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## Fuel for Conflict or Balm for Peace? Assessing the Effects of Hydrocarbons on Peace Efforts in Algeria

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# G I G A *Working Papers*

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Assessing the Effects of Hydrocarbons on  
Peace Efforts in Algeria**

Miriam Shabafrouz

No 132

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## **Fuel for Conflict or Balm for Peace? Assessing the Effects of Hydrocarbons on Peace Efforts in Algeria**

### **Abstract**

This paper explores the use of hydrocarbon revenues in post-conflict Algeria. While the bloody years of the 1990s now seem to be over, recurring terror attacks and the ongoing state of emergency leave room for doubt that a situation of stable peace has been achieved yet. It is therefore necessary to evaluate the effectiveness of post-conflict peace-building efforts in Algeria and identify ways of improving these measures. The resources, which are mainly controlled by the central state, can have positive and negative effects on the political economy: they can enhance growth and possibilities for the distribution of wealth, but the dependency on them makes the whole economy vulnerable to crises. Analysing the economic (and other) causes of the outbreak of the intra-state war in 1992 and the reasons for its escalation and its fading out can be revealing when assessing the extent to which critical conditions have or have not been addressed by recent and current peace-building efforts. The author's analysis reveals that the measures taken by the government—such as implementing a programme of national reconciliation, the stimulation of certain sectors of the economy and the resolute reduction of foreign debt—all aim at stabilization and have all been driven by hydrocarbon income to a large extent. However, the recent rise and sudden drop in the price of oil and gas have both had an effect on the scope of these measures and reveal their limits. Moreover, some of the critical causes of the civil war such as the unfair distribution of revenue, the lack of political participation and destabilizing demographic changes still persist and have largely remained unaddressed. One of the author's concluding assumptions therefore is that it is very likely that the use of resource revenues for conflict prevention and peace-building will only lead to sustainable results when embedded in full-fledged reforms of Algeria's entire economic and political system.

Keywords: Algeria, violent conflict, terrorism, peace-building, resource management, socio-economic development, natural resources, oil, gas

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## **Zusammenfassung**

### **Stoff für Konflikte oder Balsam für den Frieden?**

#### **Eine Einschätzung der Auswirkungen von Erdöl und Erdgas auf die Friedensbemühungen in Algerien**

Dieser Aufsatz untersucht die Verwendung von Erdöl- und Erdgaserlösen in Algerien seit Ende des Bürgerkrieges. Zwar scheinen die blutigen 1990er Jahre der Geschichte anzugehören, doch wiederkehrende terroristische Anschläge und eine weiter bestehende Notstandsgesetzgebung zeigen, dass bisher noch kein dauerhafter Frieden erreicht wurde. Daher lohnt es sich zu untersuchen, wie wirksam die Friedensbemühungen in Algerien sind und was zu ihrer Verbesserung geleistet werden könnte. Die Ressourcen, die vor allem vom Zentralstaat kontrolliert werden, können sich auf die Volkswirtschaft des Landes sowohl positiv als auch negativ auswirken: sie können Wachstum verstärken und den Wohlstand der Gesellschaft fördern, doch die Abhängigkeit von ihnen macht die gesamte Wirtschaft anfällig für Krisen. Eine Analyse der wirtschaftlichen (und anderer) Ursachen für den Ausbruch und die Eskalation des innerstaatlichen Krieges dient der Einschätzung, ob die derzeitigen Friedensbemühungen seine wichtigsten Triebkräfte ausreichend berücksichtigen. Die Autorin zeigt, dass die Maßnahmen, die von der Regierung umgesetzt werden – wie das Programm zur nationalen Versöhnung, die Stimulierung zentraler Wirtschaftssektoren und die Rückzahlung der Auslandsschulden –, alle die Stabilisierung des Landes anstreben und weitgehend durch Erdöleinnahmen finanziert werden. Entsprechend haben sich sowohl der neuerliche Anstieg der Preise für Erdöl und -gas als auch ihr plötzlicher Fall auf diese Maßnahmen ausgewirkt und damit deren Grenzen offen gelegt. Außerdem sind einige der entscheidenden Gründe für den Bürgerkrieg, wie die ungleiche Einkommensverteilung, geringe politische Partizipationsmöglichkeiten und destabilisierende demographische Dynamiken, bis heute fast unverändert wirksam. Eine wichtige Schlussfolgerung ist daher, dass der Einsatz der Ressourceneinnahmen für Konfliktprävention und Friedensbildung nur dann zu nachhaltigen Ergebnissen führen kann, wenn dies mit umfassenden Reformen des wirtschaftlichen und des politischen Systems in Algerien einhergeht.

# Fuel for Conflict or Balm for Peace? Assessing the Effects of Hydrocarbons on Peace Efforts in Algeria

**Miriam Shabafrouz**

## **Article Outline**

- 1 Introduction
- 2 Violent Conflict in Algeria and Its Connection with Hydrocarbon Resources
- 3 Success and Failure of Peace-building through the Use of Resource Revenues
- 4 Constraints on the Outcomes of the Efforts for Conflict-resolution
- 5 Lessons Learned and Conclusions

## **1 Introduction**

While the bloody civil war of the 1990s is now over in Algeria, recurring terror attacks and the still valid state of emergency show that the country has not achieved a state of stable peace yet. Algeria's considerable wealth in hydrocarbon resources and the way they are managed have both played a role in this conflict and prove that they can be a cause of conflict and a determinant regarding the effectiveness of post-conflict peace-building measures already applied in Algeria. A thorough appreciation of this case may contribute to a better understanding of the conditions under which peace-building efforts in resource-wealthy states are promising or doomed to failure.

