

Introduction narrative



The last time I was in Algeria is 15 years ago. Back then it was save for me to travel in Algeria and to see the familiy of my mothers side. The reason why I chose this country is not because I identify myself with Algeria but the complete opposite. I dont speak Arabic and I know very little about Algerias historical background. The reason why I chose Algeria is to find out more about the country my mother is from.

First I will outline the history of Algeria (early and recent). I will give a contemporary view of Algeria, furthermore introduce various facts on the country. The next step is to show the political environment. The Principal economic growth sector shows the potential that Algeria has if it was not restricted by the ongoing civil war.

Early history

The earliest known inhabitants of certain areas of Algeria were cattleherds and hunters living in the Al Hajjar region between 8, 000 and 2, 000BC. These may have been tribal Berbers. Phoenicians settled some of the coastal areas of Algeria from their north-African state of Carthage which was in modern day Tunisia.

The first Algerian kingdom was established by the Berber chieftain Massinissa during the Punic Wars between Rome and Carthage which took place between the 3rd and 2nd centuries BC. Massinissa reigned over his kingdom of Numidia from 202-148BC and his dynasty lasted until 106BC when his grandson Jugurtha became a Roman client. As part of the Roman Empire Numidia flourished, becoming known as the ' granary of Rome'. A

road system and a series of Roman garrisons which became small Roman cities were built during the Roman period.

With the decline of the Roman Empire, Roman armies were withdrawn from Algeria and in the 3rd century AD, the Donatists, a North African Christian sect which had been suppressed by the Romans, declared a short-lived independent state. Algeria was invaded by the Vandals in the 5th century who occupied the country for a hundred years before being driven out by the Emperor Justinian's Byzantine army.

It was Justinian's aim to restore the Holy Roman Empire but the spread of Islam and the Arab conquest of North Africa during the 7th century thwarted the expansion of Byzantium and permanently changed the character of North Africa.

The Arab invasion was not without resistance. The Berbers, led by a tribal high priestess named Kahina who claimed conversion to Judaism, fought the invaders but eventually surrendered to the Umayyad Khalif. The Berbers quickly embraced Islam and, in the 8th century, formed their own Islamic government. Several tribes embraced Shi'ism and founded Shi'a tribal kingdoms, the most powerful of which was the Rustamid Kingdom at Tahert in central Algeria which flourished during the 8th and 9th centuries.

Algeria became part of the powerful Berber empires of the Almoravids and Almohads which dominated the Magreb and Andalusia. Tlemcen became the eastern capital of the Almohads and flourished as a centre of Islam. During this period Algerian seaports like Algiers, Annaba and Bijaya thrived on trade with European markets.

The rise and fall of piracy (1400-1830)

The demise of the Almohad empire created a power vacuum which led to the rise of piracy along what became known as the Barbary Coast. Coastal cities hired corsairs to seize merchant vessels and gain an advantage in the fierce competition for trade on the high seas.

North African piracy compelled the Spanish to occupy and blockade several ports known to be pirate enclaves, including Algiers which was forced to pay tribute. This Christian occupation of North African ports forced Muslims to seek help from the Ottoman Khalif. The Barbarossas, two sibling pirates, petitioned the Ottoman Sultan for aid against the infidels. In response the Khalif sent a naval fleet which drove the Spanish out of most of the North African ports they were occupying.

In 1518 Khayrad'din Barbarossa became the sultan's official representative in Algeria and Algerian corsairs dominated the Mediterranean with Ottoman protection for centuries. It was not until late in the 18th century that Europeans were able to challenge the Barbary pirates of Algeria with superior naval power and artillery. In 1815 a US naval squadron under Captain Stephen Decatur attacked Algiers and forced its governor to sign a treaty banning piracy against US ships.

Persistent attacks on European shipping caused the British and Dutch to combine their forces against the Algerians and almost totally destroy their fleet in 1816. This was the beginning of the end. In 1830 the French army invaded Algiers and the French occupation of Algeria continued for 132 years.

French colonisation

Algeria was annexed to France despite intense popular resistance.

