional development in the Sahel. "The Europeans promised to examine development programmes very soon and, why not, redirect some of their aid to this end," declared the Algerian minister.

Algiers agrees to examine ENP membership

The EU is keen for Algeria to join its European Neighbourhood Policy (ENP) and, following a meeting with EU foreign policy chief Baroness **Catherine Ashton** in Brussels this month, Algerian officials have agreed at least to participate in "exploratory discussions" with the EU, foreign minister **Mourad Medelci** confirmed on 19 December.

Geopolitics in brief

Russian-Algerian co-operation

Algeria and Russia plan to develop their commercial partnership, already strong in the armaments and energy sector, to include the mining and housing sectors. This follows a trip to Moscow by finance minister **Karim Djoudi**, who met Russian energy minister **Sergei Shmatko** for a session of the joint Algerian-Russian committee. The Russians are particularly interested in mining for phosphate, and in providing technical assistance in the construction of new housing. The two sides discussed ways to enhance their cooperation in the difficult global economic context. Djoudi also held meetings with the Russian Chamber of Commerce and Russian businessmen while in Moscow.

Moroccan-Algerian border opening "not going to happen soon"

During a two-day visit to Moscow, foreign minister **Mourad Medelci** said that the opening of the border between the two countries, closed in 1994, "is not going to happen soon". Nonetheless, in an interview with a Russian TV station, he said that Algeria hoped to "find solutions to all the problems with Morocco by stages and according to the situation". He also voiced firm support for the Arab Maghreb Union project, "a dream ... which is now a necessity".

Brotherly pressure on Syrian regime

Speaking during a trip to Moscow, foreign minister **Mourad Medelci** said that, through the Arab League, Algeria was "exercising positive and brotherly pressure on the Syrian government", and encouraging them to engage in constructive dialogue with the opposition.

The ENP was launched in 2004 to foster closer relations with the countries adjacent to the EU, promoting prosperity, stability and security at Europe's borders. In the wake of the Arab Spring, the programme has come under sustained criticism for not abiding by its principles, particularly a commitment to the "common values" of democracy and human rights, the rule of law and good governance. It also fell short on its promise to offer more than just standard cooperation or trade agreements - greater political association and deeper economic integration, as well as increased mobility (freedom of movement). The European Commission is now attempting a make-over,

insisting it has learnt the lessons of the past and is moving co-operation with its neighbours on to a new level. Hence the desire to get Algeria on board.

Until now, Algerian officials have been highly sceptical of the ENP, viewing it as too "binding". Now that it promises a more "flexible" approach, and a more tailor-made package for each country, Algiers is willing to reconsider. However, bearing in mind the poor record of Algeria's Association Accord with the EU (it is being renegotiated on the insistence of Algiers), Algeria is not in any rush to sign up. Sixteen countries are classed as partners in the >>>

programme, including Algeria, but so far only 12 “action plans” have been agreed. The ENP “has yet to be fully activated for Algeria, Belarus, Libya and Syria”, according to the European Commission.

The 16 partners are: Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the occupied Palestinian territory, Syria, Tunisia and Ukraine.

UK minister visits

Energy ties are a key part of the UK’s relationship with Algeria according to British foreign office minister **Lord Howell of Guildford**. During his recent visit to Algiers, he told local news service **Tout sur l’Algerie** that, as a major consumer of Algerian LNG, the UK would like to see more investment in the gas sector. “To ensure the continuity of LNG supply, to discover new gas reserves, we have to invest a lot more in Algeria in order to produce more gas because we are already large consumers of gas and we will be more so in the future,” said the minister.

He added that he hoped British companies would have the opportunity to obtain

exploration and production licences in the gas sector in the future. He diplomatically alluded to the unfavourable investment conditions and nationalistic economic policy that have caused foreign investors to shun the Algerian energy sector: “We understand that Algeria seeks to protect the interests of local companies, but I also think that benefiting from the help and technology of British companies will help Algeria to accelerate matters and to discover new gas finds.”

