



Algeria: Current Issues

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Summary

The hostage crisis that began when terrorists seized a gas compound with foreign (including U.S.) workers in southeastern Algeria on January 16, 2013, highlights the challenges the United States faces in advancing and protecting its interests in an increasingly volatile region. It may also point to the potential limits of the U.S.-Algerian security relationship. The terrorist group that seized the hostages is ostensibly a breakaway faction of Al Qaeda in the Islamic Maghreb (AQIM), a regional network and U.S.-designated Foreign Terrorist Organization with roots in Algeria's 1990s civil conflict. AQIM's leadership appears to be primarily based in Algeria and across the southern border in Mali, although the group's internal cohesion and ultimate aims have often been debated. AQIM attacks have ranged from bombings in Algeria to kidnappings (usually small-scale and for ransom) across the region. It is also involved in an insurgency in northern Mali that is the target of French military operations launched on January 11, 2013.

As a regional economic and military power with past experience in combating armed extremists, Algeria has attempted to lead a regional approach to counterterrorism in North-West Africa. These efforts have had mixed results, as have long-term U.S. capacity-building programs focused on Algeria's poorer West African neighbors. At the same time, any U.S. unilateral action in response to regional security threats could present significant risks and opportunity costs.

U.S.-Algerian ties have grown over the past decade as the United States has increasingly come to view Algeria as a key partner in countering Al Qaeda-linked groups in North and West Africa. Algeria is also a significant source of petroleum for the United States and of natural gas for Europe, and therefore a destination for U.S. investment. Congress appropriates and oversees small amounts of bilateral development assistance and receives notification of arms sales, and Algerian security forces benefit from U.S. cooperation programs.

Algeria's political system is dominated by a strong presidency and security apparatus. The country's macroeconomic situation is stable due to high global oil and gas prices, which have allowed Algeria to amass large foreign reserves. Yet Algeria's wealth has not necessarily trickled down, and the pressures of unemployment, high food prices, and housing shortages weigh on many families. Public unrest over political and economic grievances has at times been evident, though other factors appear to have dampened enthusiasm for dramatic political change. It is unclear whether reforms initiated in 2011 amid the "Arab Spring" have the potential to alter the deeper power dynamics within the opaque politico-military elite networks that Algerians refer to as *Le Pouvoir* (the powers-that-be).

Algeria's foreign policy has often conflicted with that of the United States. Strains in ties with neighboring Morocco continue, due to the unresolved status of the Western Sahara and a rivalry for regional influence, although signs of a thaw emerged in 2011. Relations with former colonial power France remain complex and volatile. The legacy of Algeria's anti-colonial struggle contributes to Algerian leaders' desire to prevent direct foreign intervention, their residual skepticism of French and NATO intentions, and Algeria's positions on regional affairs, including a non-interventionist stance toward the uprising in Syria and an ambivalent approach to external military intervention in Mali. See also CRS Report R42664, *Crisis in Mali*; and CRS Report RS20962, *Western Sahara*.

Contents

Overview and Issues for U.S. Policy	1
Politics and Key Players	3
Background	4
Algeria and the “Arab Spring”	6
Terrorism	7
Counterterrorism Efforts	9
Human Rights	10
The Economy	12
Foreign Affairs	13
U.S. Relations	14
Trade and Investment Issues	15
U.S. Assistance	16

Figures

Figure 1. Map of Algeria	2
--------------------------------	---

Tables

Table 1. U.S. Bilateral Foreign Assistance to Algeria, Selected Accounts	16
--	----

Contacts

Author Contact Information	17
----------------------------------	----

Overview and Issues for U.S. Policy

The United States has tried to balance a bilateral relationship that is highly focused on counterterrorism cooperation and Algeria's oil and gas sector with encouragement of greater political and economic openness. This balance has taken on a new importance in light of ongoing regional unrest and political transformations in neighboring countries, during which Algeria's political structure has remained largely unchanged to-date. U.S. policy challenges in Algeria in some ways resemble those faced elsewhere in the region. However, the U.S. government may lack well-developed levers of influence in Algeria because of the limited nature of U.S. bilateral assistance and Algeria's famous resistance to outside pressure.

Given its size, experience in counterterrorism, and large military, Algeria's role in responding to regional security challenges has drawn intense attention from U.S. and other Western officials. Yet Algeria's claims to regional leadership are complicated by Algerian leaders' preoccupation with domestic politics, the opacity of Algeria's decision-making apparatus, and regional tensions and rivalries.¹ The hostage crisis that began on January 16, 2013 (see below), highlights the challenges faced by the United States in advancing and protecting its interests in an increasingly volatile region, and may have exposed the limits of the U.S.-Algerian security relationship.

U.S. concerns with regional security and the threat posed by Al Qaeda in the Islamic Maghreb² (AQIM)—an Algerian-led criminal and terrorist network—have heightened amid ongoing regional instability and uncertainty. AQIM and affiliated groups took advantage of state collapse in northern Mali in early 2012 to expand their territorial presence there, reportedly bolstered by a surge in regional arms flows from Libya.³ U.S. officials have expressed concern over AQIM's purportedly growing ties to other extremist groups and have pointed to as-yet-undefined links between AQIM and those who carried out the September 11, 2012, attacks on U.S. facilities in Benghazi, Libya.⁴ AQIM and associated groups generally appear to be leveraging the broader regional political and security fluidity in North Africa, as fragile transitional governments confront myriad security threats without the capacity or will to exercise their predecessors' style of authoritarian control. Still, the nature of the threat posed by AQIM and associated groups remains a topic of debate among analysts and policymakers.⁵

Broadly, potential U.S. interests in Algeria include counterterrorism, economic opportunities for U.S. investors, Algeria's regional diplomatic weight, and the country's potential impact on stability in North and West Africa. In October 2012, the United States and Algeria launched a "bilateral strategic dialogue," the scope and concrete results of which remain to be determined.

¹ See Laurence Aïda Ammour, *Regional Security Cooperation in the Maghreb and Sahel: Algeria's Pivotal Ambivalence*, Africa Center for Strategic Studies, February 2012; and Arief, *Algeria and the Crisis in Mali*, Institut Français des Relations Internationales (IFRI), July 2012.

² The Maghreb region has historically referred to the western edge of Islamic civilization. It centers around Morocco, Algeria, Tunisia, Libya, and Mauritania.

³ See CRS Report R42664, *Crisis in Mali*.

⁴ *The New York Times*, "Clinton Cites Clear Link Between Al Qaeda and Attack in Libya," September 26, 2012; and Amanda Dory, Deputy Assistant Secretary of Defense for Africa, testimony before the Senate Foreign Relations Subcommittee on African Affairs, "Assessing Developments in Mali: Restoring Democracy and Reclaiming the North," December 5, 2012.

⁵ Mark Mazzetti and Eric Schmitt, "U.S. Sees Hazy Threat From Mali Militants," *New York Times*, January 16, 2013.

While regularly welcoming Algerian cooperation on counterterrorism, U.S. officials have urged Algeria to institute political and economic reforms, and the State Department continues to publicly document a variety of human rights problems and barriers to private investment.