Resettlement programmes were implemented by the French government using land-owning incentives to draw French citizens to the new colony. The French introduced a wide variety of measures to ‘modernize’ Algeria, imposing European-style culture, infrastructure, economics, education, industries and government institutions on the country. The colonials exploited the country’s agricultural resources for the benefit of France. The concept of French Algeria became ingrained in the French collective mind.

This period of early French influence over the country saw a huge drop in Algeria’s native population, as it fell from around 4 million in 1830 to only 2.5 million in 1890.

The French colonials looked upon the Muslim populace as an inferior underclass that had to be tightly controlled. Muslims were not allowed to hold public meetings, bear arms or leave their districts or villages without government permission. Although they were officially French subjects they could not become French citizens unless they renounced Islam and converted to Christianity. It was a brutal, racist regime which alienated the vast majority of Algerians. The French attempt at acculturating an Algerian elite backfired badly. Those few schooled in French academies and infused with French values suffered the inherent racism of their French overlords and became the nucleus of the Algerian nationalist movement.

The Algerian nationalist movement emerged between the two World Wars, first simply demanding civil rights for the indigenous peoples of Algeria. The

French government proposed concessions to the nationalists but these were blocked by French colonial reactionaries in the National Assembly. The colonials resisted any reform giving Muslims equal rights until, after 20 years of fruitless non-violent activism, the frustrated nationalists formed a militant anti-French party in 1939 called the Friends of the Manifesto and Liberty, combining Islamic and communist factions.

In the aftermath of World War II the French government revived attempts to bring Muslim Algerians into the decision-making process but these were too little and too late to offset deep-rooted colonial attitudes and a growing mutual hatred between the French and their Muslim subjects. Algerian Muslim attitudes had also hardened and an increasing number of nationalists were calling for armed revolution.

By the 1950s revolutionaries were being hounded into exile or hiding and the stage was being set for the Algerian War of Independence.

In March 1954 a revolutionary committee was formed in Egypt by Ahmed Ben Bella and eight other Algerians in exile which became the nucleus of the National Liberation Front (FLN). On November 1st of the same year the FLN declared war on the French through a spectacular simultaneous attack on government buildings, military installations, police stations and communications facilities in the country.

The populist guerrilla war paralyzed the country and forced the French government to send 400, 000 troops to try and put down the uprising. However, the courage and ruthlessness of FLN fighters and their tactical use of terrorism dragged the French into the reactive trap of bloody reprisals

against the general population, which served to galvanize the Algerians and strengthen the revolution.

The cruelty and brutality of French colonial forces and the government's inability to find a political solution turned world opinion against France. The French use of concentration camps, torture, and mass executions of civilians suspected of aiding the rebels, isolated France and elicited invidious comparisons with totalitarian regimes and Nazism.

The French government was caught between a colonial policy based upon racism and exploitation, and its place as a standard-bearer of democracy. On the one hand, the French colonials were intransigent. On the other, the world community was calling for a cessation of hostilities and a political solution.

In 1958 colonials and French army officers joined forces to bring down the French government and demanded the return of General Charles De Gaulle to lead France to victory over the Algerian Nationalists and the preservation of French Algeria. De Gaulle returned to power with the support of the political extreme right but, realizing that the war could never be won, announced a referendum allowing Algerians to choose their own destiny, be it independence or remaining part of France.

De Gaulle's move was seen as betrayal by the colonials, the extreme right wing and certain parts of the military. The OAS, a militant terrorist organization, was formed by an alliance of these groups with the aim of overthrowing the general. The OAS carried out a ruthless terrorist campaign against the FLN and the French government, but they were doomed to failure.

In March 1962 a cease fire was negotiated between the French government and the FLN and De Gaulle's referendum was held in July. The Algerian people spoke with a single voice. They voted for independence. Following the referendum the French departed from Algeria en masse. By the end of the year most colonials had evacuated the country that had once been French Algeria.

Recent History

1962: Algeria gained independence from France on July 5 when the Evian Accords were signed. The country had been fighting a war of independence, led by the National Liberation Front (FLN), since 1954. More than one million Algerians were killed and two million internally displaced.

1963: The Secretary General of the FLN, Ahmed Ben Bella, introduced a draft Constitution, which provided for a presidential regime with the FLN as the sole political party. He was elected President in September 1963.