Unlike Germany and France, the UK is not especially interested in co-operating closely with Algeria in the increasingly prominent renewable energies sector. This is mainly because the means do not yet exist for the electricity produced from solar power to be transported from Algeria to the UK. A lot of work still has to be done on European grid interconnectivity before solar energy can realistically be transported from the southern Sahara to northern Europe.

Lord Howell said that the UK was “ready to help” in the technical development of solar power, but in reality German companies have been much more proactive in this domain and are therefore better placed to secure contracts. He described Algeria as “a stable region for trade and investment”.

Energy industry

Yousfi pushes hydrocarbons law changes

Amendments to the hydrocarbons law are likely to focus on three main aspects of how exploration is licensed in Algeria. According to what are still unofficial accounts of government thinking on the matter, the rule stipulating that **Sonatrach** must own a majority stake in any operating joint venture could be loosened. The framework of fiscal conditions and the way they are calculated may also be made more generous to IOCs. This may also include amendments to the windfall profits tax. Fresh incentives for the exploration of non-conventional resources will also be introduced in some way.

Energy and mines minister **Youcef Yousfi** brought the subject of the legislative changes into the public domain for the second time in three months in his speech to the World Petroleum Congress in Doha in early December. He did not specify precisely which clauses would be adapted, saying only that changes would concern “certain fiscal measures and

contractual terms between Sonatrach and its partners”. At the congress, he told **APS** that the revisions aimed to encourage foreign investment in exploration. He said that Algeria needed “solid and experienced partners” to help it grow its hydrocarbons reserves.

“We have to adapt ourselves to international reality. We have largely comfortable hydrocarbons reserves, but it is necessary to ensure our own security of supply in the very long term and to reinforce Algeria’s role as a principal player in the international energy trade,” he said, adding that Algeria needs partners that can “increase its exploration effort in the offshore and lesser known areas”. To do this “it must adapt a certain number of incentivising measures into law 05-07, which was adopted in an environment in which these technologies didn’t exist and where the oil price was fluctuating between \$20 and \$30 per barrel”.

Overcoming the political hurdles

These legislative changes have only been publicly discussed as a matter of policy for a few months (see **Algeria Focus** November 2011, page 8; September 2011, page 8). But it has been obvious since **Agence Nationale pour la Valorisation des Ressources et Hydrocarbures** (Alnaft) held its first licensing round in 2007 that IOCs would not sign exploration deals in any numbers under the conditions fixed by the current 05-07 law.

In recent months, former senior officials from Sonatrach have lent their weight to a kind of publicity campaign in favour of the amendments. Ex-PDG **Nazim Zouiouche** >>>

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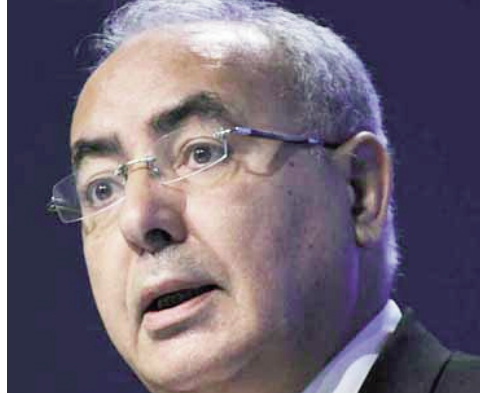
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sharply criticised the current law in a newspaper interview in September, immediately after Youfsi first raised the possibility of change. In early December, former energy minister and Sonatrach PDG **Abdelmadjid Attar** told **Radio Internationale Algérienne** that modifications to the law were a “matter of necessity”. He said that no foreign company will wish to work with Sonatrach and bring in its technology “if the fiscal situation and the way it is calculated do not change”.

Sonatrach executives jailed

A court in Oran has confirmed the prison sentences imposed on former **Sonatrach** president director general **Mohamed Meziane** and four other defendants last May (see **Algeria Focus** May 2011, page 9). Both the defence and the prosecution announced their intentions to appeal to the supreme court, the former continuing to insist on the men’s innocence, the latter still hoping for a harsher penalty.

