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DRIVING THE BUSINESS OF TRADE AND INVESTMENT

Country Targeting Strategy 2011/12

Country Intelligence

Algeria



January 2012

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Country background and economic overview

After more than a century of rule by France, Algerians fought through much of the 1950s to achieve independence in 1962. Algeria's primary political party, the National Liberation Front (FLN), was established in 1954 as part of the struggle for independence and has largely dominated politics since. The Government of Algeria in 1988 instituted a multi-party system in response to public unrest, but the surprising first round success of the Islamic Salvation Front (FIS) in the December 1991 balloting spurred the Algerian army to intervene and postpone the second round of elections to prevent what the secular elite feared would be an extremist-led government from assuming power. The army began a crackdown on the FIS that spurred FIS supporters to begin attacking government targets, and fighting escalated into an insurgency, which saw intense violence between 1992-98 resulting in over 100,000 deaths - many attributed to indiscriminate massacres of villagers by extremists. The government gained the upper hand by the late-1990s, and FIS's armed wing, the Islamic Salvation Army, disbanded in January 2000. Abdelaziz BOUTEFLIKA, with the backing of the military, won the presidency in 1999 in an election widely viewed as fraudulent. He was reelected to a second term in 2004 and overwhelmingly won a third term in 2009 after the government amended the constitution in 2008 to remove presidential term limits. Longstanding problems continue to face BOUTEFLIKA, including large-scale unemployment, a shortage of housing, unreliable electrical and water supplies, government inefficiencies and corruption, and the continuing activities of extremist militants. The Salafist Group for Preaching and Combat (GSPC) in 2006 merged with al-Qa'ida to form al-Qa'ida in the Lands of the Islamic Maghreb, which has launched an ongoing series of kidnappings and bombings targeting the Algerian Government and Western interests. The government in 2011 introduced some political reforms in response to the Arab Spring, including lifting the 19-year, state of emergency restrictions and ending the state's monopoly on broadcast media. Political protest activity in the country remained low in 2011, but small, sometimes violent socioeconomic demonstrations by disparate groups continued to be a common occurrence.

Algeria's economy remains dominated by the state, a legacy of the country's socialist post-independence development model. Gradual liberalization since the mid-1990s has opened up more of the economy, but in recent years Algeria has imposed new restrictions on foreign involvement in its economy and largely halted the privatization of state-owned industries. Hydrocarbons have long been the backbone of the economy, accounting for roughly 60% of budget revenues, 30% of GDP, and over 95% of export earnings. Algeria has the eighth-largest reserves of natural gas in the world and is the fourth-largest gas exporter. It ranks 16th in oil reserves. Thanks to strong hydrocarbon revenues, Algeria has a cushion of \$150 billion in foreign currency reserves and a large hydrocarbon stabilization fund. In addition, Algeria's external debt is extremely low at about 1% of GDP. Algeria has struggled to develop industries outside of hydrocarbons in part because of high costs and an inert state bureaucracy. The government's efforts to

diversify the economy by attracting foreign and domestic investment outside the energy sector have done little to reduce high poverty and youth unemployment rates. In 2010, Algeria began a five-year, \$286 billion development program to update the country's infrastructure and provide jobs. The costly program will boost Algeria's economy in 2011 but worsen the country's budget deficit. Long-term economic challenges include diversification from hydrocarbons, relaxing state control of the economy, and providing adequate jobs for younger Algerians.