1965: Ben Bella was deposed and arrested in a coup led by Colonel Houari Boumedienne, the Defence Minister, in June 1965. Boumedienne established a Revolutionary Council, and made himself Prime Minister as well as Minister of Defence.

1976: In December 1976 Boumedienne became President and in March 1977 a National People's Assembly (NPA) of 261 FLN members was elected.

Boumedienne died in 1978 and was replaced by Colonel Chadli Bendjedid.

mid-1980s: The state of the Algerian economy was causing widespread unrest. Boumedienne had put in place rigid socialist economic policies which

created inefficiency in the industrial and agricultural sectors. They produced high unemployment, inflation and a large foreign debt. The collapse of oil and gas prices worldwide in 1986 made the situation worse and the price of food increased.

1988: Street riots in October resulted in a bloody crackdown by the armed forces and the imposition of a State of Emergency.

1989: Disturbances continued and in July 1989 the ban on new political parties was revoked. The Ministry of the Interior permitted parties which were not externally funded or based solely on religious, regional or professional interests. Opposition parties could take part in elections and within a year more than 50 legal parties existed.

Contemporary Algeria

Algeria is now undergoing its second bloody civil war in 40 years. The country which fought itself free of the French in the 1950s and 1960s in a war which cost two million lives and earned it admiration across the world is now wracked by bitter fighting between Islamic fundamentalists and military authorities. Over 60, 000 people have died in the latest conflict.

Two starkly different ideologies are at war in this North African country. On the one hand, there is the secularist tradition which the country inherited at independence from its French overlords where state and religion are kept separate. On the other is the concept of an Islamic state with Islamic law, with the Quran as its constitution.

The situation now appears to be at an impasse. When the army cancelled elections in 1991 because the Islamists were on the point of winning them, there is no doubt that the Islamic Salvation Front had the widest support of any political party in the country. But in the intervening years there has been so much violence that many people have become sick of the whole thing. And the military authorities have now held two elections which have succeeded at least partly in recreating some kind of political process.

But there are perhaps 30, 000 Islamic guerrillas across the country and the army cannot end the war.

The violence has been gruesome and fiercely controversial. Not just soldiers but even secular intellectuals such as writers and journalists have had their throats cut in front of their families. There have been massacres in which almost entire villages have been slaughtered.

In the information black-out that the authorities operate, it is hard to know who or what to believe. They say all these atrocities have been carried out by Islamic guerrillas who want to take Algeria back into the Dark Ages. Islamists claim that many of these atrocities have been carried out by government forces who have penetrated the ranks of the guerrilla movement in order to discredit them. The only certainty is that all sides have much blood on their hands.

The fighting has sometimes looked like spilling across the Mediterranean and into Europe. In 1995, a group called the Armed Islamic Group planted a series of bombs in France and tried to blow up an airliner over Paris.

The country has had an exhausting and troubled history since it finally won independence from France in 1962. In the 1960s and 1970s, it was a leader of the Third World and carried out ambitious economic and social planning policies to try and catapult Algeria into prosperity along socialist lines.

They all failed, leaving Algeria dependent on its oil exports to make ends meet. The usual clutch of social problems that encourage Islamic fundamentalism are found in abundance - massive unemployment, shortage of goods, a housing and amenities crisis across the towns and cities, and large scale corruption that cripples social and economic development.

Two of the Islamic leaders that fought the elections which started the civil war - Abbasi Madani and Abdel-Kadir Hashani - have recently been freed from prison. But this is no Mandela and De Klerk situation - it's doubtful whether either has the ability to bring an end to the fighting even if they wanted to.

Elections and controversy

The Islamic Salvation Front (FIS), gained public support in the early 1990s. It was well organised, and was based on a network of mosques and Islamic groupings. The urban poor looked to the FIS to provide grass-root welfare services, and a clear sense of social justice with the introduction of Sharia law.

Elections were initially due to be held in June 1991 but were postponed following protests about the new electoral law which placed restrictions on

campaigning in mosques and alteration in constituencies to favour the ruling FLN.

A state of siege was declared and a military curfew was imposed. The leaders of the FIS, Abbasi Madani and Ali Belhadj, were arrested.