January 2013 Hostage Crisis

On January 16, an AQIM splinter faction seized a gas field compound near In Amenas (see map below) with dozens of foreigners—including Americans—as hostages. A group led by a former longtime AQIM commander in the Sahel region, Mokhtar bel Mokhtar, claimed responsibility. Bel Mokhtar, a U.S. “Specially Designated Global Terrorist,” is widely associated with transnational smuggling and kidnap-for-ransom efforts, but the scale and ambition of the In Amenas operation far outpaces previous kidnapping incidents. The gas field is operated by the United Kingdom’s BP, Algeria’s national oil and gas parastatal Sonatrach, and other firms. The facts surrounding the incident remain opaque. Algerian authorities initially indicated that security forces had surrounded the compound and were negotiating with the hostage-takers. (The scope of the negotiations was unclear. Algeria’s stated policy is to oppose ransom payments.) On January 17, the Algerian military launched a military operation on the compound, which lasted several hours and appears to have resulted in the deaths of some hostages. The British and American governments, which had indicated they were in communication with Algerian authorities, stated that they had not been informed in advance of the Algerian operation.⁶

Figure 1. Map of Algeria



Source: CRS

⁶ Associated Press (AP), “US Slams Hostage-Taking; Clinton to Call Algeria,” January 17, 2013; *The Telegraph*, “David Cameron Protests to Algeria Over Failure to Warn Downing Street Before Raid,” January 17, 2013; and AP, “Nations Fume, Quietly, Over Algerian Hostage Raid,” January 18, 2013.

Politics and Key Players

Algeria's political system is dominated by a strong presidency and security apparatus. The military views itself as the heir to Algeria's long struggle for independence from France, and has remained a political force since independence in 1962. Following Algeria's bloody domestic counterinsurgency against Islamist groups in the 1990s (discussed below), the military backed Abdelaziz Bouteflika for the presidency in 1999. Bouteflika, a former foreign minister, ran as an independent, but was previously a prominent figure in the National Liberation Front (FNL), the nationalist movement that dominated politics in the post-independence period. Bouteflika was reelected for a third term in April 2009, after the constitution was altered to remove term limits. He is widely rumored to be in poor health, and has no clear successor ahead of presidential elections expected in 2014.

Algerians refer to *Le Pouvoir* (the powers-that-be) to designate opaque political and military elite networks that are broadly thought to drive major political decisions. These networks are widely viewed as internally divided.⁷ Corruption and cronyism are also generally considered to be problems. Many analysts view President Bouteflika as having sought to establish the authority of the presidency by diminishing the influence of senior military commanders in state decision-making.⁸ Still, the military intelligence service known as the DRS (Department of Intelligence and Security, after its French acronym) reportedly retains significant power. The DRS's authority stems not only from its role in security and intelligence affairs, but also from its reported ability to influence high-level policy and its role in investigating state anticorruption matters, which appears to provide leverage over rival factions.⁹ Tensions within the elite establishment could signal potential

Algeria at a Glance

Population: 37.4 million (2012 est.)
Languages: Arabic (official), French, Berber dialects
Religions: Sunni Muslim (state religion) 99%, Christian and Jewish 1%
GDP growth rate: 2.4% (2011 est.)
GDP: \$194.7 billion (2011, official exchange rate)
Foreign Exchange and Gold Reserves: \$183.1 billion (2011) – 14 th highest in world
Unemployment: 10% (2011 est.)
Unemployment, youth ages 15-24: 24.3% (2006)
Population below poverty rate: 23% (2006 est.)
Literacy: 72.6% (2006)
Life expectancy: 74.7 years (2012 est.)
Median Age: 28.1 years (2012 est.)
Exports: petroleum, gas, petroleum products
Imports: capital goods, foodstuffs, consumer goods
Major trading partners: United States, France, Spain, China, Canada, Italy, Brazil, Netherlands, Germany (2011)
Source: CIA, <i>The World Factbook</i> ; World Bank

⁷ See, e.g., Isabelle Werenfels, "Who Is In Charge? Algerian Power Structures and their Resilience to Change," CERI SciencesPo, February 2010; and Roberts 2007, op. cit. Roberts, a longtime Algeria analyst, argues that the "exceptionally intense factionalism within the power structure" in Algeria grew in part from the protracted and defuse conduct of the Algerian war for independence, and that it has been aggravated by a number of more recent factors such as the state's role in allocating hydrocarbon revenues, identity-based and ideologically driven conflicts, and internal dynamics linked to economic liberalization in the 1990s. As Werenfels notes, divisions within elite power structures echo deep divisions within Algerian society, including along geographic, ethnic, linguistic, class, and ideological lines.

⁸ See, e.g., John P. Entelis, "Algeria, Revolutionary in Name Only," *Foreign Policy*, September 7, 2011.

⁹ Ibid; *El Watan*, "Le DRS, l'armature du régime," March 15, 2011; John P. Entelis, "Algeria, Revolutionary in Name Only," *ForeignPolicy.com* Mideast Channel, September 7, 2011. On anticorruption activities, see, e.g., *Africa-Asia Confidential*, "Algeria: Chinese Companies Named in Anti-Corruption Probe," March 16, 2010; *Reuters*, "Interview—Algeria Corruption Case 'Part of Political Struggle,'" February 8, 2010.

fracture points if additional pressures are placed on the government, e.g., by public unrest, succession disputes, security concerns, or regional developments.

The bicameral, multiparty parliament is weak. The president appoints the prime minister as well as one-third of the upper house of parliament, known as the Council of the Nation. (The remaining two-thirds are selected by indirect vote.) Members of the 462-seat lower chamber or National People's Assembly are directly elected. Although either the president or one of the parliamentary chambers may initiate legislation, it cannot be passed into law without being brought before both chambers, which requires the support of the presidency.

Islamist parties that accept the general outlines of the Algerian political system have been permitted to participate in electoral politics since the mid-1990s. Some observers expected the 2012 elections to empower Islamists, but instead Islamist parties were unable to unite around a shared platform and, in the end, trailed in the polls. Some analysts contend that political Islam has lost its popular luster in Algeria due to the 1990s conflict, or—alternatively—that some Islamist parties have lost credibility due to their accommodation with the regime.¹⁰ Some former FIS figures have recently tried to launch new political parties, but the movement's former leaders, some of whom live abroad, remain banned from formal political activities.¹¹ For many Algerians, Islamism is expressed as social conservatism with no institutional or partisan attachment, and religiously conservative Salafist social movements have grown in prominence in recent years.¹² Armed Islamist movements are discussed below.

The political opposition is diverse—including leftist, Berber-led, Islamist, and regionally focused actors—and divided. Many parties—including the FLN—also face significant internal divisions. Given Algeria's history of leftist economic policies, the country's trade unions are influential political players. "Autonomous" unions, which portray themselves as resisting state cooption and control, have less influence over policy than the General Union of Algerian Workers (UGTA), which is seen as close to the government. Other civil society actors include human rights groups, notably the independent Algerian League for the Defense of Human Rights (LADDH) and the state-backed National Consultative Commission for the Promotion and Protection of Human Rights. The print media are diverse and often critical of the government.