With 12.2 billion barrels of high-quality oil and 4.5 trillion cubic metres of gas reserves (BP Dataset 2009), Algeria owns considerable amounts of valuable resource reserves.<sup>1</sup> Theoretical approaches focussing on the alleged link between high-value natural resources and

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<sup>1</sup> This wealth, however, seems less impressive when calculated in terms of per capita income, an indicator that serve as a proxy for the potential to buy peace through resource revenues (Basedau/Lay 2009). In 2009, the per capita revenues turned around 1,250\$, while it amounted 5,421\$ in Libya, for instance (OPEC Revenue Factsheet).

violent conflict, summarized under the name of “resource curse” (Karl 1997, de Soysa 2000, Sachs/Warner 2001, Ross 2004, 2006), serve as a starting point for the analysis. They will be combined with another approach that takes an interest in the effects of high resource rents, namely the rentier state theory (Mahdavy 1970, Luciani/Beblawi 1987, Karl 1997, Sandbakken 2007 and others). The latter does not assume that resources increase the probability of the outbreak and sustaining of a violent conflict, but predicts the use of the resource rents for sustaining state stability, among others through a highly repressive—and thus potentially violent—state apparatus, which can easily be observed in Algeria. Both approaches will, however, be applied with caution, as their useful, but sometimes highly deterministic assumptions about the resource-violence link and their primary focus on domestic political and economic defects tend to leave out crucial context conditions necessary for a comprehensive understanding of the conflict (Basedau 2005, Basedau/Lay 2009). Many features make Algeria a special case and the problems faced here cannot be traced back solely to its resource wealth. The *indirect* impact it had on its economic development and the high proneness to economic crisis due to the considerable dependence of the hydrocarbon sector is nevertheless one core element and will be the focal point of the following study.<sup>2</sup>

The main argument of this article is that the hydrocarbon revenues have, indeed, impacted on peace and stability in Algeria, but that this impact is ambivalent: they are both a fuel for conflict and a balm for peace. The question as to which of these effects weighs more heavily in the context of peace-building efforts undertaken in the country still remains to be answered and presents the guiding question of the analysis at hand. On the one hand, the resources can enhance growth and possibilities for the distribution of wealth. In this sense, they are currently also applied for specific peace-building measures, namely the measures of national reconciliation, and general efforts to achieve economic and social development, such as the stimulation of certain sectors of the economy and the resolute reduction of national debt, which can be considered crucial to enduring peace and stability. On the other hand, oil has also clearly had detrimental effects on the economy, political institutions and policy choices, which all contributed to the onset of conflict in the early 1990s and pose a threat to the current peace process. The nation’s dependency on its hydrocarbon resources, in particular, makes the whole economy vulnerable to crises, and these structural problems have still not been resolved, which also makes peace-building challenging and peace difficult to sustain.

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<sup>2</sup> These insights are the compendious results of a more extensive context-sensitive analysis of the causes of violent conflict in Algeria that have been determined by the author within the scope of a research project run at the German Institute of Global and Area Studies (GIGA), financed by the German Research Foundation (DFG) and supervised by Dr. Matthias Basedau. Responding to a research gap in the current academic debate on natural resources and their impact on violence, a sophisticated matrix of central contextual factors concerning the potential relation between resources and violence has been elaborated and tested exploratively in four case studies within the research project. The quoted expert interviews were conducted during a field study in Algeria in February/March 2008.

The time period under consideration here is the period of lesser—but still considerable—violence from the year 2000 up to the present day, which may be classified as an “uncertain post-conflict period”.<sup>3</sup> I propose to distinguish between two peace-building phases, the first being a period of stabilization characterized by progressively decreasing violence (approximately between 2000 and 2005), starting with the efforts of President Abdelaziz Bouteflika to achieve civil reconciliation. Nevertheless, a number of serious incidents occurred which also need consideration: the period changed into one of recurring major terror attacks and kidnappings (ever since 2006), characterized by a change in the nature of the violence experienced beforehand. This fallback justifies doubts about the success of the peace-building measures and allows the statement that a phase of genuine peace consolidation has not started yet. For the analysis of this period, it is also necessary to refer to the reasons for the onset and escalation of the civil war and thus to the period of the late 1980s and early 1990s.

For being able to use hydrocarbons as a „balm“ for peace-building, it is crucial to assess the impacts it had in the past, and to check to what extent it has fuelled or appeased the occurrence of violence up to now. The article therefore proceeds as follows: first, Section 2 will present crucial background information about the intra-state war and its repercussions up to this day. The aim of this is to provide a context-sensitive analysis of the conflict dynamics, which will be put into perspective with the flow of hydrocarbon rents. But as already stated, this link is not always obvious and is far from being the only root cause of the conflict in Algeria. Section 3 will then explore the measures undertaken for peace-promotion, with a focus on those financed by hydrocarbon revenues or in another relation to them. As the conflict is still going on, Section 4 will briefly consider the factors constraining the success of peace-building measures. The final section (5) then summarizes the lessons learned from this case study and discusses the prospects for peace-building in Algeria.

## **2 Violent Conflict in Algeria and Its Connection with Hydrocarbon Resources**

The violence that Algeria experienced during its civil war in the 1990s (2.1.) and in recent years (2.2.) has a long history in which the country’s oil wealth was neither a “curse” nor a “blessing” in itself. The rising income from hydrocarbons has shaped the country’s development decisively, however.

### **2.1 The Civil War from 1992 to 1999/2000 under the Aspect of Resource Income**

In the 1970s, Algeria was a prosperous and promising country with ambitious plans to use its rising income from the hydrocarbon sector for a far-reaching modernization of its society

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<sup>3</sup> The end of the war is not unanimously fixed at a special date; some analysts say it was in 2000, while others claim it was 2001 or even later. The PRIO/UCDP Armed Conflict Data Set data set defines the conflict in 1991 and 1992 as a minor armed conflict that grew into a war between 1993 and 2001 and then de-escalated again in the years thereafter.



and economy as well as to promote the emancipation of other “Third World” countries. At this time, the oil rents allowed a system of broad resource distribution (Auty 2003: 40) inspired by socialist ideals. Through the distribution of the rising oil rents, a certain kind of social consensus was able to be maintained. The high state income has had some negative impacts which have determined the course of economic development to this day: a general weakening of agriculture and industry, a higher dependence on imports of food and consumer goods, and an increase in the service sector (Dillman 2000: 14).<sup>4</sup>

In the 1980s it became clear that the modernization projects could not be achieved as planned—both due to miscalculations and financial problems—and, instead, the country suddenly found itself in a deep political and economic crisis. What triggered this crisis off was the increasing pressure on oil prices since 1982 and their sudden collapse in 1986, cutting the price for Algeria’s Saharan Blend oil by half within just a few months (Aïssaoui 2001: 234). In the early 1980s, the oil income accounted for more than 95 per cent of total exports and around 60 per cent of total government budget resources (*ibid.*: 223), which makes the vulnerability to price shocks evident. The declining income made the previously generous public-spending policy very difficult, some subsidies were reduced and public enterprises were successively downsized.<sup>5</sup>

