

Digest: 20041228 Annual Review, HMA Algiers

From: AINAG – All Staff
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To: Nick Archer [REDACTED]
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From: MENAD
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To: MENAD – All Staff
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AMENDED DISTRIBUTION 28/12
SUBJECT: ALGERIA: ANNUAL REVIEW 2004

Summary

1. A reasonable year for Algeria: less violence, more money, greater respectability, little real reform. Disruption and upheaval for the embassy. Some modest steps nevertheless on the bilateral agenda.

Security: from terrorism to 'bandtisme'

2. [REDACTED] The occasional GSPC communique – whether threatening foreigners or calling for solidarity with the residents of Fallujah – seems more like evidence of weakness than of menace

4. Algiers city itself has been virtually free from violence for most of the year. There were a couple of shooting incident, and an explosion near a power station. But compared to the grim pattern of the 1990s, life in the city has been relatively calm. The security forces are visible, bit only in bulletproof jackets, and policewomen direct the traffic.
5. Out in the hinterland, the military continued their 'ratissage' operations in the hills. In the South the GSPC group who gained notoriety in 2003 and by kidnapping some tourists, has been scattered. Their leader was handed over to the Algerians in November with public acknowledgement of Libyan help in extracting him from the custody of Chadian rebels. Though security incidents still occur, there is now a higher risk of being killed by a lunatic Algerian driver in a road accident than of being the victim of terrorist violence.

Internal political: Bouteflika dominates

6. The President was re-elected in April with 85% of the votes cast. The electoral process was reasonably fair. Though some were sceptical of the size of the winning margin, the outcome reflected the popular will.
7. Bouteflika's strategy has been to push for reform primarily by appealing over the heads of the political institutions. Since the election political parties have turned inwards. [REDACTED]
8. He has also pushed steadily on the social reform agenda. Progress is slow. Amendments to the family code have been tabled. The "National Reconciliation" initiative is an attempt to draw a line and look forward but the idea of an amnesty is mistrusted. There is little enthusiasm of investigating allegations of human rights abuses from a decade ago.

Economy: little change

9. In macroeconomic terms Algeria thrived during 2004. High oil and gas prices and rising output swelled the state's coffers to over \$40 billion (against foreign debt of \$23 billion). The public sector still drives economic activity. But outside the main cities much of the country remains in penury.
10. [REDACTED] The obstacles are familiar: a Jurassic public sector which knows no other way, entrenched unions which regard employment as a right and are fearful of change, and insiders who are reluctant to relinquish a status quo which enables them to wield influence and profit from the inefficiency. The draft hydrocarbons law is no nearer the statute book. Burned by the collapse of the Khalifa empire (which seems to have been Algeria's BCCI rather than its Richard Branson), the authorities are tiptoeing around liberalisation of the financial sector.
11. The modernisers are counting on external pressures to leverage change. 2004 was to have been the year that Algeria finally ratified the EU Association Agreement. Maybe in 2005. Similarly Algeria has been toiling – with the help

of the US and others – to get in line with the obligations of WTO membership to which it aspires. Legislative amendments have been passed. Real change is tougher.

12. Meanwhile the private sector, such as it is, and the socially important “informal” economy, still work in and through the gaps in the system to deliver whatever they can to satisfy the demands for a growing consumer market.

Looking outwards: Algeria struts its stuff

13. The resurrection of Algeria on the international stage continued at pace. The numerous inward visitors – Chirac, Zapatero, Schroeder, and a host of others - were welcomed as testifying to Algeria’s attractiveness as a partner and to its rehabilitation as a nation. In November Algeria hosted a summit of NEPAD of which with South Africa and Nigeria it is prime move.
14. The President, too, collected plenty of airmiles. France, Portugal, Switzerland, Japan, South Africa, Addis Ababa (for the AU), Ouagadougou (Francophonie), and of course the US for the Sea Island G8 summit – which set the seal, as far as Algeria was concerned, on its reoccupation of a place at the world’s top tables.
15. Algeria has occupied a seat on the UN Security Council since the beginning of the year, and has behaved predictably. O change in their posture on the Western Sahara. Regionally, some bilateral Algeria/Morocco sniping as usual. The Algerians ignored Tunisia, and watched Libya’s re-emergence with curiosity and indifference. They remained concerned spectators on Arab-Israel and Iraq.

UK interests: the task and the tools

16. It has become a cliché to point out that Algeria ranks high on six of the eight priorities for UK foreign policy effort. But the gap between aspiration and capacity to deliver is wide.
17. [REDACTED] At a time when life in Algeria was returning to normal, the impact of the British embassy “closing down” was dramatic. [REDACTED]
18. [REDACTED] Nevertheless we have made some progress.
 - [REDACTED]
 - Political dialogue has been modest. Foreign Minister Belkhadem visited London with his Maghreb counterparts, and Temmar the President’s economic adviser called on Baroness Symons. A fuller programme of high-level contacts is in prospect for early 2005.
 - We have sought to nudge forward Algeria’s engagement with the EU and NATO. The relaunch of the Barcelona proves will offer more opportunity in

2005. A British presence in NATO's Med dialogue delegation helped to raise the UK profile.

- On the commercial front, BP's state of the art Gas facility at In Salah came on stream. [REDACTED] In the defence sales field (as indeed for the political task) the arrival of a resident DA in 2005 will be welcome.
- It has been a mixed year under the good governance/reform heading/ we have carved out a niche in the training of young Algerian diplomats. We roped the Algerians into regional discussion of the role of women. But plans for an FCO funded BBC symposium for journalists fell foul of old-style Algerian beauracratc obstacles. Regrettably, 2004 saw no movement in the reintroduction of the most effective (and most keenly sought) tool for the promotion of good governance, British values, skills and expertise, education and the English language: the British Council. Without the engagement of the Council in this priority sector of the UK's G8 and BMENA strategy, UK impact will remain limited.
- Our contribution to the security of energy supplies objective consists largely of liaison with the British firms operating here, but has also involved high-level contact about possible changes in Algerian measures to safeguard the oil and gas fields.
- Delivery of public services was affected by the embassy move. The limited fast track visa service is working, but Algerians sent to queue in Tunis are understandably unhappy. The recasting of travel advice was sensible: more revision may be needed in 2005.

Looking forward

19. The insurgency/terrorism problem looks likely to diminish further. The challenge for Bouteflika is to begin to deliver on economic reform and thus on the expectations of the mass of the population. The people's capacity to endure is considerable, but not infinite. The signs are not that auspicious. Inertia, and the insulating (and lubricating) effect of oil and gas revenue, are disincentives to change. 2005 is the year when Bouteflika will have to begin to point to results.

20. For the UK a Ministerial visit in 2005 and the prospect of Bouteflika attending the G8 Summit will offer opportunities for high level engagement. Organisational overhaul of the embassy filling the staffing gaps should help rebuild the local expertise and capacity needed to deliver the new project-focussed agenda. We also need to make a progress towards a more secure and efficient alternative to our present temporary premises.

STEWART