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Guest post: the zombie political economy of Algeria

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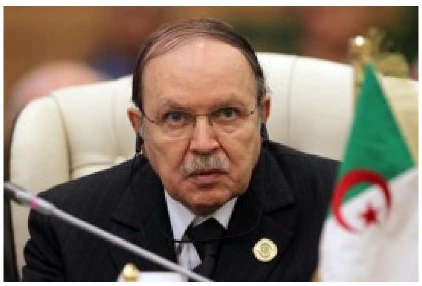

By Dalibor Rohac and Nouh El-Harmouzi

Campaigners for Abdelaziz Bouteflika, the 76-year old Algerian president who is seeking re-election for a fourth consecutive term, promise "broad democracy" if their candidate wins. After decades of oppression and authoritarianism, Algerians have little reason to believe them.

Scepticism is appropriate not only about the government's promises of political liberalisation but also about the prospects for prosperity in the country. With a GDP per capita of $5,404, Algeria may not be the poorest country in the region, but its performance is heavily dependent on an oil sector that has been in decline for years. Hydrocarbons form one third of the total economy but account for practically all of Algeria's exports.

Since the 1970s, Algeria's economy has suffered from 'Dutch disease', which has made its exports less and less competitive on global markets and added to political pressure to insulate the country against foreign competition. Even today, Algeria is not a member of the World Trade Organization and maintains an extensive system of tariff protection.

The legacy of a statist past is palpable. Both Ahmed Ben Bella, the country's first president, and his successor, Colonel Houari Boumediene, tried to replicate the Soviet economic model. Following the confiscation of large land holdings of French colonists, Ben Bella experimented with socialist self-governance ('autogestion') in agriculture, while Boumediene nationalised much of Algerian industry, including oil production, and tried to impose central planning.

The precarious economic conditions of the 1980s and power struggles between elements of the military and the security apparatus dragged the country into a protracted civil war, which ultimately led to the emergence of yet another strongman – the now increasingly frail Bouteflika (pictured above), who has been in power continuously since 1999.

Bouteflika's success has been in balancing the influence of the military and of the state security ('DRS') – the two factions traditionally competing for power in Algeria – leading to a seeming stability and a fall in the number of political assassinations in the 2000s. Yet, that came at the cost of an authoritarian, one-man regime characterised by patronage and rampant corruption. Political freedoms – including the freedom of the press and political association – were systematically disregarded. Bouteflika's heavy-handed regime weathered the Arab protests and even the mild stroke suffered by the president last year, since when his public appearances have been rare.

Algeria's economy reflects the sclerotic nature of the country's government. The political rigidity observed during the events of the Arab Spring came at the price of expansionary public spending, financed by shrinking oil revenue. Because of windfall gains from oil, spending increases have not translated into Greece-like budget deficits. However, should oil prices decline, Algeria's fiscal position would quickly become unsustainable.

As with many other countries in the region, Algeria's government subsidises hydrocarbon products, spending almost 16 per cent of GDP on explicit and implicit subsidies. And, as elsewhere in the region, the benefits from subsidies accrue disproportionately to richer Algerians and not to those households in need.

The list of Algeria's troubles is predictable: discretionary use of hydrocarbon revenues, variable inflation, sluggish growth of the private sector, and high unemployment among young people. Limited access to credit, red tape and corruption are suffocating entrepreneurship. Economic growth outside of hydrocarbons is sluggish and relies disproportionately on government spending. Worse still, the ossified government makes any departure from the status quo difficult.

Poor economic performance fuels ethnic tensions. In the town of Ghardaia, 600 kilometers south of Algiers, frequent clashes have been taking place between the Mozabites (a group of Berbers) and the Chaambas (a historic Arab tribe). These are illustrative of the growing sense of dissatisfaction in the country's oil-rich, yet underdeveloped, south.

In the approach to next week's elections, the government decided to plant 1.5m palm trees along the main streets of Algiers as a symbol of the country's longevity and its capacity for renewal. Contrary to expectations, the project sparked ire among local residents, tired of the municipal mismanagement and terrible state of public services. Yet, given the support for Bouteflika from the main political parties, labour unions and the 'deep state', it seems unlikely than any of his challengers – including Ali Benflis, a former leader of the ruling FLN party – will garner enough votes to displace him on April 17.

According to Hocine Malti, the retired vice-president of Sonatrach, Algeria's oil company, the divisions within the security apparatus run deep even after years of Bouteflika's rule. However, all factions have an interest in the continuation of the status quo, which enables them to share oil rents and power. Unfortunately, for ordinary Algerians, that means another five years of oppression and kleptocracy under the auspices of an increasingly incapacitated autocrat.

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