One of the dramatic consequences was a slowdown of employment growth, already under pressure by the considerable population growth and the high number of new entrants flowing into the labour market (*ibid.*: 236). Algeria borrowed heavily against anticipated rents to finance economic investment and social-welfare expenditure. This brought the country into spiralling debt. The debt service increased dramatically and, facing the resulting budget gap, the regime reacted by reducing imports and subsidies to consumption products (Keenan 2008: 164). This provoked popular discontent, which exploded in late 1988. The protests also very much expressed rejection of the authoritarian style of ruling (*ibid.*: 164). The then ruling President, Chadli Benjedid, reacted to the mounting social pressure by taking several measures to open the political system up. The main beneficiary of this step was the Front Islamique du Salut (FIS), a newly founded party without a clear political programme but with the aim of bringing about a fundamental change to the regime.<sup>6</sup> One change would certainly have been the taking over of the control of the state’s revenues.

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<sup>4</sup> These effects can be summarized as “Dutch disease”, which has been observed in countries benefiting from a rise in external rents (Cordon/Neary 1982). The basic argument here is that high windfall gains from natural resources—be it through a sudden increase in their price or through the discovery of new resources—leads to a larger money supply in the country, which in turn leads to inflation. Thereby the production of other sectors get more expensive and less competitive on the world market, which harms both the agricultural and the manufacturing sectors. This effect, observed in the Netherlands in the 1970s after the discovery of a major gas field and during its exploitation, can also be observed with some variations in many resource-exporting countries.

<sup>5</sup> Particularly since 1994 when Algeria embarked on structural adjustment programmes, but the recession was already being felt in the industrial sector at this time.

<sup>6</sup> Interview in Algiers, March 24<sup>th</sup>, 2008, Dahmane Sadi, vice president of the Islamic MSP party.

Besides financing development plans, these revenues, derived to a large extent from the resource sector, had also helped a small fringe of society to amass wealth. This obvious injustice fuelled the general dissatisfaction of the lower classes. The prospect of the FIS coming to power became more and more likely in view of the party's success in local elections and the first round of the national legislative elections. President Chadli Benjedid resigned just one day before the second round, on 11 January 1992, giving in to the pressure exercised by the military. The army leaders then stepped in, cancelled the elections and proclaimed a state of emergency—which is still in force today.

This *de facto* putsch immediately triggered a violent reaction by the political Islamists, and the radical members who were ready to fight gained more popular support.<sup>7</sup> The military counter-response was no less violent either. The officers interned many of the arrested demonstrators and fighters in camps in the Sahara (Lloyd 2003), torturing and killing some of them there. A considerable number of those arrested “disappeared” and are still missing today—estimates put the figure at close to 6,000 people (Werenfels 2005: 9). The intra-state war was to last approximately eight years with an overall death toll of around 200,000, according to official estimates. When Mohamed Boudiaf, the president of the Haut Comité d'État (HCE), which had been the national ruling body since the military putsch, was assassinated in June 1992, the war got even more out of control. While attempts at peace-making systematically failed,<sup>8</sup> the conflict soon took on an international scale, with foreign residents—French, Croats and Russians—also being killed. An Air France Airbus was hijacked in Algiers in December 1995 by members of the Groupe Islamique Armé (GIA), who threatened to crash the plane in the centre of Paris. In 1996, then, Algerian radical Islamists laid bombs in several metro stations in Paris. The country now became isolated, with more and more foreign embassies closing and foreign airlines strictly avoiding Algerian airports. The climax of the conflict was reached with the massacres of 1997 and 1998 (Sidhoum 2003). These took place in almost weekly midnight raids in which civilians were murdered indiscriminately—sometimes entire communities with between 50 to 400 inhabitants were slain (Cordesman 2002: 120). These massacres were mostly attributed to the GIA.<sup>9</sup>

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<sup>7</sup> The participating groups fluctuated and show the fragmented nature of the violent Islamic groups, which partly also fought against each other: the small group “Al Takfir wa-l Hijra” and the “Mouvement pour l'État islamique” (MEI) were founded in the 1980s and emerged publicly in 1992 (Martinez 2000: 21). The “Groupes Islamiques Armés” (GIA) soon joined in, and then the “Armée Islamique du Salut” (AIS) was founded in 1994 as the armed branch of the FIS party (Martinez, 2000: 91). One faction of the GIA would later—in 1998—evolve into the “Groupe Salafiste de la Prédication et du Combat” (GSPC) and be officially renamed “Al-Quaida of the Islamic Maghreb” (AQIM) in 2007 (Steinberg and Werenfels 2007: 407).

<sup>8</sup> Such as the Sant'Egidio Platform, bringing several conflicting parties together in 1994/1995 with the aim of solving the conflict. This initiative was rejected by the Algerian military government, which made it ineffective (<http://www.santegidio.org/en/pace/pace4.htm>).

<sup>9</sup> A noteworthy feature of this conflict is that both the Islamists and the security forces were reported to have repeatedly disguised themselves as their respective enemy to effectuate killing operations for trapping their victims and then blame their adversary for it. For this reason, the conflict has become highly complex as responsibilities are not always easy to determine (see, for instance, Mellah 2004).

The confrontation between the Islamists and the ruling elites in the 1990s should not only be seen as an ideological conflict about the “right” political and social order. It can be assumed that the conflict took a religious guise because political Islamists provided a coherent critique of the Algerian political and social order (Lowi 2005: 222), and were for a long time not suppressed as any other opposition movement. The Islamists were also highly critical concerning the administration and use of the oil revenues and loudly criticized corruption.<sup>10</sup> Many other mainly leftist parties claimed the same thing, but they had little access to funding (Lloyd 2003: 37) and were strongly repressed and stamped out by the state until the only serious opponent left was the FIS. One expert said: “The regime was attacked by the dog it had raised itself to act against the [leftist] opposition. It had become so powerful that it turned against the regime.”<sup>11</sup> The spread of political Islam, already strong in Algeria, was nurtured and radicalized by teachers and preachers recruited from Iraq, Syria, Egypt and other Arab-speaking countries in the course of the Arabization of the Algerian educational system. In many cases, the more radical and politically active people in these groups had once faced repression in their home countries. This impact by international factors becomes particularly apparent when considering that the greater readiness to fight was inspired by Algerian combatants, who had acquired fighting experience and connections to armed Islamist networks outside the country, coming back from Afghanistan (Faath/Mattes 1996, Lowi 2005: 231).