The first round of the general and presidential elections were held on December 26, 1991 with 59 political parties in the running. The FIS won 188 of the 231 seats contested in the first round elections. The FLN won only 15 seats, pushed into third place by the FFS who won 25 seats.

The Assembly was dissolved on January 4, 1992. President Chadli resigned on January 11, under pressure from the army which would not accept his willingness to share power with the FIS.

An interim High Council of State was established, with Mohammed Boudiaf as its President, on January 14.

The second round of the elections were due to be held on January 16 but were cancelled when the army took control of key installations in the capital.

Facts about Algeria (Geography)

Location: Northern Africa, bordering the Mediterranean Sea, between Morocco and Tunisia

Areacomparative: slightly less than 3.5 times the size of Texas

Land boundaries:

total: 6,343 km

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border countries: Libya 982 km, Mali 1,376 km, Mauritania 463 km, Morocco 1,559 km, Niger 956 km, Tunisia 965 km, Western Sahara 42 km

Coastline: 998 km

Maritime claims:

exclusive fishing zone: 32-52 nm

territorial sea: 12 nm

Climate: arid to semiarid; mild, wet winters with hot, dry summers along coast; drier with cold winters and hot summers on high plateau; sirocco is a hot, dust/sand-laden wind especially common in summer

Terrain: mostly high plateau and

Natural resources: petroleum, natural gas, iron ore, phosphates, uranium, lead, zinc

Land use:

arable land: 3%

permanent crops: 0%

permanent pastures: 13%

forests and woodland: 2%

other: 82% (1993 est.)

Natural hazards: mountainous areas subject to severe earthquakes; mud slides

Environmentcurrent issues: soil erosion from overgrazing and other poor farming practices; desertification; dumping of raw sewage, petroleum refining wastes, and other industrial effluents is leading to the pollution of rivers and coastal waters; Mediterranean Sea, in particular, becoming polluted from oil wastes, soil erosion, and fertilizer runoff; inadequate supplies of potable water

party to: Biodiversity, Climate Change, Desertification, Endangered Species, Environmental Modification, Law of the Sea, Ozone Layer Protection, Ship Pollution, Wetlands

signed, but not ratified: Nuclear Test Ban

Geographynote: second-largest country in Africa (after Sudan)

Neighbouring countries: Morocco, Tunisia, Libya, Niger, Mali, Mauritania

People

Population: 30, 480, 793 (July 1998 est.)

Age structure:

0-14 years: 38% (male 5, 923, 087; female 5, 709, 614)

15-64 years: 58% (male 8, 931, 896; female 8, 752, 014)

65 years and over: 4% (male 542, 012; female 622, 170) (July 1998 est.)

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Population growth rate: 2. 14% (1998 est.)

Birth rate: 27. 51 births/1, 000 population (1998 est.)

Death rate: 5. 63 deaths/1, 000 population (1998 est.)

Net migration rate: -0. 49 migrant(s)/1, 000 population (1998 est.)

Nationality:

noun: Algerian(s)

adjective: Algerian

Ethnic groups: Arab-Berber 99%, European less than 1%

Religions: Sunni Muslim (state religion) 99%, Christian and Jewish 1%

Languages: Arabic (official), French, Berber dialects

Literacy:

definition: age 15 and over can read and write

total population: 61. 6%

male: 73. 9%

female: 49% (1995 est.)

Government

Country name:

conventional long form: Democratic and Popular Republic of Algeria

conventional short form: Algeria

local long form: Al Jumhuriyah al Jaza'iriyah ad Dimuqratiyah ash Shabiyah

local short form: Al Jaza'ir

Data code: AG

Government type: republic

National capital: Algiers

Administrative divisions: 48 provinces (wilayas, singularwilaya); Adrar, Ain Defla, Ain Temouchent, Alger, Annaba, Batna, Bechar, Bejaia, Biskra, Blida, Bordj Bou Arreridj, Bouira, Boumerdes, Chlef, Constantine, Djelfa, El Bayadh, El Oued, El Tarf, Ghardaia, Guelma, Illizi, Jijel, Khenchela, Laghouat, Mascara, Medea, Mila, Mostaganem, M'Sila, Naama, Oran, Ouargla, Oum el Bouaghi, Relizane, Saida, Setif, Sidi Bel Abbes, Skikda, Souk Ahras, Tamanghasset, Tebessa, Tiaret, Tindouf, Tipaza, Tissemsilt, Tizi Ouzou, Tlemcen