Background

Algerians fought a protracted independence war between 1954 and 1962 against the French, who had colonized Algeria since the early 19th century, populated some areas with over 1 million settlers, and incorporated the country as a department of France. The conflict was notable for its brutal tactics: the guerilla National Liberation Front (FLN) carried out urban terrorist attacks and violent retribution against competing nationalist factions, while the French military engaged in torture, extrajudicial killings, and other abuses targeting the FLN and local civilians suspected of

¹⁰ See *The Moor Next Door*, "Party Hopping in Algeria," November 27, 2011.

¹¹ Some analysts (e.g., ICG 2004, op. cit.) note that the doctrine espoused by ex-FIS leaders has evolved toward acceptance of the Algerian nation-state and the principles of democratic competition. At the same time, some continue to justify the use of violence during the civil conflict. See, e.g., *Tout Sur l'Algérie*, "Entretien avec Ali Belhadj, numéro 2 de l'ex-FIS," December 13, 2011.

¹² Amel Boubekeur, *Salafism and Radical Politics in Postconflict Algeria*, Carnegie Endowment for International Peace, September 2008; and Yahia Zoubir, "Algeria," in *World Almanac of Islamism*, American Foreign Policy Council: 2011.

supporting it.¹³ After an independence referendum on July 1, 1962, the FLN became the single ruling party. Backed by the powerful military, it remained politically dominant until the 1980s. The anti-colonial struggle remains a key foundation of Algeria's political identity; many of the country's aging political and military elites view their political legitimacy as closely tied to their role as former freedom fighters. Algeria was a leader in the Non-Aligned Movement during the Cold War, although the government was ideologically leftist and engaged in military cooperation with the Soviet Union during that period.

Infighting among the revolutionary leadership, first reflected during the anti-colonial struggle, continued after independence and foreshadowed factional competition within the government and security sector. The 1980s saw the rise of Islamist ideology, escalating from university activism into a growing challenge to the FLN's leadership. Economic hardship contributed to a sense, among many, that those who had led Algeria to independence, and their professed socialist ideology, had failed to deliver on a promised social contract. In October 1988, mass protests and riots erupted, altering the political landscape. A violent military crackdown on protesters further contributed to public frustration with the authorities. The government changed tack by initiating rapid political liberalization, including a new constitution in 1989 that opened the way to greater political pluralism and multiparty competition.¹⁴ These changes placed Algeria far ahead of other countries in the region in terms of introducing the mechanisms of democratic governance.

Amid this political upheaval, the Islamic Salvation Front (FIS) was formed as a broad, and non-cohesive, coalition of Islamist groups. The movement used religious terms to criticize the FLN government from a populist and "moral" stance. FIS members also called for an Islamic state and denounced democracy as "infidel."¹⁵ The FIS was granted legal status as a political party and competed in local elections in 1990, winning a majority of votes cast. In the first round of parliamentary elections held in December 1991, the FIS again did well, and was expected to win a majority through a second round of voting scheduled for early 1992. Instead, the army intervened in January 1992, forcing the president to resign and canceling the election results. The FIS was banned and its leaders imprisoned or exiled; thousands of FIS activists were detained, many of them interned at prison camps in the Sahara desert.

The thwarted Islamist movement fractured, with some factions turning to violence. A decade of civil conflict between security forces and Islamist insurgents ensued, resulting in as many as 200,000 deaths. During this period, reported factional competition within the government and security forces dominated politics and the conduct of the state's counterinsurgency campaign. The conflict was characterized by high levels of atrocities against civilians. Islamist militants, divided over tactics and ideology, targeted intellectuals, journalists, artists, and musicians, along with ordinary citizens and each other. The Armed Islamic Group (GIA) engaged in an escalating cycle of extremism and brutality that included terrorist attacks in France and a series of massacres of civilians in the mid-1990s. The Salafist Group for Preaching and Combat (GSPC), which split from the GIA, initially differentiated itself by disavowing attacks on civilians and focusing instead on the Algerian military.

Questions remain about the government's culpability in violence against civilians during the conflict. Most analysts contend that the security forces committed serious abuses, including

¹³ See Alistair Horne, *A Savage War of Peace: Algeria 1954-1962*, New York Review Books Classics: 2006 [1977].

¹⁴ See John Ruedy, *Modern Algeria: The Origins and Development of a Nation*, Indiana University Press: 2005 (1992).

¹⁵ See International Crisis Group (ICG), *Islamism, Violence, and Reform in Algeria: Turning the page*, July 30, 2004.

torture and disappearances.¹⁶ The government also restricted freedom of the press, assembly, and association. Some opposition figures sought to forge common ground with FIS leaders who supported a return to civilian governance and the democratic process. Others supported the military's strategy as a necessary step to neutralize the Islamists, which may have discredited them in the eyes of some.¹⁷ Government supporters argue that Algeria was unfairly isolated by Western critics for doing what was necessary to prevent the country's disintegration.¹⁸

Relative stability was restored by the early 2000s, aided by the introduction of an amnesty for former militants. An initiative of President Bouteflika after his 1999 election, the amnesty was approved in a referendum and was extended, again by referendum, in 2005. The Islamic Salvation Army (AIS), the armed wing of the FIS, declared a unilateral ceasefire in 1997. The GIA is now widely viewed as defunct. The GSPC, however, merged with Al Qaeda in and changed its name to Al Qaeda in the Islamic Maghreb in 2006-2007 (AQIM; see "Terrorism," below). In recent years, GSPC/AQIM attacks have targeted the military, state institutions, the police, and civilians, including Westerners seized in kidnappings. Since April 2012, AQIM's southern wing, in conjunction with allied insurgent groups, has expanded its presence in northern Mali.

Algeria and the "Arab Spring"

Algeria has weathered regional turmoil in recent years without significantly altering its political system. While some domestic unrest has resulted from economic and political grievances, other factors have dampened enthusiasm for dramatic political change. These may include popular aversion to potential stability due to Algerians' experience with civil conflict in the 1990s, the perceived complexity of the Algerian regime, the fragmented nature of civil society, and the "negative" examples of violence and uncertainty in countries such as Libya, Yemen, and Syria. Still, some local commentators point to "a deep social malaise" among Algerians struggling with difficult living conditions, bureaucracy, and corruption.¹⁹ Many Algerians, particularly from younger generations, appear to feel disconnected from formal politics. Similarly, disillusionment with the political status quo, maintained by an aging elite that many view as exhibiting disdain toward the broader population, appears to be widespread.²⁰

Algeria's fractious and often inward-looking decision-making apparatus may preclude a clear trajectory on political and economic reforms, as well as a more proactive Algerian foreign policy. Algeria also faces an uncertain transition as members of the "revolutionary generation" that fought for independence from France—who continue to dominate politics and the military hierarchy—either retire or pass away. The extent and impact of a range of reforms initiated in 2011, against the backdrop of the "Arab Spring," remain uncertain. That year, Algerian authorities curtailed a political protest movement and urban rioting by using the security forces to

¹⁶ See Amnesty International, *Algeria: Civilian population caught in a spiral of violence*, November 18, 1997; and Hugh Roberts, *Demilitarizing Algeria*, Carnegie Endowment for International Peace, May 2007. The government also supported civilian self-defense groups, which were accused of abuses.