## 2.2 A New Wave of Violence after a Period of Stabilization

A period of stabilization can be identified after the war that is characterized by decreasing violence (from around 1999 to 2005). The drop in violence has much to do with several factors directly linked to the combatants (see, for instance, Tlemçani 2008). First, a large number of armed Islamists were killed by security forces. Second, some of the militant Islamist groups had gone too far with the massacres and other crimes they had committed, which made them lose much of their support among the people. Third, not a few of them surrendered when an amnesty was announced (especially in 1995) and as a result of the law on civil concord being implemented by President Abdelaziz Bouteflika, who was elected in September 1999. Fourth, a considerable number of the militants decided to leave the country in order to join the insurgents in Afghanistan and Iraq or other radical groups in Europe or elsewhere. This last point is relevant for assessing future trends.<sup>12</sup>

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<sup>10</sup> Interview with Louisa Dris-Ait Hamadouche, assistant professor of Political Science, Algiers, 4 February 2008.

<sup>11</sup> Interview with Badreddine Manaa, editor-in-chief of the newspaper *Le soir d'Algerie*, Algiers, 17 February 2008.

<sup>12</sup> For instance in 2007, hundreds of young Algerians seem to have been recruited for service in Iraq (Joffé 2008: 224). According to international terrorism consultant Evan Kohlmann, Algerians have constituted between nine and 25 per cent of the foreign suicide bombers in Iraq (quoted by Hansen/Vriens 2009). Some Algerian fighters were also involved in Afghanistan, such as the suicide bombers disguised as a film crew that killed the leader of the Northern Alliance, Commander Ahmad Shah Mas'ud, in 2001. Exact figures on the number of recruits are, of course, not available.

The increase in oil prices after 1999 and especially after 2001 also played its part by improving the financial position of the Algerian state and thereby its rulers' possibilities to regain strength, purchase loyalty and silence the opposition (Lowi 2009: 141f.). But despite the overall decrease in violence, many Algerian civilians were assassinated in this first post-war period (see Sidhoum 2003 for a list of events). The Salafist Group for Preaching and Combat (GSPC), founded in 1998 as an outgrowth of the GIA, became active, targeting members of the Algerian army, political office-holders and an increasing number of foreigners. In February 2003, for instance, it kidnapped 32 European tourists, who were liberated in May and August of the same year.<sup>13</sup> Large-scale terrorist attacks were the exception, however (Steinberg and Werenfels 2007: 408).

Violence has been increasing again since October 2006 and now displays a different nature (Joffé 2008: 225). Before, the armed Islamists rather attacked in their traditional stronghold in the north-eastern region of the country,<sup>14</sup> far from the oil and gas fields. The latest attacks show evidence of better planning and refinement of methods (MEES 10.8.2009). They also seem to aim at attracting more international attention. The main terror attacks were all claimed by the principal dissident groups, which are largely subsumed by the Salafist Group for Predication and Combat (GSPC). It has officially renamed itself Al-Qaeda in the Islamic Maghreb (AQIM) in early 2007; this step may indicate its reversion to the indiscriminate terrorism of the former GIA and its increasing targeting of the police as the civilian wing of the security forces (Roberts 2007: 4). They diversified their methods, inspired by those applied in Iraq and Afghanistan, and increased their threats to what they termed "crusading Westerners" (US State Department 2009). First, an attack was mounted near Algiers on 10 December 2006, targeting a bus carrying employees from the American company Brown and Root Coopers (a subsidiary of US construction company Halliburton). A few months later, on 4 March 2007, a roadside attack was made on a convoy of workers from the Russian company Stoytransgas (Reuters 4.3.2007). The simultaneous attacks on the Constitutional Council building and the UN's headquarters in Algiers on 11 December were very probably also meant to attract the attention of the international media, which they certainly succeeded in doing. In 2009 there were also lethal attacks on students and foreign experts, hitting their police escorts. Currently, Chinese workers and experts are threatened as AQIM recently warned it would avenge the repression of Muslim Uighurs in China (MEES 20.7.2009).

The ones hit by the attacks most of the time are simply ordinary Algerian citizens, however. On 13 February 2007, six people died and many others were injured in car bombings staged in the provinces of Tizi Ouzou and Boumerdès. The attacks of 11 April 2007 on a government building in central Algiers and on a police station near the international airport

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<sup>13</sup> But one of the hostages who had died.

<sup>14</sup> The regions affected by terrorist attacks are mainly the central eastern parts of the country (the wilayas of Boumerdès, Bouira, Tizi-Ouzou and Bejaia), the eastern part (with the wilayas of Jijel, Mila and Sikda) and the south-east with the wilayas of Tebessa, Biskra, Khenchela, Batna, Touggourt and El-Oued (CRI 2009).

left 33 dead and injured 220 (Maghrebia 11.12.2007). The “innovative aspect” about this attack was the use of suicide bombers. On 6 September 2007, an assassination attempt was made on President Bouteflika by a suicide bomber as well—the target was saved, but 22 other people died and 107 were left injured. In September 2007, a car bombing near the Algerian coast targeted members of the National Guards—28 people died and 30 were injured. A series of high-profile terrorist attacks occurred in August 2008 with at least 79 people killed, most of them in suicide bombings (US State Department 2009).

These and many other attacks on security personnel and infrastructure as well as the kidnapping of local people, foreign businessmen and tourists show that a considerable number of insurgents are still active. Hence, a closer look needs to be taken at the reasons why the efforts at stabilization seemed to succeed at first, but are now struggling to bring about enduring peace to the country. This recent development in the level of violence cannot be traced back to the country’s hydrocarbon wealth and the income deriving from it very easily. It is, however, interesting and pertinent to look at the ways the oil and gas revenues are used for stabilizing the country and for taking measures to achieve peace and reconciliation.

In sum, the violence Algeria has been facing in recent years has a long history, one in which the country’s oil wealth is not a “curse” or “blessing” in itself. Furthermore, it is not so much a problem of resource wealth, as the “resource curse” approach suggests, but one of overdependence (Basedau 2005) combined with policy choices that brought the country into a state of deadlock. These policy choices partly go back to struggles within the ruling class itself. They nevertheless contributed to the deep socio-economic imbalances which are partly at the root of the conflict.