Independence: 5 July 1962 (from France)

National holiday: Anniversary of the Revolution, 1 November (1954)

Constitution: 19 November 1976, effective 22 November 1976; revised 3 November 1988, 23 February 1989, and 28 November 1996; notereferendum approving the revisions of 28 November 1996 was signed into law 7 December 1996

Legal system: socialist, based on French and Islamic law; judicial review of legislative acts in ad hoc Constitutional Council composed of various public officials, including several Supreme Court justices; has not accepted compulsory ICJ jurisdiction

Executive branch:

chief of state: President Liamine ZEROUAL (appointed president 31 January 1994, elected president 16 November 1995)

head of government: Prime Minister Ahmed OUYAHIA (since 31 December 1995)

cabinet: Council of Ministers appointed by the prime minister

elections: president elected by popular vote for a five-year term; election last held 16 November 1995 (next to be held NA 2000); prime minister appointed by the president

election results: Liamine ZEROUAL elected president; percent of vote Liamine ZEROUAL 61.3%

Legislative branch: bicameral Parliament consists of the National People's Assembly or Al-Majlis Ech-Chaabi Al-Watani (380 seats; members elected by popular vote to serve four-year terms) and the Council of Nations (144 seats; one-third of the members appointed by the president, two-thirds elected by indirect vote; members serve six-year terms; created as a result of the constitutional revision of November 1996)

elections: National People's Assembly last held 5 June 1997 (next to be held NA 2001); elections for two-thirds of the Council of Nations last held 25 December 1997 (next to be held NA 2003)

Judicial branch: Supreme Court (Cour Supreme)

Political parties and leaders: Islamic Salvation Front (FIS, outlawed April 1992), Ali BENHADJ, Dr. Abassi MADANI, Rabeh KEBIR (self-exile in Germany); National Liberation Front (FLN), Boualem BENHAMOUDA, secretary general; Socialist Forces Front (FFS), Hocine Ait AHMED, secretary general (self-exile in Switzerland); Movement of a Peaceful Society (MSP or Hamas), Mahfoud NAHNAH, chairman; Rally for Culture and Democracy (RCD), Said SAADI, secretary general; Algerian Renewal Party (PRA), Noureddine BOUKROUH, chairman; Nahda Movement (Al Nahda), Abdallah DJABALLAH, president; Democratic National Rally (RND), Abdelkader BENSALAH, chairman; Movement for Democracy in Algeria (MDA), Ahmed Ben BELLA; Workers Party (PT), Louisa HANOUN; Republican Progressive Party, Khadir DRISS; Union for Democracy and Freedoms, Mouley BOUKHALAFA; Liberal Social Party, Ahmed KHELIL

note: the government established a multiparty system in September 1989 and, as of 31 December 1990, over 50 legal parties existed; a new party law was enacted in March 1997

Economy

Economy overview: The hydrocarbons sector is the backbone of the economy, accounting for roughly 57% of government revenues, 25% of GDP,

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and almost all export earnings. Algeria has the fifth-largest reserves of natural gas in the world and is the second largest gas exporter; it ranks fourteenth for oil reserves. Algiers' efforts to reform one of the most centrally planned economies in the Arab world began after the 1986 collapse of world oil prices plunged the country into a severe recession. In 1989, the government launched a comprehensive, IMF-supported program to achieve economic stabilization and to introduce market mechanisms into the economy. Despite substantial progress toward economic adjustment, in 1992 the reform drive stalled as Algiers became embroiled in political turmoil. In September 1993, a new government was formed, and one priority was the resumption and acceleration of the structural adjustment process. Burdened with a heavy foreign debt, Algiers concluded a one-year standby arrangement with the IMF in April 1994 and the following year signed onto a three-year extended fund facility. Progress on economic reform, a Paris Club debt rescheduling in 1995, and oil and gas sector expansion have contributed to a recovery since 1995. Investments in developing hydrocarbon resources are likely to maintain growth and export earnings. Continuing but gradual government efforts to attract foreign and domestic investment outside that sector seek to diversify the economy and tackle problems of high unemployment and falling living standards, problems as yet untouched by the macroeconomic turnaround.