¹⁷ Lahouari Addi, "Algeria's Army, Algeria's Agony," *Foreign Affairs*, July-August 1998.

¹⁸ Observers note that despite its relative isolation due to human rights concerns, several Western countries—notably France—engaged in security cooperation with Algeria throughout the 1990s (Ruedy, *Modern Algeria*, op. cit., p. 262).

¹⁹ "Algeria's Year of Riots Seen Ominous for Elections, Pouvoir's Authority," *L'Expression*, January 4, 2012, via U.S. government Open Source Center (OSC).

²⁰ OSC, "Country Report: Algeria," *Master Narratives*, November 2011; see "Hogra."

prevent and break up public gatherings while also deploying economic and—limited—political concessions, including changes to laws on the media, freedom of association, and election administration. Many observers assessed the potential impact of these legal changes on the status quo, however, as minimal.²¹ Critics further charged that the reform process was non-inclusive and did not address key issues within Algeria’s political system, such as the role of the military.²²

Bouteflika appointed a non-partisan technocrat, Abdelmalek Sellal, as Prime Minister in September 2012, signaling that the legislative elections held in May 2012—portrayed as a cornerstone of reform efforts—had not also led to a significant shift in the country’s political direction. Prior to the elections, the government had promulgated a new electoral law, increased the number of seats in the legislature, legalized a number of new political parties, and invited international organizations to observe the vote. Yet voter enthusiasm appeared low, and the results favored the parties that already dominated government. The former nationalist movement-turned political party, the FLN, and the National Democratic Rally (RND), both supportive of Bouteflika, took the largest and second-largest number of seats, leading some opposition parties and observers to claim that the results were tainted by fraud.²³ The structure of the system of proportional representation and proliferation of parties prior to the vote may have played to the advantage of the FLN and RND: both increased their seats while their overall share of the vote declined.²⁴ Turnout was reported at 43%, a slight increase over the last legislative elections; however, over 18% of votes cast were null ballots, potentially reflecting a protest vote.²⁵

Despite stalled reforms and limited social mobility, Algeria remains a top global energy producer. It has used the proceeds from oil and gas production to accrue the world’s 14th largest foreign reserves as well as a hydrocarbon stabilization fund reportedly worth tens of billions of dollars, which it has used at times to fund domestic spending. However, Algeria has struggled to offer its preponderantly young workforce better opportunities at home than can be found elsewhere, such as Western Europe. Long-term stability and growth would likely require some combination of greater economic diversification, a more inviting climate for foreign investors (see “Trade and Investment Issues”), and education reforms to fit 21st century needs.

Terrorism

The security situation has greatly improved since the civil conflict of the 1990s, but terrorism has not been eliminated. The U.S. State Department designates Al Qaeda in the Islamic Maghreb

²¹ *Agence France Presse (AFP)*, “Algérie: adoption d'une nouvelle loi controversée sur les médias,” December 14, 2011; and “Algérie: adoption d'une nouvelle loi restreignant les associations,” December 13, 2011; *El Watan*, “A contre-courant des réformes promises,” April 25, 2011; and “Projet de loi sur les partis politiques : Des changements en deçà des attentes,” October 3, 2011.

²² Sonia Lyes, “Mehri: ‘Il faut régler le problème de la pratique occulte du pouvoir,’” *Tout Sur l’Algerie*, June 13, 2011.

²³ See, e.g., Robert P. Parks, “Algeria’s 10 May 2012 Elections: Preliminary Analysis,” *Jadaliyya*, May 14, 2012. International observers from the European Union and U.S.-funded National Democratic Institute lauded some changes made to the system of electoral administration, but criticized the complexity of oversight mechanisms and a lack of transparency in the compilation of results.

²⁴ Vote share calculations, based on figures published in the Algerian press, suggest that the FLN and RND captured 14.2% and 5.6% of the 2012 vote, respectively.

²⁵ Constitutional Court confirmation of official legislative election results, reported via the U.S. embassy media digest, May 16, 2012; Associated Press, “Algérie: le Conseil constitutionnel réajuste la répartition des sièges dans la nouvelle Assemblée,” May 25, 2012.

(AQIM), an Algerian-led group, as a Foreign Terrorist Organization (FTO), and several AQIM figures—including Mokhtar bel Mokhtar, who claimed responsibility for the In Amenas hostage-taking but nominally separated from AQIM in 2012—are U.S. “Specially Designated Global Terrorists.”²⁶ AQIM was formed when the Salafist Group for Preaching and Combat (GSPC), which split from Algeria’s GIA insurgent group in the late 1990s, declared allegiance to Al Qaeda in 2003 and, after Abdelmalik Droukdel (a.k.a. Abu Musab Abdulwadood) became its leader, “united” with Al Qaeda on September 11, 2006 and renamed itself the following year. AQIM purportedly seeks an Islamic state in Algeria; it also has called for *jihad* against the United States, France, and Spain, and for the withdrawal of French troops from Afghanistan.

AQIM attacks have ranged from bombings in Algeria to kidnappings (usually small-scale and for ransom) across the region. Since carrying out a series of large bombings in Algiers in 2007, AQIM has operated outside the capital (particularly in the troubled northeastern region of Kabylie), in the south, and across the border in the Sahel region of West Africa. An AQIM splinter group, the Movement for Unity and Jihad in West Africa (MUJWA or MUJAO after its French acronym) has also carried out recent attacks within Algeria and against Algerians in northern Mali. In early December 2012, the United States named MUJWA and two of its leaders as “Specially Designated Global Terrorists.”²⁷ A number of other violent extremist groups are also active in North Africa and Mali.

While AQIM appears to remain Algerian-led and primarily regionally focused, it and associated groups seem to be seeking to leverage regional instability to extend their presence and acquire new weapons, bolster ties to other extremist groups, and expand recruitment among local populations.²⁸ The practical meaning of AQIM’s union with Al Qaeda is uncertain, and links between the two may be nominal but mutually beneficial.²⁹ Adopting the famous name may have enhanced AQIM’s legitimacy among extremists and facilitated recruitment, while enabling Al Qaeda to burnish its international credentials and, potentially, access a region geographically close to Europe. Conceivably, the merger may have simultaneously discredited AQIM among Algerian Islamists focused on a domestic agenda and/or opposed to violence against civilians.

AQIM’s cohesiveness is questionable, as it may be operating as relatively autonomous and/or rival cells. The State Department in 2011 estimated AQIM’s core strength to be under 1,000 fighters in Algeria, with a smaller number in the Sahel.³⁰ At the same time, U.S. officials have recently referred to AQIM as a growing threat and as Al Qaeda’s “best funded” affiliate, expressing fears that it may provide funds to other extremist groups.³¹

²⁶ U.S. State Department, *Country Reports on Terrorism, 2011*, released July 31, 2012; U.S. Treasury Department, Office of Foreign Assets Control (OFAC), “Specially Designated Nationals (SDN) and Blocked Persons List.” The GIA, which has been inactive since 2006, was designated as an FTO until 2010. All property subject to U.S. jurisdiction in which designated individuals and groups have any interest is blocked and U.S. persons are prohibited from engaging in any transactions with them or to their benefit.