### **3 Success and Failure of Peace-building through the Use of Resource Revenues**

The peace-building measures have largely concentrated on broadening the security sector (see Section 3.1.) and establishing a programme of national reconciliation (3.2.). Certain measures for promoting general economic development (3.3.) can also be considered relevant for providing the conditions for successful peace-building. In the first case, a link to the hydrocarbon revenues can be established more easily as the state’s financial scope of action regarding equipment and personnel vacillates in line with its hydrocarbon revenues. The second set of measures is funded by the government, too, and thus partly also by its hydrocarbon revenues, but follows a more complex logic. Thirdly, the efforts to promote economic and social development and their relation to the hydrocarbon revenues will be presented here briefly. The question of whether these different sets of measures really go far enough for achieving a situation of stable peace also needs to be examined.

#### **3.1 Stabilization by Reinforcing the Security Sector**

The government puts great emphasis on the country’s security forces. This is also apparent in view of the fact that Abdelaziz Bouteflika has not only been President since 2004, but also the Minister of National Defence and Commander-in-Chief of the Algerian armed forces. To a

large extent, the security expenditures are covered by revenues from the oil and gas sector, and as a consequence, they can augment in times of high revenues.

The defence budget has been one of the biggest expenses in the overall budget for many years. On average, Algeria has spent between 2.7 (2006) and 3 per cent of it (2007) a year on its security sector (SIPRI 2009), which is up to 17 per cent of its state budget (WDI Indicators 2009). Military spending has risen considerably in recent years. While it amounted to US\$1.9 billion in 1999, it nearly came to US\$3 billion in 2006, US\$3.5 billion in 2007 and almost US\$4.2 billion in 2008 (calculated in the constant exchange rate set for \$US in 2005, SIPRI 2009). The budget for 2009 amounts to US\$39.9 billion; with the budget for national defence purposes rising by almost 30 per cent to US\$5.9 billion, this was slightly more than what was spent on education and considerably more than in the health sector. The terror attacks undertaken since 2006 have led to reinforcement of the state's security forces, which already have a prominent position in the country. At the moment, the police force has also been strengthened: In 2007, it numbered around 120,000 officers, and by the end of 2009 this will have risen to approx. 200,000 (CRI 2009). In Algiers alone, the number of police officers has doubled since 2007, increasing to around 40,000 by 2009. The national *gendarmerie* has been strengthened as well, rising from 80,000 gendarmes in 2007 to 140,000 by the end of 2009 (ibid.). This higher spending, justified by the growing threat of terrorist attacks, could easily be financed by the rising oil revenues. Even now that prices have fallen, the currency reserves still allow the expenses to be maintained. This higher spending gives the state more leeway in reacting to terrorist attacks and tracking down terrorist groups. The fact that terrorist groups were able to stage attacks in the middle of Algiers or in other highly protected areas shows that this method is not infallible, however.

Algeria is currently spending much more on international arms purchases than any other African state (SIPRI 2009). Several billion-dollar arms deals with Russia and other countries have led to a strategic imbalance in the region. The fight against terrorist groups often serves as a pretext for buying weapons, but much of the material purchased can be seen as a conventional means of defending the independence of the country and the integrity of its territory, securing its borders, establishing public order and repressing forces of unrest (Sehimi 2008). As Egypt, Libya and Morocco are highly equipped as well, even if there exist no direct threats, Algeria's heavy armament could lead to a conflictual situation occurring in the Maghreb region, with all four countries jostling for power in the region. As far as the impact of the build-up of arms and security forces on the level of internal violence is concerned, it is obvious that given the persistence of terrorist groups, their activities cannot be reduced through military and police action alone. Besides military deterrence, softer peace-building measures have therefore also been introduced.

### 3.2 Peace Promotion through “Reconciliation” and Its Link to the Resource Sector

The main measure to mention here is the programme for civil reconciliation implemented by President Bouteflika and partly financed by oil revenues. As a means of stopping the vicious circle of violence from continuing, the government decided to give combatants the possibility to cease armed fighting and return home without any fear of reprisal and even benefiting from compensatory payments. This started as early as 1995 when the amnesty law was introduced by President Liamine Zéroual. According to official figures, around 6,000 combatants accepted amnesty at this time (Joffé 2008: 216). This law was replaced in 1999/2000 by the “Civil Concord” proposed by the newly incumbent president, Abdelaziz Bouteflika, as a means of ending the civil war.<sup>15</sup> The new legislation, approved by the Algerian parliament in June 1999 shortly after the presidential elections, offered the possibility of amnesty to those who had not been directly involved in massacres, rapes or murder, and partial amnesties with limited remissions of sentences to those who had been involved in such crimes (ibid.: 215f.). This was reiterated in February 2006 when the “Charter for National Reconciliation and Peace”, which had been approved by 97% of the voters in a referendum held some months before, came into force. The amnesty was intended to make the reintegration of former combatants into society possible and thus stop combatants from continuing with violent activities due to a lack of alternatives. This change in strategy by the state was not only a result of the limited success of the massive repression, “it was also an attempt to broaden the national legitimacy of the military regime and to put an end to the international isolation into which Algeria had slid due to its violent conflicts” (Werenfels 2005: 11).<sup>16</sup>

According to Djamel Ould Abbas, Minister for Solidarity, Family and Algerians Abroad, the Charter for Peace and National Reconciliation cost the Algerian state 20 billion dinars (200 million euros) up until September 2009.<sup>17</sup> It is very likely that the high oil revenues allowed the government to give this material backing to the reconciliation policy of President Bouteflika, for instance through compensation payments, and therefore the stabilization of Algeria since about 1999/2000 can partly be linked to the rise in these revenues.

Nevertheless, in Algerian society, many people are unsatisfied with the amnesty measures. The charter has been criticized for placing culprits and victims in the same basket (Pargeter 2006). The government declares in the document that it is not guilty of the disappearance of Islamists and other individuals—actions in which elements of the security services were involved—and it sets limits to the provision of compensatory payments (Charter for National Reconciliation and Peace 2005). The fact that former terrorists receive compensatory

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<sup>15</sup> This amnesty consisted of two parts: the actual Civil Concord and a presidential amnesty granted to the Armée Islamique du Salut (AIS), which had already agreed a truce with the army in October 1997.