GDP: purchasing power parity\$120. 4 billion (1997 est.)

GDPreal growth rate: 2. 5% (1997 est.)

GDPper capita: purchasing power parity\$4, 000 (1997 est.)

GDP composition by sector:

agriculture: 12%

industry: 50%

services: 38% (1995 est.)

Inflation rate consumer price index: 7% (1997 est.)

Labor force:

total: 7.8 million (1996 est.)

by occupation: government 29.5%, agriculture 22%, construction and public works 16.2%, industry 13.6%, commerce and services 13.5%, transportation and communication 5.2% (1989)

Unemployment rate: 28% (1997 est.)

Budget:

revenues: \$13.7 billion

expenditures: \$13.1 billion, including capital expenditures of \$5.1 million (1996 est.)

Industries: petroleum, natural gas, light industries, mining, electrical, petrochemical, food processing

Agriculture products: wheat, barley, oats, grapes, olives, citrus, fruits; sheep, cattle

Exports:

total value: \$13.1 billion (f. o. b., 1997 est.)

commodities: petroleum and natural gas 97%

partners: Italy 18.8%, US 14.8%, France 11.8%, Spain 8%, Germany 7.9%
(1995 est.)

Imports:

total value: \$10 billion (f. o. b., 1997 est.)

commodities: capital goods, food and beverages, consumer goods

partners: France 29%, Spain 10.5%, Italy 8.2%, US 8%, Germany 5.6%
(1995 est.)

Debt external: \$33 billion (1997 est.)

Economic aid:

recipient: ODA, \$420 million (1996)

Currency: 1 Algerian dinar (DA) = 100 centimes

Exchange rates: Algerian dinars (DA) per US\$158.969 (January 1998), 57.707 (1997), 54.749 (1996), 47.663 (1995), 35.059 (1994), 23.345 (1993)

Fiscal year: calendar year

Tourism

Unlike Morocco to the west and Tunisia to the east, Algeria has never developed a tourism industry. Since independence, the country's hardline Arab socialist policies and antipathy to the west have militated against any kind of tourism development. Coastal tourist resort facilities have not been constructed nor has the country's heritage been exploited to attract tourists.

Currency restrictions and the difficulty of obtaining tourism visas are further disincentives to tourism. Tourist receipts for 1990 were below \$150 million and the fundamentalist political violence targeting foreigners in the ensuing years decimated what little tourism there might have been.

Although the recent elections promise a possible end to the extremist violence and some political and structural reform, tourism is likely to remain a negligible part of Algeria's economy for the foreseeable future.

Communications

Telephones: 862, 000 (1991 est.)

Telephone system:

domestic: good service in north but sparse in south; domestic satellite system with 12 earth stations (20 additional domestic earth stations are planned)

international: 5 submarine cables; microwave radio relay to Italy, France, Spain, Morocco, and Tunisia; coaxial cable to Morocco and Tunisia; participant in Medarabtel; satellite earth stations² Intelsat (1 Atlantic Ocean and 1 Indian Ocean), 1 Intersputnik, and 1 Arabsat

Radio broadcast stations: AM 26, FM 0, shortwave 0

Radios: 6 million (1991 est.)

Television broadcast stations: 18

Televisions: 2 million (1993 est.)

Transportation

Railways:

total: 4, 772 km

standard gauge: 3, 616 km 1. 435-m gauge (301 km electrified; 215 km double track)

narrow gauge: 1, 156 km 1. 055-m gauge

Highways:

total: 102, 424 km

paved: 70, 570 km (including 608 km of expressways)

unpaved: 31, 854 km (1995 est.)

Pipelines: crude oil 6, 612 km; petroleum products 298 km; natural gas 2, 948 km

Ports and harbors: Algiers, Annaba, Arzew, Bejaia, Beni Saf, Dellys, Djendjene, Ghazaouet, Jijel, Mostaganem, Oran, Skikda, Tenes

Merchant marine:

total: 78 ships (1, 000 GRT or over) totaling 928, 965 GRT/1, 094, 104 DWT

ships by type: bulk 9, cargo 27, chemical tanker 7, liquefied gas tanker 11, oil tanker 5, roll-on/roll-off cargo 13, short-sea passenger 5, specialized tanker 1 (1997 est.)