²⁷ State Department, “Terrorist Designations of the Movement for Unity and Jihad in West Africa, Hamad el Khairy, and Ahmed el Tilemsi,” December 7, 2012.

²⁸ Bloomberg, “North Africa is Central Focus in Terror War, U.S. Says,” July 31, 2012, among others.

²⁹ Several open-source reports have suggested that Droukdel’s initial contacts with Al Qaeda were channeled through Ayman al Zawahiri and/or the late Abu Musab al Zarqawi in Iraq.

³⁰ State Department, *Country Reports on Terrorism, 2011*, op. cit.

³¹ Reuters, “Al Qaeda’s Richest Faction Dominant in North Mali: U.S.,” July 26, 2012; remarks by Under Secretary of the Treasury David Cohen, “Kidnapping for Ransom: The Growing Terrorist Financing Challenge,” October 5, 2012.

AQIM's internal structure is hazy. Droukdel reportedly continues to be based in the mountainous region of Kabylie, east of Algiers. He may be the ideologue who sets broad directions, but southern- and Sahel-based commanders have gained public prominence as (potentially rival) leaders. AQIM's southern cells raise funds by kidnapping Westerners for ransom and by trafficking in cigarettes, arms, vehicles, and persons, and—according to some reports—through involvement in narcotics smuggling. These activities have led some to describe AQIM as a “hybrid terrorist-criminal organization” or a “criminal organization with an attachment to Al Qaeda.”³² U.S. officials have expressed concern over potential links to other regional extremist groups, such as Boko Haram in Nigeria and Somalia's Al Shabaab.³³

The U.S. State Department considers the potential terrorist threat to U.S. personnel in Algiers “sufficiently serious to require them to live and work under significant security restrictions,” and the Algerian government requires Embassy personnel to “seek permission to travel to the Casbah [old city] within Algiers or outside the province of Algiers and to have a security escort.”³⁴ AQIM-produced Internet videos have shown images of the U.S. Embassy and have specifically referenced Algeria's security cooperation with the United States and France as part of their efforts to discredit the Algerian regime.³⁵ In September 2011, the U.S. Embassy in Algiers warned of a potential Al Qaeda threat to launch missile attacks against planes used by foreign oil firms.

Algeria is a significant source of transnational terrorists, and one batch of seized Al Qaeda records suggested that Algeria was one of the largest suppliers of anti-coalition fighters in Iraq.³⁶ Algerians were captured in Afghanistan and, at one time, 26 were held at the U.S. Naval Base at Guantanamo Bay, Cuba. Most have been repatriated or sent to third countries.³⁷ Algerians have been arrested on suspicion of belonging to or supporting AQIM in France, Spain, Italy, Germany, and Britain, while several reported international terrorist plots—including the “Millennium Plot” to carry out bomb attacks in Los Angeles in 1999—have involved Algerian nationals as suspects.

Counterterrorism Efforts

The military frequently conducts targeted counterterrorism operations in areas surrounding Algiers, and has reportedly bolstered security in border regions. In June 2011, Interior Minister Dahou Ould Kablia claimed that AQIM had “largely lost its capacity to harm” within Algeria, although some critics pointed to ongoing deadly attacks in Kabylie, where the movement's leadership is reportedly based.³⁸ The government has also instituted de-radicalization programs

³² Center for Strategic and International Studies (CSIS), *The Dynamics of North African Terrorism*, March 2010.

³³ See, e.g., Rob Mergetta, “AFRICOM Commander Sees ‘Troubling’ Collaboration from Terror Groups,” *Congressional Quarterly*, December 4, 2012; among others. On AQIM's reported links to Boko Haram in Nigeria, see CRS Report RL33964, *Nigeria: Current Issues and U.S. Policy*, by Lauren Ploch Blanchard.

³⁴ State Department Travel Warning on Algeria, September 13, 2012.

³⁵ “AQIM Video: ‘Assault Them at the Gate,’ Part Two,” Ansar al Mujahidin Network, August 3, 2011, via OSC.

³⁶ Combating Terrorism Center at West Point, Harmony Project, “Al-Qaida's Foreign Fighters in Iraq: A First Look at the Sinjar Records,” January 2008.

³⁷ The Bush and Obama Administrations sought assurances from Algiers that repatriated detainees would not pose a future danger and would be treated fairly. Several were tried in Algeria after their return and acquitted for lack of evidence. In January 2012, the House Armed Services Committee published a report critical of executive branch detainee transfer policies that referenced these cases. See *Leaving Guantánamo: Policies, Pressures, and Detainees Returning to the Fight*, HASC Committee Print 112-4.

³⁸ *AFP*, “Algérie: les ‘terroristes’ ont perdu énormément de leur capacité de nuisance (ministre),” June 2, 2011.

and seeks to control the content of religious sermons within the country. Several AQIM leaders have been tried in absentia. According to the State Department, as of 2011, “Algerian law enforcement agencies cooperated with the United States and other foreign governments to prevent terrorist attacks against foreigners.”³⁹

As a regional economic and military power, Algeria has sought to lead a coordinated response among Sahel states to AQIM activities. Algiers is wary of a potential foreign direct counterterrorism role and seeks to prevent foreign, non-African (i.e., French and U.S.) intervention in the region. In addition, Algiers seeks to impede AQIM’s ability to extract large ransoms from Western countries and, thereby, to build up a treasury to pay more recruits and buy more arms. While it opposes a foreign presence, Algiers welcomes indirect outside counterterrorism support, such as arms, surveillance equipment, and intelligence sharing. At the same time, despite the longstanding Algerian objections to Western troop deployments in the region and Algeria’s ambiguous stance on how to handle the security crisis in Mali, French officials have stated that Algeria has allowed use of its airspace and is cooperating with ongoing French military operations in Mali, which commenced in January 2013.⁴⁰

In mid-2009, the military chiefs of Algeria, Libya, Niger, Mali, and Mauritania developed the “Tamanrasset Plan” (after the town in southern Algeria) for regional cooperation to counter terrorism and related crime. In 2010, working under this framework, Algeria, Mali, Mauritania, and Niger established a combined military command center—known as the Joint Operational Chiefs of Staff Committee or CEMOC—in Tamanrasset. An intelligence sharing center in Algiers was also founded. Algeria has provided equipment and training to its Sahel partners in this initiative, and announced new development aid in 2011. Algeria has also reportedly increased its bilateral cooperation with Burkina Faso. However, the CEMOC does not appear to be coordinating primary responses to regional security threats, or indeed to be very active at all. The sometimes dissonant relations and differing priorities among the neighbors, along with the often prevalent French influence in the Sahel states (which Algeria opposes), appear to have limited the implementation of cooperative regional security arrangements.⁴¹ Due to strained bilateral ties, and because Algiers argues that the security of the Sahel does not concern Morocco, it has not invited its western neighbor to participate in its regional counterterrorism efforts.