One media report described Meziane’s “visible disappointment”. It said that, as he left the court, “with a gesture of his hand he showed that he could not find the words to react to the verdict”. According to *Le Soir d’Algerie*, the



MEZIANE: “VISIBLE DISAPPOINTMENT” IN COURT

verdict surprised the five defendants. “We were expecting to be acquitted, it isn’t just,” said one of them. A defence lawyer explained what had happened, saying that “it was easier to reconfirm the verdicts than to overturn them. We truly thought that they would all be acquitted.”

Meziane was sentenced to two years, one suspended, and a AD500,000 fine. The former downstream vice-president **Abdelhafid Feghouli**, who temporarily took over as PDG after Meziane, received one year, of which eight months was suspended, and a AD200,000 fine.

Others with similar convictions were **Benamar Touati**, the former PDG of Sonatrach subsidiary **Société de Conditionnement et de Commercialisation des Gaz industriels** (Cogiz); **Mekki Henni**, former head of **Sonatrach Aval**’s studies and development department; and **Nechnech Tidjini**, head of the Algeria-French

consultancy **Safir**. All have served their minimum terms and are therefore now at liberty. The trial concerned a contract awarded via the *gré-à-gré* system through Sonatrach Aval to **Safir** to build a nitrogen storage and conditioning centre.

Hassi R’mel workers spurn wage increases

About 2,000 **Sonatrach** workers at Hassi R’mel held a hunger strike on 20 December on the eve of a meeting of the national union in Hassi Messaoud. The workers have boycotted all the meetings and activities of the local union branch and decided to continue their sit-in in front of the company’s Hassi R’mel headquarters for another week.

The protests are an extension of a long-running attempt by workers at the gas hub to obtain better terms and conditions. The failure of former Sonatrach president director general **Nordine Cherouati** to address the workers’ grievances properly was one of his most high-profile mistakes. Responsibility for the issue now rests with his successor **Abdelhamid Zerguine**. The first attempt to resolve the dispute under his leadership has so far not gone well.

In early December, Sonatrach’s administrative board decided to raise the rate of certain employee allowances by between 53% and 80%. These included the shift work allowance (*indemnité de travail posté* - ITP), nuisance allowance (*indemnité de nuisance* - IN) and the living zone and conditions allowance (*indemnité de zone et de conditions de vie* - IZCV). Zerguine approved the retroactive application of these increases. He signed the deal with the new **Fédération Nationale des Travailleurs du Pétrole, du Gaz et de la Chimie** (FNTPGC) secretary general **Abdelkrim Mahieddine**, who was elected in November.

This national-level deal has not been accepted by the Hassi R’mel workers. “It is insufficient for us,” one worker told *Les Temps*, adding that workers’ demands “go a long way beyond the decisions which have been taken”.

The main unmet demand is for an increase in base salary, which the strikers say has not gone up since 2002. According to various reports, they called for increases of between 50% and 120%, as well as increases in other allowances. On 20 December, one striker told *El Watan* that workers were exasperated by the fact that their demands had not been taken into consideration. He said the salary increase agreed by Zerguine and Mahieddine was a false one as it was based on a revaluation of allowances and not on the salary itself.

The national-level agreement also suffers from a problem of legitimacy, as the workers in Hassi R’mel no longer accept the representation of top union officials. “If Sonatrach’s PDG wants to fix the problems he only has to turn to the >>>

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workers," one striker told the media, adding, "We haven't received any invitation to dialogue. If there has been any such thing, it was certainly addressed to the national union, in which no worker has the slightest confidence since it betrayed us. Those people don't represent the workers, they only represent themselves and their own interests."

Yousfi confident on European market share

Algeria isn't worried about losing its share of the European gas market, according to energy and mines minister **Youcef Yousfi**. "We suffer no competition ... I have no fear on this side. The world will need more gas because it will replace nuclear power in coming years," he told **APS** at the World Petroleum Congress in Doha on 8 December.

He said the country would maintain its position as the third biggest European gas supplier after Russia and Norway. "There is absolutely no problem of market share for **Sonatrach**. We are major players, we preserve our market share and our ability to export."

While Yousfi's predecessor **Chakib Khelil** embarked on a programme of maximising production based on very optimistic targets, Yousfi has taken a more measured approach. He said that the Algerian energy sector would "not fight with companies and entities to place additional quantities of gas on the European market; it is not our goal. Our present concern is to consolidate our resources. We must think very long term," he said.