Airports: 136 (1997 est.)

Heliports: 1 (1997 est.)

Military

Military branches: National Popular Army, Navy, Air Force, Territorial Air Defense, National Gendarmerie

Military manpowermilitary age: 19 years of age

Military manpoweravailability:

males age 15-49: 7, 949, 708 (1998 est.)

Military manpowerfit for military service:

males: 4, 871, 931 (1998 est.)

Military manpowerreaching military age annually:

males: 347, 952 (1998 est.)

Military expendituresdollar figure: \$1. 3 billion (1994)

Military expenditurespercent of GDP: 2. 7% (1994)

POLITICAL ENVIRONMENT

Political System: Algeria has a popularly-elected president since November 1995. National legislative elections were held in June 1997. Most of Algeria's political parties fielded candidates. Some foreign and domestic observers who monitored the elections noted irregularities. Most Algerians nevertheless believe that the elections represented a modest step toward a more representative democracy. The two legal Islamist parties comprise a large parliamentary minority group and members of one of the parties are ministers of a coalition government. Municipal elections are scheduled for October 1997. A constitution approved in late 1996 will permit the installation of a second legislative chamber (a Senate) shortly after the municipal elections.

Security Environment: The cancellation of parliamentary elections in January 1992 was one of the causes of the violence that Algeria is experiencing. Since then, armed Islamist groups have been targeting not only the security services but also civilians from all walks of life including journalists, intellectuals, government officials. The victims have also included old men and women, and children. As many as 60, 000 Algerians may have died of violence during the last five years. About 120 foreigners have been murdered since December 1993. Seven French monks were decapitated south of Algiers in April 1996. About six months later an Eastern European national, a former military attache who had become a businessmen, had his throat slit in a park in Algiers. The group thought responsible for those

murders has threatened specifically the Algerians and foreigners working in the hydrocarbons sector. Although violence has receded since 1994-1995, terrorists carried out bloody attacks against civilians throughout the past year.

The Government of Algeria is implementing a structural adjustment program approved and supported by the International Monetary Fund (IMF) and the World Bank. At the macroeconomic level, Algeria has not only met but also surpassed the performance criteria established by the IMF. In 1996 Algeria stabilized its national currency, the dinar, reduced inflation, and achieved a positive balance of payments. The Government's adherence to this program has yielded Algeria its best economic performance in over a decade despite massive unemployment and continuing terrorism. After several years of disappointing economic performance, real economic growth surpassed 3.5 percent during each of the last two years. But the economy will not expand six to eight percent annually, rates that might permit the absorption of most of the 2.2 million people unemployed, so long as Algeria continues to suffer from a high level of terrorist violence.

Algeria's microeconomic performance has not been as good, however. Industrial restructuring is progressing slowly despite a continuing decline in industrial output. Very few enterprises have been privatized. Algeria's privatization law offers advantages to private investors—tax incentives, deferred payments, and an employee ownership option. Its investment code presents significant medium-and long-term opportunities to foreign firms seeking a market in Algeria or in the region. Algeria established a free-trade zone in Bellara in April 1997. The U. S. Government believes Algeria's

economic reform program is sound and encourages U. S. businesses to seize trade opportunities as they become known. The hydrocarbons, agribusiness, and construction sectors appear poised for substantial expansion.

The terrorism that continues to plague Algeria is a challenge for any company seeking to capitalize on these opportunities. The U. S. Department of State urges American citizens not to go to or work in Algeria without substantial armed protection. U. S. businessmen should meet Algerian trade and investment partners in the U. S. or western Europe. U. S. businessmen who decide to go to Algeria should ensure that their Algerian hosts arrange protection for them from the moment they arrive in the country. Any firm thinking about establishing an operation in Algeria must give security a high priority. Its cost is a basic factor that companies have to consider when evaluating the profitability of investment projects. Companies new to the market may find it best to work through local agents or distributors.