Human Rights

Despite the lifting of a 20-year “state of emergency” in 2011, various restrictions on freedom of assembly and association remain in effect, including a ban on protests in Algiers and other provisions that human rights advocates contend place significant constraints on civil liberties. The military and intelligence services continue to play a role in domestic law enforcement, sometimes acting without apparent judicial or public oversight. Still, opposition political parties, civil society groups, and the print media are active and express a diverse range of views, despite administrative and financial pressures.

³⁹ State Department, *Country Reports on Terrorism, 2011*, op. cit.

⁴⁰ Reuters, “France Says Algeria Supportive of its Mali Operation,” January 13, 2013.

⁴¹ See, e.g., Laurence Aïda Ammour, *Regional Security Cooperation in the Maghreb and Sahel: Algeria’s Pivotal Ambivalence*, February 2012; and Arieff, *Algeria and the Crisis in Mali*, Institut Français des Relations Internationales (IFRI), July 2012.

According to the U.S. State Department's 2011 *Country Report on Human Rights Practices*, "the three most significant continuing human rights problems were restrictions on freedom of assembly and association; the inability of citizens to change their government, notably in light of the 2008 constitutional revisions that allow the president to run for unlimited terms of office; and the failure to account for disappearances, especially those cases from the 1990s." Critics charge that the amnesty program following the 1990s conflict—enshrined in the 1999 Civil Concord and 2005 Charter for Peace and National Reconciliation, both approved via referendum—has resulted in the freeing of terrorists and/or that it failed to provide accountability or truth-telling for abuses allegedly committed by the security forces.⁴² The State Department report also referenced the following as concerns: reports of unlawful killings, overuse of pretrial detention, poor prison conditions, abuse of prisoners, lack of judicial independence, widespread corruption, constraints on freedom of expression and movement, violence and discrimination against women, and restrictions on workers' rights.⁴³ Algerian officials have criticized and disputed these reports.

The State Department's most recent *International Religious Freedom Report* stated that "the constitution provides for religious freedom, but other laws, policies, and practices have a restrictive effect on religious freedom." The state religion is Islam and proselytizing is a criminal offense, although implementation has been irregular; the report notes that "non-Muslim groups have long experienced difficulty when attempting to register with the government" as legally required. While the government allowed for the reopening of 25 synagogues shuttered during the civil conflict, none is in use, possibly due to the diminished size of the Jewish community (estimated at 2,000 at most) and a fear of terrorist violence.⁴⁴

Since 2011, the State Department has ranked Algeria as "Tier 3" (the lowest ranking) in its annual *Trafficking in Persons Report* because it "does not fully comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so."⁴⁵ Algerian officials have strongly objected to the ranking as an "unfounded" effort to harm Algeria's international reputation.⁴⁶

Many Algerians' heritage reflects both Berber⁴⁷ and Arab influences, but the state has pursued "Arabization" policies in national education and politics that are seen by some Berbers as disadvantageous. Berber groups have been particularly focused on articulating demands for language and cultural rights in the Kabylie region east of Algiers.⁴⁸ Periodic unrest in Kabylie has been fueled by perceived official discrimination and neglect; AQIM activity in the region and related security measures have also made it difficult for businesses to operate in the area, entrenching its economic isolation.

⁴² A presidential commission determined that excesses of purportedly unsupervised security forces were responsible for the disappearances of 6,146 civilians from 1992 to 2000 and recommended compensation. Organizations representing victims' families claim up to 20,000 people were "disappeared."

⁴³ State Department, *Country Reports on Human Rights Practices, 2011*, "Algeria," May 2012.

⁴⁴ State Department, *International Religious Freedom Report, 2011*, July 30, 2012.

⁴⁵ State Department, *Trafficking in Persons Report, 2011*, June 19, 2012.

⁴⁶ IHS Global Insight, "Algerian Official Refutes US People-Trafficking Report Conclusions," June 30, 2011.

⁴⁷ Ethnic Berbers (Amazigh/Imazighen) are considered the native inhabitants of North Africa from before the seventh century Arab Muslim invasions.

⁴⁸ See ICG, *Algeria: Unrest and Impasse in Kabylia*, June 10, 2003.

The Economy

Hydrocarbons (oil and gas) are the engine of the Algerian economy, providing about 65% of public revenues, 26% of the gross domestic product (GDP), and 98% of export earnings.⁴⁹ Algeria has several pipelines supplying gas to Europe, and also is expanding its exploration and drilling, including for shale gas. High oil prices have boosted foreign monetary reserves and economic growth, fueled a construction boom, eased unemployment somewhat, and enabled early repayment of foreign debt. However, chronic socioeconomic problems persist, such as high unemployment, particularly among college graduates; inadequate housing, health services, and infrastructure; inequality; and corruption. These conditions have sparked protests and labor unrest, and motivate a continuing tide of illegal Algerian immigrants to Europe. Labor productivity has been stagnant over the past decade, and many of those who have found work have done so in the relatively precarious informal sector.⁵⁰

The International Monetary Fund (IMF) has praised Algeria's strides in achieving macroeconomic stability, while expressing concern about slow job creation, a poor business climate, and the economy's dependency on hydrocarbon prices and on public expenditures.⁵¹ Public spending increased in 2011 with an expansion of subsidies, public sector wage increases, and other efforts to respond to popular unrest. Algeria has maintained a guarded stance toward the international financial system, increasingly relying on domestic financing to fund development and rejecting total convertibility of the *dinar* national currency. Critics point to the absence of a modern financial market, an underdeveloped stock exchange and banking system, and a failure to integrate into the world economy. Algeria has applied to join the World Trade Organization, but stumbling blocks include ongoing strong government intervention in the economy, with only a very selective privatization program.

A 2005 hydrocarbon law diminished the monopoly of the state energy company, SONATRACH, opening the sector for private and foreign investment. A 2006 law, however, required international companies to give SONATRACH a 51% stake in new oil, gas, and related transport projects. Further restrictive rules were enacted in the Complementary Finance Law (CFL) of 2009. These measures require 51% Algerian ownership of new foreign investment, 30% Algerian ownership of foreign import companies, and use of letters of credit for the payment of import bills. Further, the 2010 CFL requires foreign bidders who win construction contracts to invest in a joint venture with a local partner.⁵² Such changes have prompted foreign investors, including U.S. businesses and government officials, to appeal for greater regulatory stability and protection of private property in Algeria, and may have contributed to a reported slowing of foreign investment in exploration and production.⁵³ (See "Trade and Investment Issues," below.) Officials argue that conditions on foreign investment are needed to encourage domestic companies.

⁴⁹ CRS calculations based on International Monetary Fund (IMF) figures for 2009, in IMF, *Algeria: 2010 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Algeria*, February 2011.

⁵⁰ Ghazi Ben Jaballah, "Graduate Unemployment in the Maghreb," German Marshall Fund, November 2011.

⁵¹ "Statement at the Conclusion of an IMF Article IV Mission to Algeria," October 26, 2011.

⁵² State Department, Bureau of Economic, Energy and Business Affairs, "2011 Investment Climate Statement—Algeria," March 2011.