YOUSFI: "WE MUST THINK VERY LONG TERM"

The minister said that he was also thinking about diversification and the impact of global economic events on the demand for Algerian gas. "There will be new market segments that will develop for gas, particularly in power generation," he said, adding that, "in the medium term, Algeria is concerned about the possible effects of the debt crisis of European gas demand and thus the price of this energy".

Sonelgaz agrees Desertec cooperation

State utility **Sonelgaz** and the **Desertec Industrial Initiative** (Dii) signed an agreement in Brussels pledging cooperation on advancing renewable energy in Algeria, and exchanging technical expertise and developing markets. While not the major project commitment that Desertec was hoping for, the agreement is a step forward for Dii in Algeria, where the leadership had been sceptical about the consortium, and holds out the possibility of a

more tangible prize in the future. "These are the first steps, it is about developing co-operation," Dii spokesman **Klaus Schmitdke** told **Algeria Focus**. Asked whether a joint Dii-Algerian commitment on a concentrated solar power (CSP) plant was on the horizon, he replied: "We are waiting for that."

The agreement, which was signed by Sonelgaz president director general **Noureddine Bouterfa** and Dii chief executive **Paul van Son** in the presence of energy and mines minister **Youcef Yousfi** and EU energy commissioner **Günther Oettinger**, has been a long time coming, and represents a change of heart from the Algerians.

The first indication of a more receptive response from Algeria came from the top, when President **Abdelaziz Bouteflika** visited Germany in December 2010, telling Chancellor **Angela Merkel** that Algeria was interested in playing a part in a major project aimed at developing renewable energy in the Sahara. They talked about it again this summer, and the 9 December agreement is the fruit of these high-level discussions.

It has taken a year since then for a general co-operation deal to be signed, reflecting Algeria's ambivalence over Desertec. In October, Bouterfa said there were still many questions to be settled before renewable energy produced in the Maghreb could be exported to Europe. "Transport agreements need to be signed in Europe. The countries of northern Europe also need to show their willingness to buy [electricity produced from] renewable energy," he said in a press interview. Doubts have been

Energy in brief

Exploration offshore Jijel

The **Agence Nationale pour la Valorisation des Ressources et Hydrocarbures** (Alnaft) awarded **Sonatrach** an exploration licence for the offshore Bejaia-Annaba perimeter (blocs 144-A and 145) on 18 December. No date has been fixed for the start of the exploration work. The award was announced by the press office of the *wilaya* of Jijel.

Weatherford sells up IAP stake

Weatherford Holdings (BVI) is selling its 10% stake in the **Algerian Petroleum Institute (IAP)**.

expressed by other senior Algerian officials, such as **Centre de Développement des Energies Renouvelables** (CDER) director **Mayouf Belhamef**, who described the project as "too ambitious and too futuristic"; Yousfi has been among those to insist that Algeria should develop its own capacities and not rely on external partners for technology and expertise.

The devil has been in the detail. According to Bouterfa, "There were no differences on the substance, but there were divergences on the form of the agreement with Desertec," he told **Algeria Focus**. "These divergences have been settled. We are in agreement about the final goal of the project." He added that Algeria was never against the fundamental idea of Desertec - developing renewable energy in North Africa and eventually exporting it to Europe - in fact, Sonelgaz began exploring this first. "We have decided to rejoin," said Bouterfa. >>>

The crucial issue for Algeria, Bouterfa explained in October, is that electricity produced from any commercial deal with Dii is destined for export, not for the internal market. Algeria's highly subsidised internal energy market is closely guarded, and Sonelgaz has no intention of giving a slice to Dii associates or others. The domestic market "concerns public money allocated in the form of state support and subsidies. This money is subject to regulations. It is not a question of granting it to Desertec or X," said Bouterfa. Even when it comes to exporting electricity, for example to Morocco, Sonelgaz is the sole legal entity entitled to do so. This issue is likely to dominate discussions with Dii, should a more concrete deal materialise in the future.