Principal Growth Sectors

Hydrocarbons: Algeria's vitally important hydrocarbons sector has remained immune to acts of terrorism. Plans call for its substantial expansion during the next four years. The state-owned hydrocarbons company, Sonatrach, expects to invest about \$19.3 billion over the next four years to raise export earnings from \$12.6 billion in 1996 to \$16.2 by 2001. A key element in the plan is the doubling of natural gas exports to at least 60 billion cubic meters annually. Much of this gas will be moved by pipelines that Sonatrach has extended or built in the last three years. The Trans-Maghreb pipeline linking Algeria's gas field at Hassi R'Mel to Spain and Portugal via Morocco became

operational in late 1996. Sonatrach plans to augment the capacity of the Trans-Med gas pipeline to Italy to 24 billion cubic meters a year by the year 2000. Sonatrach is building other pipelines, the construction of which offer opportunities to U. S. firms.

Sonatrach is encouraging foreign oil company exploration and has signed about forty oil/gas exploration and production-sharing agreements with foreign firms during the last ten years. In late 1995 it signed a twenty-year \$3.5 billion agreement with British Petroleum for the development of the In Salah gas field. Its expected production capacity is 9-10 billion cubic meters of natural gas a year, which could appear on the market about the year 2002. Several American firms including Anadarko, Arco, Mobil, and Louisiana Land & Exploration, are pursuing projects in Algeria. ARCO signed a \$1.3 billion deal with Sonatrach in February, 1996 to raise the output of the Rhourde El Baguel oil field near Hassi Messaoud via in-fill drilling and miscible gas injection technology.

Agriculture: Algeria's agricultural sector may develop substantially over the next several years. The potential for U. S. exports of farm equipment and supplies is significant since Algerian farmers need such imports to raise their productivity. At present, productivity swings high and low depending on climatic conditions. In 1996, farm output rose 19.5 percent owing to exceptionally favorable weather; in 1997, output declined 76.1 percent relative to that of 1996 because of drought.

Construction: One of the worst problems that Algerians face is shortage of housing. In May 1996 the Government estimated that Algerians needed 1.2

million housing units immediately, each accommodating six persons, as well as an additional 600, 000 by the year 2000. In 1996, only 132, 285 units were put on the market. In the past, large, state-owned enterprises dominated the housing construction sector. Some of them had long been insolvent and were liquidated during the last year. Private entrepreneurs account for most housing starts today and the Government wants them to play a greater role. It has transformed the National Social Security Savings Bank into a commercial bank and plans to establish a refinancing agency to provide liquidity to banks underwriting mortgages. The Government plans to set up a housing mortgage guarantee agency. While progress has been slow, investment in housing has been fairly buoyant recently owing to the opening up of the real estate market to private developers and the availability of construction materials.

Conclusion

The Algerian government also has substantially deregulated its investment and product

distribution controls. After several years of disappointing economic performance, the government projects the economy will grow in the coming years as it did recently; the petroleum, agriculture and construction sectors appear poised for substantial expansion. Exporters from a variety of countries including the USA and Germany targeting these and other market niches will find substantial opportunities.

The murderous violence plaguing Algeria will challenge foreign companies seeking to capitalize on these opportunities, however. The economy likely

will not expand if the political crisis continues. Armed gangs regularly attack infrastructure and economic facilities. Moreover, terrorists target both foreigners and Algerians alike. The Governments of the countries interested in investments in Algeria, therefore, strongly urges their citizens not to travel to or work in Algeria without substantial armed protection. Any firm thinking of establishing a new operation or an office in Algeria will have to make security considerations a priority. Companies new to the market may find it best to use local distributors or agents able to undertake all the necessary legwork on the ground.

Apparently the situation is getting better in Algeria. 75, 000 people lost their lives in this bloody civil war. The majority of the people in Algeria are not interested in an Islamic state. 130 years of colonialism has not passed without leaving traces and people did not only adapt the French language but many customs and strong ties to France.

In the near future the Algerian government will have lots of work to do. Algeria needs to be a safe place again for the Algerian people but also for foreigners who want to do business or who come to Algeria mainly to see the beauty of the country. The need to open their country to foreigners not only economically but also for tourism is essential for a bright future of Algeria.

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