⁵³ Samuel Ciszuk, "Abysmal Licensing Round Result in Algeria Confirms Energy Sector Malaise," *IHS Global Insight*, March 18, 2011; *Africa Energy Intelligence*, "Oil Companies Steer Clear of Algeria Due to Windfall Tax, Few Bid for Licenses," March 23, 2011.

In January 2010, nearly all of SONATRACH's senior managers were removed from their posts as a result of an official investigation into alleged corruption in the awarding of contracts. Several executives were subsequently sentenced to jail. The government provided few public comments on the investigation, which had little visible impact on production, and some analysts viewed it as opaque and potentially motivated by internal power struggles within the regime.⁵⁴

Foreign Affairs

After independence in 1962, Algeria was in the forefront of the Non-Aligned Movement, and was very active in the Arab world and Africa. Its diplomacy was considerably less active in the 1990s, when Algeria was preoccupied by domestic turmoil. Under Bouteflika, Algeria has reemerged as an important regional actor. Bouteflika has also pursued closer relations with the United States and, to some degree, France and the European Union. Still, Algeria's foreign policy is defined by efforts to position itself as a diplomatic leader in the Arab world, in Africa, and among developing countries; and by a residual suspicion of Western diplomatic, military, and financial motives. Algeria remains critical of NATO's role in regime change in Libya and has urged a non-interventionist approach, led by the Arab League, to the situation in Syria. Algeria's position toward the security and political crises in neighboring Mali has been ambiguous, despite the implication of Algerian-led groups in the insurgency there. Despite longstanding Algerian objections to Western troop deployments, French officials have stated that Algeria has allowed use of its airspace and is cooperating with ongoing French military operations in Mali.⁵⁵

Relations with neighboring Morocco are strained over the issue of Western Sahara—Algeria supports and hosts the independence-seeking POLISARIO Front—and due to a rivalry for regional power.⁵⁶ Morocco claims and largely occupies the Western Sahara. Thousands of Sahrawi (as the people of Western Sahara are known) occupy refugee camps in the Tindouf area of southwest Algeria. The camps are aided by the U.N. High Commissioner for Refugees (UNHCR), but administered by the POLISARIO. Algeria considers the Western Sahara issue to be one of decolonization requiring resolution by the U.N., and maintains that it is not a party to the conflict. Direct talks between Morocco and the POLISARIO are ongoing under U.N. auspices, but no significant progress has emerged. In 2011, senior leaders of both Morocco and Algeria—including King Mohammed VI of Morocco and President Bouteflika—repeatedly stated publicly a desire to improve bilateral relations and revive the inactive Arab Maghreb Union (AMU), an organization of Morocco, Tunisia, Algeria, Mauritania, and Libya. During the year, government ministers met in both countries, and several economic agreements were signed, including for Morocco to import Algerian natural gas. However, prospects for further concrete steps are uncertain. After closing its border with Morocco in 1994, Algeria has not reopened it.

Algeria and France, its former colonizer, have complex, unpredictable relations. Trade ties are extensive, and 4 million individuals of Algerian descent live in France. Yet friction over French restrictions on immigration and the weight of history continue to trouble the relationship. French President François Hollande has indicated a desire to pursue warmer ties, and conducted a high-profile official visit to Algeria in December 2012. The issue of whether or not Hollande would

⁵⁴ *Reuters*, "Interview—Algeria Corruption Case 'Part of Political Struggle,'" February 8, 2010.

⁵⁵ *Reuters*, "France Says Algeria Supportive of its Mali Operation," January 13, 2013.

⁵⁶ Shortly after Algeria became independent, Morocco laid claim to some Algerian territory, and they briefly went to war in 1963-1964. The border was not demarcated until 1972.

deliver a public apology for the crimes of colonialism (he did not) consumed much of the public attention on both sides to the visit, which also addressed economic ties and regional security.

With France's support, Algeria signed an association agreement with the European Union (EU) in 2002 (it entered into force in 2005) and Algeria has participated in the Europe-Mediterranean Partnership (MEDA) since 1995. Trade negotiations under the agreement have been slow due to Algiers' reluctance to dismantle certain tariffs.

U.S. Relations

U.S.-Algerian ties date from a Treaty of Peace and Friendship in 1795. In 1860, after the Algerian anti-colonial resistance fighter El Emir Abd el Kader protected large numbers of Christians from ethnic pogroms, President Abraham Lincoln honored him with a gift of several guns that remain on display in Algiers; the town of Elkader, Iowa, was named after him. Older Algerians have fond memories of President Kennedy's support for their independence struggle.⁵⁷ Relations suffered later due to Cold War differences, although Algerian diplomacy was instrumental in obtaining the release of U.S. hostages from Iran in 1981. Bilateral ties have been re-energized over the past decade, and Bouteflika met with then-President George W. Bush several times. Multiple senior Obama Administration officials traveled to Algeria during the President's first term, including two visits by Secretary of State Hillary Clinton in 2012.

U.S.-Algeria relations are highly focused on counterterrorism and Algeria's oil and gas sector. U.S. officials often portray bilateral relations as an important "partnership," a term that emphasizes mutual benefits and responds to Algerian concerns over sovereignty.⁵⁸ Algeria also plays a prominent role in the African Union (AU), which the United States seeks to empower in regional development and conflict resolution. In April 2010, the two countries signed a Mutual Legal Assistance Treaty. Algeria has recently pursued U.S. arms sales, although in some cases congressionally mandated end-use monitoring requirements—which Algeria considers an infringement on its sovereignty—have been a sticking point.

Obama Administration policy has tried to balance appreciation for Algeria's cooperation in counterterrorism with encouragement of democratization, and U.S. officials have paired recent calls for political reforms with statements asserting broad support for the Algerian government's leadership and for U.S.-Algerian ties. Secretary of State Clinton referred to Algeria's May 2012 legislative elections as "a welcome step in Algeria's progress toward democratic reform," but later stated that "Algeria has a lot of work to do to uphold universal rights and create space for civil society."⁵⁹ Administration officials have also sought Algeria's help in addressing regional

⁵⁷ John F. Kennedy was supportive of Algeria's anti-colonial struggle as a U.S. Senator, and as President, on July 3, 1962, Kennedy congratulated Algerians on "the creation of a great new state [which] represents the courageous and devoted work of the Algerian people and their leaders stretching over many years," and likened Algeria's war for independence to America's own.

⁵⁸ At the same time, U.S. diplomatic security officials have expressed concerns that "the government at times possesses but does not share AQIM terrorist threat information directed towards Americans and American interests in Algeria" (U.S. Embassy Algiers, Regional Security Office, "Algiers Security Briefing, AQIM Activities, Threats to U.S. Embassy, Country Trends and Statistics," April 2011.)

⁵⁹ State Department, Press Statement, Hillary Rodham Clinton, "Algerian Elections," May 12, 2012; and State Department, "Secretary of State Clinton Delivers Remarks at the Center for Strategic and International Studies on Democratic Transitions in the Maghreb," October 12, 2012.

security crises, notably in Mali.⁶⁰ In October 2012, Algeria and the United States launched a “bilateral strategic dialogue,” which may be aimed at broadening the bilateral relationship, although its concrete results remain to be seen.