<sup>16</sup> The international isolation was one consequence of the risk of terrorism in and outside Algeria, but it was also increased by the military government refusing to allow any foreign investigations or interference.

<sup>17</sup> BBC/Tout sur l'Algerie website 3.10.2009.

payments—exceeding those accorded to their victims and their families—has created serious grudges from the side of the victims.<sup>18</sup> As human-rights organizations have repeatedly asserted, this institutionalizes a climate of impunity. Beyond the reduction of violence, it cannot be excluded that “[t]he principal (hidden) interest of the authors of the document is the impunity granted to members of the security forces who were involved in massive human rights abuses” (Werenfels 2005: 11). It probably also serves the purpose of preventing former combatants from speaking out and revealing inconvenient truths.<sup>19</sup>

The lower level of violence compared to its growth in the mid-1990s does not mean its near end, as the frequency of new attacks makes clear. The renewed violence does not pose a direct danger to the state, but it “does mark the chronic failure of the regime to handle its opponents and suggest that the amnesty in 2006 has not achieved its objectives, instead sparking off new resistance” (Joffé 2008: 225). Sometimes, given the neglect of investigations and punishment of culprits, acts of vigilante justice are reported. Furthermore, there is no guarantee that the members of the armed underground groups who have been amnestied since 1999/2000 have really turned their backs on violence for good (Mattes 2003: 165). In sum, potentially destabilizing factors have not diminished in Algeria since 1989, and the measures for achieving reconciliation do not reach the roots of the problem.

### 3.3 Socio-economic Development for Conflict Prevention

Part of the nation’s proneness to conflict and violence is rooted in the socio-economic development of the country, and it is easier to establish a link to natural resources here than for the conflict itself. Some precautionary measures were taken this time, such as a much lower level of debt and other measures boosted by the higher hydrocarbon revenues (3.3.1.). Structurally, though, the situation is not very different to that of the late 1980s (3.3.2.).

#### 3.3.1 *Hydrocarbon-driven measures bring some positive effects*

Algeria’s hydrocarbon revenues have been very high and promising in recent years. In 2007, the state earned US\$59.3 billion and in 2008 its earnings amounted to US\$75 billion (AFP, 19 Oct 2009). These revenues can allow the state to flesh out its measures for conflict prevention through peace-building and deterrence as well as through its general development policy. But the volatility of the world oil price and the parallel fluctuation of the Algerian state’s income are still a major problem, and one that became obvious again during 2008. The oil-price bubble, which rose to almost US\$140 per barrel in July 2008, plummeted to less than US\$40 in December of the same year and is currently at a relatively low and instable level of US\$76 (February 2010). While Algeria earned 63 billion euros in revenue from its oil and gas exports

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<sup>18</sup> Interview with Fatma-Zohra Kheddar, responsible of the memorial centre of the association Djazairouna for the victims of terrorism, 25 February 2008, Algiers.

<sup>19</sup> Interview with the historian and editor Daho Djerbal, 12 February 2008, Algiers.



between January and September 2008, this amount fell to less than half (31 billion euros) in the same period of the following year, as Sonatrach's then-incumbent director Mohamed Meziane announced (AFP, 19 Oct 2009). The country's high dependence on the resource sector makes the economy and the government vulnerable to crises, and the variation within a relatively short period has left traces that show some alarming parallels to the period before the unrests of the late 1980s.

In view of the risks that can occur due to the volatility of the oil price, a regulation fund (Fonds de Regulation des Recettes) was introduced in 2000 for saving surplus revenues. Any budget surplus above a certain benchmark of the oil price is saved in this fund. This benchmark price was fixed very conservatively at US\$19 per barrel for the period from 2000 to 2007 and rose to US\$37 per barrel in mid-2008. Since the price drop, this fund has been able to balance out the lower revenues. At the end of 2008, it held about US\$76 billion. One of the most sustainable measures made possible by the higher revenues was certainly the reduction of the country's total foreign debt. In 2006, it paid back almost its entire debt to the Paris Club ahead of schedule, and already since 2005, new indebtedness is principally prohibited for any state institution. Correspondingly, the total foreign debt amounted only \$US 3.9 billion at the end of 2008 (German Embassy Algiers, 2009).

A large part of the revenues was saved. The state has tried to avoid overheating its economy by placing a considerable amount of its income outside the country. This decision has become a problem, though: when the world financial crisis started, access to these funds became difficult. Karim Djoudi, Algerian Minister of Finance, announced in November 2008 that the entire Algerian reserves—around US\$ 135 billion—had been placed abroad in US and European banks (*L'Expression*, 11.11.2008). The retrieval of these funds needs to be effected in several steps, therefore Algeria does not have immediate access to them. According to economist Abderrahmane Mebtoul (President of Adem, the Association for the Development of the Market Economy in Algeria), short-term retrieval would lead to a reduction of more than 30 per cent of the bonds (*Jeune Afrique*, 11-17 January 2009). For a while, it was unclear whether these funds had been placed with one of the US banks that broke down in the course of the financial crisis, but as it turned out, this was not the case.

The main reasons for social dissatisfaction over the last few years are the lack of housing, the lack of water, the loss of purchasing power and the continuing political violence. Some projects introduced by the government are aiming at responding to these needs. Since 2005, the Algerian state has invested around US\$ 155 billion in its programme to achieve an economic relaunch (Programme pour la relance économique)—three times more than initially planned. Parts of this are earmarked for its construction programme for creating more than a million affordable housing units, its programme for job creation, the East-West motorway, the renewal of water infrastructure and the construction of new urban centres in Hassi Messaoud and the High Plateaux (see Mattes 2009 for details of the regional and rural development plans). The problem here, however, is that infrastructural projects do not gen-

erate economic activity by themselves; they can only improve the climate in which such activities can develop, especially through private investment. The question of distributional justice also remains: who will profit from these measures in the end? Who will have access to them and who will not? The moment these issues become clearer, they may provide new reasons for grievances by those who feel left out.

