

<https://internationalviewpoint.org/spip.php?article4863>



Algeria

A new economic model?

- IV Online magazine - 2017 - IV505 - February 2017 PDF -

Publication date: Monday 13 February 2017

Copyright © International Viewpoint - online socialist magazine - All rights reserved

A former dignitary of the Algerian regime argues that, since the death of Boumediene, the government has tried to create a social base by developing “corruption and widespread consumption”

A populist rentier regime

There is, he said, “a division of the economic system, by a logic of corruption and institutionalised hoarding”. All this being aggravated by “improvised reforms”. He describes the process of emergence of an official mafia, “which will dominate the market parallel to the smugglers”. The atrophy of the institutions “will favour the trap of permanent transition leading to permanent misery”.

The spiral of impoverishment is established by the logic of the system: at less than 70 dollars a barrel, there are no dinars left to finance the capital budget. Meanwhile, “the greed aroused by massive profits is accompanied by terrorist violence, kidnappings, gangs and theft”. In 2011, ordinary taxation only covered 35.9% of operating costs.

The abundance of resources expresses the nature of the regime and the mechanisms which preside at its accession and determine the clientélist networks. Our bourgeois liberal economist author has a perspective of erosion of profit. All this means that “the system is no longer to be reformed, but to be changed completely” by launching a consistent transition.

The regime has progressively been stripped of its attributes of sovereignty and freedom of action. It has taken a beating at the hands of the international financial institutions, with the shameful rescheduling of the IMF debt from the 1990s, which completed the dismantling of the national economy. Today, it appeals to these same institutions and their consultants to learn from them how to apply the provisions of the finance law, austerity measures and the rules of unrestrained neoliberalism to the popular classes.

This policy, begun in the 1980s and 1990s, has been characterized by a change in the country’s energy policy. It led first to a catastrophic rescheduling and a mortgaging of the future generations through deep cuts in development projects in the areas of petrochemicals and refined products.

In a recent work, Boumediene’s former minister of energy and industry, BelaÛd Abdessalem, has estimated the failure to win contracts for gas and above all liquefied natural gas (GNL) cost billions of dollars in lost income in the 1980s and 1990s [\[2\]](#). This income would have avoided the rescheduling and allowed development of the petrochemical and oil refining industries in conditions much more advantageous than those of today. Projects in the energy and refined oil fields would have made Algeria an exporter of more than unprocessed raw materials. Today, refined oil products are imported and lie at the heart of the government’s problems in reducing public expenditure.

Since the 1980s, the public sector has been dismantled and, to help the barons of import-import, a consumption system has been put in place to replace the production system which characterized the development project of the 1970s. The volume of social transfers has now become an important issue for budget policy along with subsidies to basic products like bread and milk, the right to access to housing, support for transport prices, fuel, education and health. Social protection has drifted towards populism and badly targeted transfers no longer help the poorest and have become rents distributed to political clienteles rather than the needy.

A new economic model?

The poorer classes benefit from price support proportionally to their consumption per head, much lower than that of wealthier layers. Speculation in housing supported by the state has reached unimaginable levels. The informal economy affects the whole economy and the absence of taxes – on patrimony often constituted from situations of rent or financial income – aggravates growing inequality.

According to official figures, the informal market accounts for 60% of overall activity and nearly 50% of employment. Taking account of these aspects, ordinary taxation is not able to cover all the costs of the operating budget, it barely covers the wage mass or 58% of expenditure. It is oil taxation, which represents 2/3 of state revenue, which covers the operating costs and social transfers. Transfers and subsidies from the state budget are combined with added implicit subsidies paid to companies, the administration and citizens through water, fuel, electricity and gas prices.

According to a recent study by the PNUD, the volume of subsidies of energy products represents 11 billion dollars per year, or 6 % of GDP, whereas the share of the budget for education and teaching only represented 8% and health 5% [3].

The general total of subsidies for 2013 was 26.4% of GDP or 4,473 billion dinars – more than 120% of the oil tax collected in 2013, which was 3,618 billion dinars. The oil income was largely consumed rather than being invested, a long way from the vision of development of the first years of independence. The implicit transfers, as important as those budgeted, illustrate perfectly the crisis of the Algerian model of accumulation. The oil money which should serve to develop the country and increase employment goes to massive consumption, boosted by the Algerian social model, which conceals social disparities.