Business environment

Sonatrach to take GMA's stake in gold mine

Following the departure of its partner, Australian mining company **GMA**, **Sonatrach** has announced that it will buy up the remaining shares in the former joint company **ENOR** and exploit the Amesmesa gold mine on its own until it finds a more suitable partner. GMA had a 52% stake in **l'Entreprise d'Exploitation des Mines d'Or**, but announced it was withdrawing in October due to higher than expected costs in exploiting the mine.

"The retrieval of the shares will take place once the contractual conditions have been

respected," energy minister **Youssef Yousfi** told **APS** on 6 December while in Doha for an energy summit. "We don't want junior companies like GMA any more; we need companies which have the necessary experience, finance and technical expertise. It is a project situated in difficult terrain, which needs a lot of investment and expertise," said Yousfi.

GMA, which invested €33 million in the Amesmesa mine, said it could not increase its level of investment despite the rise in gold prices on the international market. Yousfi insisted that the mine was "still profitable", adding that the exploitation method chosen and developed by GMA was not the best one: "GMA were never going to go very far with those methods and that is why they eventually hit a wall." Sonatrach plans to develop new methods to exploit the mine, either on its own or "more likely within a partnership with a large company".

One potential partner is **Qatar Mining**. During a visit to Algeria at the end of November, the Qatari energy and industry minister **Mohammed bin Saleh al-Sada** presided over the signature of a memorandum of understanding between the company and Algerian group **Manal** to co-operate in the mining sector, and to study an option to create a joint company to exploit gold at the Tirek-Amesmesa mine.

GMA's former PDG **Douglas Perkins** said in 2010 that the Tirek-Amesmesa mine was one of the most important gold mines in Africa. The company abandoned a gold mine it was working on in Angola to invest in the Algerian project. Exploitation began in 2008, but over the past three years production has declined from several hundred kilos of gold to only a few kilos.

Important accords signed with Qatar

Despite political differences over Libya and other Arab issues over recent months, Qatar and Algeria are moving towards greater economic co-operation, particularly but not exclusively in the energy and mining sector. The deals were signed during a working visit to Algeria by Qatari energy and industry minister **Mohammed bin Saleh al-Sada** at the end of November.

As well as signing a memorandum of understanding to co-operate in the mining sector, the Qatari minister and his Algerian counterpart **Youssef Yousfi** penned an agreement in the transport sector to create a joint maritime transport and logistics company. They also plan to conclude an agreement on the transport of LNG between the two countries, and are looking at transporting energy products by air. The two sides hope to sign a cooperation

accord between their respective aviation authorities soon, and there are hopes that Algiers airport could act as a hub connecting Qatar with Europe and Africa.

In the petrochemicals sector, the Qataris are interested in ethane cracking, aluminium and the production of ammonia and urea, as well as constructing a plastics factory. **Qatar Petroleum** already owns a 10% stake in the **Sonatrach-Total** joint venture building a new ethane cracker at Arzew. There may also be potential for cooperation in the renewable energy sector, including in assisting in the local manufacture of equipment and components. In the agricultural sector, the two sides plan to focus on genetically modified cereal production, animal feed and abattoirs.

Preparations for Djezzy sale inch forward

It could be the beginning of the end in the lengthy, politically charged sale of **Djezzy**, the Algerian mobile phone operator owned by Egypt's **Orascom Telecom Holdings**. The dossier has been held up for most of this year because OTH, now owned by Russia's **Vimpelcom**, and the Algerian government disagreed over the valuation of Djezzy, prompting the Algerian authorities to call in >>>

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legal consultancy **Sherman and Sterling** to advise them on buying back the operator.

A confidentiality accord between Vimpelcom/ OTH and the Algerian authorities is to be signed "by the end of this month", according to finance minister **Karim Djoudi**, a step which the Algerian government has demanded prior to opening a data room on Djazzy as part of the evaluation process. Those familiar with the case are suggesting that there are no longer any hurdles standing in the way of an agreement with OTH's master Vimpelcom, although given how long it has taken to get to this stage, there is still plenty of potential for stalling.