The question of whether the development plans can be realized will therefore depend on price developments in the future. According to estimates made by the Economic Intelligence Unit, for its planned expenditure in 2009, Algeria needs an oil price of US\$ 60 to US\$ 65 per barrel to avoid a budget deficit (EIU 2009: 6). Currently, the price is above this figure, but the recession in many industrial countries is keeping the market unstable. One World Bank expert has stated that the financial reserves of Algeria will be depleted by 2012.<sup>20</sup> In sum, the high windfall gains from the country's hydrocarbon resources have mainly been invested in ambitious infrastructure and housing projects or used for consumption subsidies,<sup>21</sup> none of which is necessarily an effective means of solving the deep structural problems still affecting the Algerian economy and society.

### ***3.3.2 ...but do not meet the deep structural deficiencies of the country***

The structural problems that made the country vulnerable to crises and thereby indirectly to conflict in the 1980s have still not changed fundamentally—on the contrary, the economic dependence on the oil sector is even more pronounced today. For the Algerian state, hydrocarbons remain the principal source of foreign exchange as they constitute 98% of its exports today (IMF 2009). They are also an important pillar of the budget as 76% of the overall budget revenue and 44% of the gross domestic product (GDP) derive from this sector (data for 2007, IMF 2009). This situation is dangerous regarding the long-term stabilization of the country. In the following, the focus will be on aspects the government has *not* touched sufficiently, but which are relevant for long-lasting peace-building.

Algeria's economy is suffering from serious illnesses which are partly linked to it being a rentier economy: the import sector is strong and has a major share in basic food products, pharmaceutical products and consumption products—a typical symptom of “Dutch disease”. In the aftermath of the 2008 oil-price drop and the rising pressure of world prices for food, the government implemented several measures limiting the amount of imports permitted (Liberté, 2.9.2009). But still, entrepreneurship and innovation, which could both substitute imports in responding to domestic demand and help to increase non-hydrocarbon exports, remain paralyzed by barriers to investment such as insufficient access to financing, major bureaucratic hurdles and widespread corruption (Hadjadj 2007). The Global Competitiveness Index for 2008-2009, which is maintained by the World Economic Forum, ranks Al-

<sup>20</sup> Dr. Amhamed Hamidouche quoted in “L'Expression”, 27 August 2009.

<sup>21</sup> Such as the rise in subsidies for basic foodstuffs (milk, grain, etc.) realized by an additional budget passed in June 2008.

geria 99th out of 134 countries. The country got very low scores compared to other countries, especially in categories such as “efficiency of the labour market” and the “sophistication” of the financial market and the business sector (World Economic Forum 2009). The situation is similar when it comes to corruption: in 2009, Algeria was ranked 111th out of 180 countries, far behind its neighbours Morocco (89) and Tunisia (65) (Transparency International 2009), which is a clear deterioration compared to previous years.

Corruption and fraud are frequent practices in the Algerian economy and politics, but only rarely is there proof of this, and legal action is hardly ever taken (Hadjadj 2007). There is evidence that the oil and gas sectors are highly affected by this as particularly good “earnings” are to be made there. Up to now, the hydrocarbon sector, which is “the backbone and principal instrument of state power, has remained above supervision, regulation and accountability” (Lowi 2007: 134). It is likely that parts of the hydrocarbon rents have been distributed in obscure ways. The state-owned company Sonatrach, founded in 1963, is called a “state within the state” (Entelis 1999) as it has never been subjected to the monetary and fiscal controls that are imposed on other companies and reliable information regarding the methods of distribution, the sums distributed and their recipients is unavailable (Lowi 2007: 134). The rents deriving from the resource sector “have facilitated the consolidation of a vast informal clientelist organization that operates under the cover of official institutions. This being the case, Sonatrach remains the locus of some of the most virulent political struggles, at the same time as it resists reforms” (ibid.). Networks of loyal supporters are constructed through the selective distribution of rent and other material (ibid.: 138). This development is widely compatible with the rentier state theory (Mahdavy 1971, Luciani/Beblawi 1987). Recent events provide hope that the system will become a little more transparent in the future. At the initiative of senior oil expert Hocine Malti at the end of January 2010, investigations on irregularities linked to the commercialization of Algerian oil and on the execution of several oil and gas contracts were started. This itself had far reaching consequences: several leading figures from Sonatrach, among them CEO Mohamed Meziane and four of his five vice presidents, were suspended (Jeune Afrique 7-13. February: 38 ff.). Still, Malti regrets that the investigations are limited to technocratic personnel and do not affect influential political and military personalities (ibid.).

Sinking purchasing power affects the majority of the population, and the situation of the former middle class is particularly deteriorating. Many of these citizens now need to take up two jobs to maintain their social position and avoid falling below the poverty line. Sustained growth in the job-intensive non-hydrocarbon sector through the above-mentioned infrastructure programmes, among other things, has reduced unemployment, but this still remains seriously high, especially among young people (IMF 2009: 6). It was reduced from more than 23 per cent in 2004 to 11.3 per cent in December 2008 (ONS 2009), which is equivalent to 1.2 million unemployed as opposed to 10.3 million working people. This number, however, conceals the high number of persons below 30 years of age that are affected; at the

end of 2008, they constituted 75 per cent of the unemployed (ONS 2009). Also, a high number of people with university degrees have no job. And every year, new jobseekers enter the labour market. While official statistics since 2000 show a relative decrease in unemployment, there is evidence that working conditions for young people have actually become more precarious (Musette 2008: 86).

The high number of unemployed people and the lack of capacity on the part of the economy to absorb them have caused informal economic activities to flourish; the “*trabando*” sector,<sup>22</sup> as it is commonly known, is highly organized and is an important source of income for armed Islamist and criminal groups besides, for instance, profitable kidnappings. This shadow economy hampers the development of a functioning and productive formal economy additionally. A large part of the trade with consumption goods and currency exchange takes place here (El Khabar, 29.8.2009). As many households live from this informal economy and as parts of the elite also earn good money from this situation, stamping out the sector is very difficult.