The economist Abdellatif Benachenhou, former finance minister and presidential economic advisor, cited in his last work the results of a national investigation by the National Statistics Office showing that “Algerian households devote 41.8% of their expenditure to food, 20% to housing and 8% to clothes” [4]. The investigation showed that “the poorest households devote 54.1% of their income to food and the richest devote 24% of their expenditure to transport and communications”. The author shows that with “the exception of frontal aid to rural housing, budget transfers (higher education and frontal aid to housing in particular) and most implicit subsidies (water, electricity, fuel, infrastructure and transport companies) benefit massively the better off layers because of the new distribution of incomes and the structure of social demand in the towns”. For example, in Oran and Algiers, the two biggest cities in the country, it is estimated that more than 45% of water is consumed by 10% of subscribers. 40% of private vehicles circulate in or around greater Algiers. Whereas the public debate tends to focus incorrectly on households, insofar as subsidies to gas and electric consumption are concerned, the investigation shows that “the overall subsidy of 2,129 billion dinars, or 13.4% of the GDP of 2013, goes half to households and half to enterprises and administrations”. The subsidy allocated to households for gas consumption “goes to poor households at a proportion of 9% and that for electricity at 5% of the overall subsidy to households”. This latter “goes for 15% to the poorest households and for 85% to those of higher incomes and expenditure”. The subsidy allocated to “water distribution goes to poor households at a proportion of 19% of the overall subsidy to households. It is the subsidy which benefits them the most because of a very low tariff for the first level of consumption: 8.5 Dinars/m³ for an economic value of more than one hundred dinars”.

The author concludes that “if we relate it to the total of implicit subsidies, the subsidy to the poorest households only represents 8%, or a little less than 1% of GDP”. The most likely hypothesis is that the richest half of the population benefits from 80% of the subsidies to households. As always in the area of subsidies, “the better off layers hide behind the poorest”. Among the better off” those with incomes from the informal economy are numerous. The injustice is consequently unlimited”. In one sense, this work highlights an infernal logic which completely inverts the aim of redistribution. Those who do not pay tax and avoid social security contributions benefit the most from public transfers. Such is the reality of the Algerian social model.

The 2017 finance law: a new economic model?

Early 2017 was marked by a social revolt against the provisions of the 2017 finance law, which in the view of several daily newspapers inaugurated “a veritable war against the people”. In an acerbic and critical article, Abed Charef of the *Quotidien d’Oran* asks: “Who called the strike? Nobody knows. The government itself is unable to identify this source of potential destabilization” [5]. The journalist, representative of the liberal media, quickly adopts the official explanation of “conspiracy and foreign hands”. Almost all the political class and the opposition parties have accepted this explanation, indissociable from the nature of the Algerian regime.

And yet, it should be remembered that on September 27, 2016 in the town of Bejaia a strike of several sectors took place, followed by a big march against the high cost of living, austerity and the draft 2017 finance law. The march, which mobilized hundreds of public sector workers in health and education, was not repressed and made the front pages of several daily newspapers. In Tizi Ouzou on October 31, 2016, several hundred workers took part in a protest march demanding decent wages and the maintenance of their pension systems and denouncing austerity. We are seeing a real recomposition of the social movement characterised by the resumption of workers’ struggles, first in the traditional sectors of the Algerian proletariat, then in the peripheral sectors which have waged tough and emblematic struggles.

In November 2017 workers in all the subsidiaries of the industrial vehicles complex (SNVI) launched a general strike to demand their wages for October, the resumption of production and the maintenance of their pension rights. This is the centre of Algerian mechanical industry and is located in Rouāba, 20 km east of Algiers. It employs 7,000 workers and has been the subject of a rescue plan – the workers accuse the government of favouring a takeover by the Emirates-based Aabar group and the German company Daimler/Mercedes-Benz, so as to privatise the complex. The workers ultimately won all their demands.

Subsequently a massive hunger strike developed from December 11, 2016, involving more than 10,000 security workers for the oil company Sonatrach, in several production sites. This movement demands better wages and working conditions and the recognition of trade union rights. The hunger strike continued for several days and developed into sit-ins at the regional directorates of Sonatrach in several towns. It ended with a significant rally in Hassi Messaoud.

A social context marked by such a radicalisation cannot be reduced to manipulation and conspiracy.

It is this climate of scepticism, when all the indicators are in the red (trade deficit, huge budget deficit, big fall in currency reserves, increased inflation), that the draft finance law, which is supposed to implement a new model of growth, was passed at the end of 2016. It will subject the population to severe austerity and the purchasing power of most households will be seriously affected.

Since January 2017 the price of all products has begun to rise. According to the first indicators, subsidised products like semolina (+10 %) and flour (+15 %) have risen in price. The barons of the informal market have stored significant volumes of products bought in 2016 for resale in 2017. The large rise in consumer prices in January has been brought about by the increase in VAT and the speculative practices of the dominant informal market. Prices have also been swelled by the obvious anticipation of a devaluation of the dinar in 2017 and restrictions on imports. The fall of the price of cereals on the world market has not prevented the rise in the prices of semolina, flour and pasta. All this, combined with a major financial crisis, a worsening of budget deficits and a decline in the value of the dinar is feeding an inflation rate close to double figures (9 %).