Since 2005, the United States and Algeria have had a Joint Military Dialogue to foster exchanges, training, and joint exercises. A bilateral contact group on counterterrorism was launched in March 2011, which the U.S. Embassy in Algiers referred to as “a historic moment for the development of bilateral security cooperation.”⁶¹ Algeria participates in the U.S. Trans-Sahara Counter Terrorism Partnership (TSCTP), an interagency program that aims to improve regional governments’ capacity and coordination to counter violent extremism, but prefers bilateral activities with the United States that recognize its regional importance. Algeria participates in the NATO-Mediterranean dialogue and in NATO naval exercises.

A number of senior U.S. military commanders have visited Algiers in recent years, including multiple visits by General Carter Ham, Commander of U.S. Africa Command (AFRICOM). U.S. officials and military leaders have pointed to the importance of bilateral cooperation while emphasizing that the United States does not seek to impose its views or install a military footprint in the region, in recognition of Algerian sensitivities.⁶² U.S. officials also often note that the United States opposes paying ransoms for terrorist-held hostages, a policy which Algeria shares.

Despite improving ties, Washington and Algiers strongly disagree on many areas of foreign policy. Bouteflika condemned the use of force against Iraq in 2003 and called for the early withdrawal of foreign troops. Algeria supports normalization of relations with Israel only after it withdraws from Arab lands, per the Arab Peace Initiative, and is generally strongly critical of Israeli policy. Algerian officials have criticized the NATO intervention in Libya, which they view as having contributed to regional instability.

Trade and Investment Issues

The United States is Algeria’s largest export market (mainly for crude oil), and U.S. investment is concentrated in the oil and gas sector. Algeria receives trade benefits under the Generalized System of Preferences, and in July 2001, the United States and Algeria signed a Trade and Investment Framework Agreement. In June 2007, Algeria and the United States signed an agreement to cooperate in the peaceful use of nuclear energy, albeit with no apparent plans to build a U.S. reactor in Algeria. U.S. bilateral imports of goods totaled \$14.7 billion in 2011; U.S. exports totaled \$1.6 billion. U.S. imports of natural gas from Algeria, previously significant, have been negligible since 2008.⁶³ Economic ties have broadened beyond the energy sector to financial

⁶⁰ See, e.g., State Department, “Senior State Department Officials Hold Background Briefing En Route to Algiers,” October 28, 2012, released during Secretary of State Clinton’s second visit to Algiers in 2012.

⁶¹ U.S. Embassy Algiers, “Bilateral Counterterrorism Contact Group Launched,” March 2011.

⁶² “AFRICOM Commander Strengthens US-Algerian Cooperation in Algiers Visit,” *Liberté*, November 26, 2009, via BBC Monitoring Middle East, December 14, 2009; and “Africom Commander Says No US Bases to be Set Up in Algeria,” *El Watan* website, November 26, 2009, BBC Monitoring Middle East. At a press briefing in early 2011, General Ward reiterated similar points, stating that “Algeria has a very important role in addressing this threat of Al-Qaeda” (“U.S. Africa Command Commander Gen. William Ward Holds Briefing for the Foreign Media on ‘U.S. Africa Command (AFRICOM)—The Commander’s Perspective,’” February 18, 2011, via CQ); “Algeria, ‘Leader’ and ‘Key’ Partner in Fight Against Terrorism,” *Algeria Press Service*, July 27, 2010; “US Assistant Secretary Discusses US-Algerian Ties, Counter-Terrorism,” *Liberté* website, October 22, 2010, via BBC Monitoring Middle East.

⁶³ U.S. Energy Information Administration data, accessed November 2012.

services, pharmaceuticals, and other industries: for example, in December 2012 U.S. government and private sector officials pledged to cooperate in biotechnology. However, U.S. investors continue to confront bureaucratic and policy obstacles.

The State Department has criticized Algeria's policies vis-à-vis foreign investment, noting that:

[T]he climate for U.S. firms for direct investment in Algeria has worsened, particularly in the wake of a series of restrictive foreign investment rules enacted in 2009 and 2010. Algeria's inability to move forward with WTO accession or modernize its banking sector has prevented significant foreign investment outside the energy sector. Considering the inability of foreign investment to bring about desired growth, and focus on developing state-owned enterprises, the investment restrictions combined with statements by senior leaders reinforce the impression of a government that has turned toward economic nationalism.⁶⁴

U.S. Assistance

Table I. U.S. Bilateral Foreign Assistance to Algeria, Selected Accounts
(appropriations, \$ thousands, not inflation-adjusted)

	FY2008	FY2009	FY2010	FY2011	FY2012 (est.)	FY2013 (requested)
NADR	317	500	775	650	900	1,800
INCLE	198	0	0	0	0	0
IMET	696	898	950	953	1,225	1,150
ESF	400	0	0	0	0	0
DA	0	400	710	0	0	0
Food for Peace, Title II (P.L.480)	6,816	0	6,213	8,232	0	0
Total	8,427	1,798	2,610	9,835	2,125	2,950

Source: U.S. Department of State Congressional Budget Justifications for Foreign Operations; State Department, 653(a) allocations, FY2011.

Notes: NADR = Nonproliferation, Antiterrorism, Demining, and Related Programs, INCLE = International Narcotics Control and Law Enforcement, IMET= International Military Education and Training, ESF = Economic Support Fund, DA = Development Assistance. Food aid contributes to U.S.-funded humanitarian support for Western Sahara refugees in the Tindouf region.

This table does not reflect assistance appropriated for regional programs or funding administered by U.S. entities other than the State Department and U.S. Agency for International Development (USAID).

Congress appropriates and oversees little bilateral foreign aid for Algeria, but Algeria benefits from military cooperation and security assistance programs. The State Department's Middle East Partnership Initiative (MEPI) has administered funding for projects in Algeria to promote democratic governance, improved education, and an enhanced financial sector.

⁶⁴ State Department, "2012 Investment Climate Statement—Algeria," June 2012.

Due to restrictions enacted in the Trafficking Victims Protection Act (Division A of P.L. 106-386, as amended), Algeria's poor ranking in the State Department's annual *Trafficking in Persons* report potentially makes it ineligible for certain types of foreign aid. However, the Obama Administration has waived these restrictions.⁶⁵ The Administration has also waived congressionally mandated aid restrictions contained in annual appropriations legislation that apply to countries that do not practice budget transparency.⁶⁶

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⁶⁵ See CRS Report R42497, *Trafficking in Persons: International Dimensions and Foreign Policy Issues for Congress*, by Liana Sun Wyler. The waivers are contained in Presidential Determination 2011-18 and 2012-16 with respect to foreign governments' efforts regarding trafficking in persons, September 30, 2011, and September 14, 2012, respectively.

⁶⁶ State Department response to CRS, November 2012. The budget transparency provision was most recently included in the FY2012 Consolidated Appropriations Act (P.L. 112-74, Sec. 7031) and carried into FY2013 via the FY2013 Continuing Appropriations Resolution (P.L. 112-175).