The confidentiality accord concerns data relating to the management of Djazzy, but the evaluation sum will be excluded and therefore may be made public in the near future. **Naguib Sawaris**, the owner of OTH, had demanded \$7 billion for Djazzy, but the Algerian authorities were suggesting a price of \$2 billion-3 billion earlier in the year. Now a valuation of around \$5 billion is thought more likely. Once a confidentiality accord is signed, the Algerians plan to sign a MoU detailing the conditions of sale to Vimpelcom, Djoudi recently confirmed.

It was not a question of "honour" for Algeria to buy back Djazzy, but rather one of economic interest for the state, insisted Djoudi. The dispute over the future of the mobile phone operator, which has been on-going for two years now, flared up after the Algerian authorities slammed Djazzy with a large bill for unpaid taxes, vehemently disputed by OTH, which sought unsuccessfully to appeal through the Algerian courts.

Sawaris resolved to end his relationship with the Algerian authorities and sell Djazzy by finding a foreign buyer. When South Africa's **MTN** offered \$7.8 billion for the operator, the Algerian state refused to sanction the sale, citing its *droit de préemption*. Under Algerian law, the government has the right to veto the sale of an Algerian asset to a foreign company. Having resolved to buy Djazzy back from Vimpelcom and having managed to avoid a costly international arbitration threatened by Sawaris, the contested process of evaluating Djazzy began - and there are still quite a few hoops to jump through before the end is in sight.

Euro crisis worries officials

The financial crisis affecting the euro-zone will prompt the regime to review its spending, says finance minister **Karim Djoudi**. He has commissioned a study examining how Algeria can withstand and counteract its effects on the local economy. According to sources in the local press, the study will focus on the high level of commercial exchanges between Algeria and the EU, as well as the capacity of the worst-hit European countries to pay their debts.

With the crisis in Europe becoming more serious as time goes on, despite attempts to find a political and financial settlement, Algeria is sensing its vulnerability. This month, energy minister **Youcef Yousfi** admitted that the crisis in Italy could have repercussions on Algerian energy exports to that country; he has also suggested that the financial crisis could have a

Business in brief

3G licence delay

IT minister **Moussa Benhamadi** has admitted that the procedure for granting a 3G licence to an operator has been frozen, but promised that it would be re-launched again in the first semester of 2012. The minister said that the delay was due to "technical reasons in order to allow the three mobile phone operators [**Djezzy**, **Mobilis** and **Nedjma**] to take part". The 3G licence sale had been officially launched by the authorities in September.

Algeria to launch its third satellite

The **Algerian Space Agency** is working on making a third Algerian satellite, which will be launched in 2013-14, according to IT minister **Moussa Benhamadi**. The satellite will be built by Algerian engineers, with assistance from their counterparts in countries experienced in the sector, and will be deployed over Algerian territory, particularly in isolated rural areas, to improve internet services. Algeria's first two satellites are being used for observation in the agriculture and hydraulic sectors, and in the fight against natural disasters.

negative effect on global oil prices. Most of Algeria's foreign exchanges are with the euro-zone. In 2010, 51.5% of Algeria's imports came from the EU, valued at \$20.6 billion. Its exports to the EU represent 49% of the total, and for the first nine months of 2011 were valued at \$25 billion, of which 96% were hydrocarbons.

Another factor to consider is that 55% of Algeria's foreign exchange reserves placed in European banks are denominated in euros. With the collapse of the single currency no longer being viewed as an outlandish prospect, there is cause for concern.

The Algerians do not want to sound too alarmist, and Djoudi has stressed that there is a healthy surplus in the oil stabilisation fund, **le Fonds de Régulation des Recettes**. Algeria's foreign exchange receipts for this year are likely

to reach an enviable \$200 billion, a \$26 billion rise on last year's, according to recently released figures. In addition, Algeria has paid off most of its foreign debt.

However, the reliance on global oil prices and the failure to diversify the economy to lessen this vulnerability remain. Djoudi says that public spending for 2010 has been cut by 10%, but the regime is under constant political pressure to maintain and even increase social spending, particularly on subsidies, public sector salaries and to fund ambitious infrastructure projects.

A combination of a significant fall in global oil prices, a collapse of the euro and a deepening recession in Europe would therefore have potentially disastrous consequences for Algeria.

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United Kingdom

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