Against the crisis, society must organise itself

Since the 1980s, the Algerian bourgeoisie has tried by every means to stabilize a coherent capitalist project. It has not succeeded, first because of the radical relationship of forces inherited from the war of liberation and also because of its structural weakness, which confines its political horizon by a strongly marked populist tradition. The shameful rescheduling of the debt with the IMF in the 1990s allowed the dismantling of the bulk of the national economy and the liquidation of what remained of the project of national development, and the adoption of neoliberal theses. The informal economy has prospered and the refusal to tax the wealthy instead of imposing austerity on the weakest has favoured the rapid growth of inequality. Through society there has been a move away from the collective and an individualistic turning inwards, which undermines social solidarity.

The mass movement continues to leave its mark. In recent years, since the wave of revolts of 2011 against the high cost of living and the decline in purchasing power, struggles and social demands have continued. Sources close to the regime say that every year there have been more than 11,000 social conflicts. The recommencement of workers' struggles, around the stable nuclei of the Algerian proletariat, prefigures this process of recomposition of the working class's ability to fight.

Before the evident failure of the economic reforms and the bankruptcy of the public enterprises which had enjoyed managerial autonomy in 1988, the workers must organise their mobilisations for the construction of an independent and democratic UGTA, through its transformation into a combative union, the indispensable instrument of self-defence of workers against the anti-social projects of the regime [\[6\]](#).

A wave of discontent is progressively spreading to sectors which until now were not characterised by their rejection of the government's anti-social policies. The government has ordered a team of experts to elaborate an anti-crisis plan which it bizarrely calls a "new economic model". Much mystery surrounds this model, which involves a plan of restrictions to confront the financial crisis, making deep cuts in operating costs, freezing salaries and recruitment in the civil service and establishing conditions for the progressive suppression of subsidies.

In Tizi-Ouzou, Bouira, and Batna traders launched a general strike against the repression of the price controllers and the pressures of the administration services (taxes, insurance fund). The political debate around levies and taxation and the social mobilisation against the restrictive provisions of the 2017 finance law, against the high cost of living and austerity has already marked the social climate in the country.

Society is learning to organise, to defend its right to a decent life. Citizens are learning to mobilise to fight speculation which in the area of housing has led to a real estate bubble which will explode one day. The informal economy prospers and the absence of taxes on patrimony or financial incomes favours the rapid growth of inequality. The mobilisation of the movement of contract staff members in national education has shown the way.

The Parti socialiste des travailleurs (PST – Socialist Workers' Party, Algerian section of the Fourth International) has participated in supporting and popularising this important action, to mark its active solidarity with this movement of the future. It is of course necessary to boost growth through productive investment and this choice should be imposed on the import-import lobbies who have sapped the productive system and benefit from exemptions which have no impact on the national economy and on the contrary enrich foreign producers (more than 14 billion dollars in 2011). The PST fights for the expansion of employment, the mobilisation of national skills and a consistent fight against corruption by imposing more transparency in management, hence more democracy. The report of the audit office for 2011 indicates that 7,937 billion dinars have not been recovered and tax evasion amounts to 300 billion dinars.

A new economic model?

The PST also works for democratic control of the distribution of public funds and an end to the pillage of the national patrimony. We fight to give a renewed content to the concept of the left, to the anti-capitalist struggle. These references, which had a historic anchoring in our recent history, have become opaque for society, subjected to the media discourse on consumerism and free consumption which have replaced the notions of equality and citizenship.

The PST works tirelessly to overcome the generational rupture which is placing left currents in a ghetto. It also works to establish links to the dynamic forces of change, to build together a dialectic which helps put in place an alternative to the current impasse. It does so convinced of the specificity of the historic dynamic which has weighed on the social movement of this country and of the fact that the national and social questions have evolved at different rhythms and that national oppression has always been prioritized over social oppression, which has obscured the social consciousness of the Algerian proletariat. From this flow all the drifts of recent history, of which it is necessary to make a critical inventory, so as to rebuild and advance.

PS:

If you like this article or have found it useful, please consider donating towards the work of International Viewpoint. Simply follow this link: [Donate](#) then enter an amount of your choice.

[1] [Ahmed Benbitour, a minister in five successive governments and head of government. He is an economist and former consultant with the World Bank and IMF. He chose to join the liberal opposition to the existing rentier system, after having overseen the policy of privatisation of public enterprises. See Ahmed Benbitour, *L'Algérie de l'espoir*, Éditions Dar El Khaldounia, 2015.

[2] Belaïd Abdesselam, *Le pétrole et le gaz naturel en Algérie – Comment les Algériens ont gagné la bataille de la récupération du pétrole et du gaz*, Éditions ANEP, 2012

[3] Cited by Abdellatif Benachenhou, *l'Algérie – Sortir de la crise*, Éditions Ed-Diwan, November 2015

[4] Op. cit.

[5] 7. *Le Quotidien d'Oran*, January 12, 2017

[6] UGTA: Union générale des travailleurs algériens – General Union of Algerian Workers