Trade Promotion

Country statistics

Indicator	Measure	Rank
Geography		
Area	total: 2,381,741 sq km	10
	land: 2,381,741 sq km	
	water: 0 sq km	
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	
Natural resources	petroleum, natural gas, iron ore, phosphates, uranium, lead, zinc	
Land use	arable land: 3.17%	
	permanent crops: 0.28%	
	other: 96.55% (2005)	
Irrigated land	5,700 sq km (2008)	
Demographics and population development		
Population size	34,994,937 (July 2011 est.)	35
Population structure	0-14 years: 24.2%	
	15-64 years: 70.6%	
	65 years and over: 5.2% (2011 est.)	
Popn growth rate	1.173% (2011 est.)	99
Net migration rate	-0.27 migrant(s)/ 1,000 population (2011 est.)	126
Urbanization	66% (2010)	
	growth: 2.3% (2010 - 2015 est.)	
Sex ratio	1.01 male(s)/female (2011 est.)	
Life expectancy at birth	74.5 years (2010 est.)	98
Total fertility rate	1.75 children born/woman (2011 est.)	161
HIV prevalence rate	5.8% (2009 est.)	114
Literacy rate	69.9% (2002 est.)	
School life expectancy	15 years (2005)	
The economy		
Currency	Algerian dinars76/US\$ (2010 est.), 72.65 (2009)	
GDP (PPP)	total: \$251 billion (2010 est.)	49
	growth: 3.3% (2010 est.); 2.4% (2009 est.)	115
	per capita: \$7,300 (2010 est.)	127

Indicator	Measure	Rank
GDP composition	agriculture: 8.3%	
	industry: 61.6%	
	services: 30.1% (2010 est.)	
Labour force	10.81 million (2010 est.)	47
	unemp rate: 10% (2010 est.)	
Labour force by occupation	agriculture: 14%	
	industry: 13.4%	
	construction & public works:	
	trade: 14.6%	
	government: 32%	
	other: 16% (2003 est.)	
Poverty rate	23% (2009 est.)	
Gross investment (% of GDP)	34.4% of GDP (2010 est.)	18
Public debt	6.6% of GDP (2010 est.)	128
Inflation rate	3.9% (2010 est.); 5.7% (2009 est.)	128
Commercial bank prime rate	8% (Dec 2010)	126
Agricultural products	wheat, barley, oats, grapes, olives, citrus, fruits; sheep, cattle	
Industries	petroleum, natural gas, light industries, mining, electrical, petrochemical, food processing	
Electricity	production: 40.11 billion kWh (2009 est.)	54
	consumption: 30.5 billion kWh (2008 est.)	60
Oil	production: 2.078 million bbl/day (2010 est.)	16
	consumption: 312,000 bbl/day (2010 est.)	40
	exports: 1.694 million bbl/day (2009 est.)	15
	imports: 18,180 bbl/day (2009 est.)	117
	reserves: 12.2 billion bbl (Jan 2010 est.)	16
Natural gas	production: 85.14 billion cu m (2010 est.)	10
	consumption: 29.86 billion cu m (2010 est.)	27
Current account balance	\$12.74 billion (2010 est.); \$520 million (2009)	23
Trade	exports: \$57.19 billion (2010 est.)	50
	imports: \$38.38 billion (2010 est.)	56
Export commodities	petroleum, natural gas, and petroleum products 97%	
Import commodities	capital goods, foodstuffs, consumer goods	

Indicator	Measure	Rank
Export partners	US 24.9%, Italy 17.5%, Spain 10%, Canada 6.3%, France 5.1%, Netherlands 5.1%, Brazil 4.3% (2010)	
Import partners	France 18%, China 10.6%, Italy 9.9%, Spain 7%, Tajikistan 4.8%, Germany 4.4% (2010)	
Reserves of forex & AU	\$162.9 million (2010 est.)	15
FDI stock	at home: \$21.03 billion (2010 est.)	67
	abroad: \$1.844 billion (2010 est.)	69
Communications		
Telephones	main lines in use: 2.923 million (2010 est.)	52
	mobile cellular: 32.78 million (2010 est.)	31
Internet	country code: .dz	
	hosts: 572 million (2010)	176
	users: 4.7 (2009)	49
Transportation		
Airports	143 (2010)	40
	with paved runways: 57	
	with unpaved runways: 86	
Pipelines	condensate 2,600km; gas 16,360 km; liquid petroleum gas 3,447 km; oil 7,611 km; refined products 144 km (2010)	
Railways	3,978 km	44
Roadways	111,261 km	38
Ports and terminals	Algiers, Annaba, Arzew, Bejaia, Djendjene, Jijel, Mostaganem, Oran, Skikda	

Data sources

Central Intelligence Agency [CIA]; *the World Factbook*. www.cia.org. Accessed: January 19, 2012