The degradation of the socio-economic situation despite the hydrocarbon boom has led to a clear rise in delinquency (CRI 2009). There is latent sense of insecurity both in towns and in rural areas as a result. Unemployment and the lack of supervision for young people open the way for all kinds of crimes, such as drug trafficking, rape, kidnapping and wilful destruction of property (*ibid.*). Not only terrorism and delinquency, but also social unrest is a sign of deep dissatisfaction with the system and people’s personal prospects in life that could increase their readiness to undertake violent activities. A disproportionately high share of young people in a society—also called the “*youth bulge*” (Fuller 2004)—is considered by some analysts as linked to a high potential for violence, especially when taking into account the high number of frustrated, unemployed young men (Fuller 2004, Urdal 2004, Heinsohn 2006). There is evidence that the “*youth bulge*”, and especially the low prospects of the young generation in Algerian society, played a major role in the outbreak of the civil war: by 1986 it was estimated that around 75% of Algerians between 16 and 25 were without any work (Cordesman 2002: 113, footnote 126). The lack of prospects for today’s young people can become a highly explosive factor for a country in crisis. Violent demonstrations took place in Algeria almost every month in 2008. These reveal increasing anger in several regions of the country, particularly among young people affected by a range of social problems who, according to observers, gave vent to their frustration because of the political inertia regarding the misery in which they were living (Le soir d’Algérie, 29.5.2008).

The phenomenon of the so-called “*harraga*”, i.e. of mainly young people fleeing the country in boats in search of a better life on the other side of the Mediterranean as legal migration has become very difficult, is a sign of a silent rejection to staying in the country. This is also related to the distribution of the country’s wealth, as political scientist Louisa Dris-Ait

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<sup>22</sup> Derived from the word ‘*contraband*’.

Hamadouche emphasizes:<sup>23</sup> Algeria is a resource wealthy country from an external perspective<sup>24</sup> and the distribution of its assets is perceived as being deeply unjust. This has especially been the case since the economic opening and the spread of the private sector were pushed through, whereby social differences increased. Previously, there was a real middle class, which is now getting smaller and smaller. The newly rich, by contrast, are growing increasingly visible—and ostentatious, which just increases the frustration on the part of the have-nots.<sup>25</sup>

All three dimensions identified here, namely the strengthening of the security sector, the measures for achieving reconciliation and those for coping with profound socio-economic changes can be considered relevant to peace-promotion. They are all somehow linked to the resource sector as the state's funding is to a large extent based on the oil and gas revenues it receives. The success of all these measures has clearly been limited up to now, as the resurgence of violence shows. Some constraints affecting their success will therefore be addressed in the following section.

#### **4 Constraints on the Outcomes of the Efforts for Conflict-resolution**

Measures for peace-building are mainly implemented by the Algerian government, with some national and international NGOs active in small-scale projects concerning violence prevention. Given the potential for violence in Algeria, however, which is still considerable, there is evidence that these measures have not gone far enough in reducing the danger of falling back into a state of permanent conflict. The measures the government has adopted rather seem to be a treatment of the most visible symptoms—and even this has only been done randomly—while the deep roots of the social, economic, identitarian, ideological and political cleavages remain largely untouched. No solution is in sight, particularly regarding the question of distributional justice, which fuels all of these conflicts.

Four factors are spoiling the current efforts at sustainable peace-building through the use of hydrocarbon revenues, and these factors have already contributed to the outbreak and escalation of the civil war:

##### *1) Powerful Actors Profiting from the Current System*

As there is no single power centre in Algeria, but many of them, they compete with each other, among other things, for access to the oil rents. In Algerian jargon, these influent groups are called “clans”, which consist of military and secret-service officers, top-level administrative officers, influential people involved in politics and the economic scene, and—in recent years—more and more businessmen (Werenfels 2007: 82). The split between the elite

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<sup>23</sup> Interview in Algiers, 4 February 2008.

<sup>24</sup> As already noted the wealth is less impressive in per capita terms.

<sup>25</sup> Interview with Louisa Dris-Ait Hamadouche, Algiers, 4 February 2008.

and the different sections of civil society that is observable in Algeria is theorized by Elsenhans' concept of the "state class" (Elsenhans 1989, 2001, 2005). The state class consists of several segments rivalling one another and each being composed of a central and several peripheral clans and groups. They build on traditional and modern solidarities such as revolutionary fellowship, regional and tribal origin or membership in a religious confraternity (Werenfels 2007: 82) and behave as rent-seekers in the state system. Only through the rent—and it is here that the oil economy becomes relevant and the link to the rentier state theory becomes visible—do these groups of clans become a segment with more or less clear political, economic, ideological or social programmes and goals (Ouaissa 2004: 203). As the writer Boualem Sansal put it, the rich in a rentier state with high resource income—contrary to those in agricultural and industrial societies—do not need the poor for generating their income and are therefore ready to treat them correspondingly.<sup>26</sup>

One hypothesis postulated by observers is that in times of lower oil prices, the various clans increase their competition for what is then the smaller cake, and this can also impact on the conflict intensity (Ouaissa 2004). Even though these "clans" are not as easy to identify as the term might suggest,<sup>27</sup> many observers consider the ruling class as a hermetic circle, which is closed to everybody not belonging to it.<sup>28</sup> As a result, the politicization of culture and religion as a means to access the inner circles of the state class becomes interesting when other ways of gaining power remain closed (Ouaissa 2004: 219). Further, interlaced interests between the adversary parties—insurgents and parts of the elite alike—contributed in the 1990s to a continuation of violence and a shift to a war economy (Lowi 2005: 232ff.); they could even have played a part in sustaining the violence until now.

## *2) Military Suppression of the Militant Groups as the Dominant Approach*

The predominant way of combating terrorism through violence is exercised by the security forces. This was especially pronounced during the civil war when a group of generals called "eradicateurs" (as opposed to the "réconciliateurs") had a predominant role within the army and were determined to destroy the Islamists in the ongoing civil war mainly by using the military-police force and infiltration (Werenfels 2007: 81). This contributed to the escalation of the war and to the high death toll (Lowi 2005: 235). Today, the armed forces still actively combat the armed Islamist groups, but many raids and counter-raids by both sides can be interpreted as actions of revenge. In 2009, for instance, AQIM declared its attacks on 17 and 19 August to be its revenge for the killing operations conducted by the secret service and the army a few days earlier (France 24, 2.9.2009). The army, in turn, also reacts to terrorist violence and hunts the culprits. As a result, an endless circle of action and reaction is kept alive and many more lives are sacrificed to the ongoing conflict.

<sup>26</sup> Interview in Algiers, 3<sup>rd</sup> March 2008.

<sup>27</sup> Interview with historian and editor Daho Djerbal, Algiers, 21 February 2008.

<sup>28</sup> Interview with a CEO of a company specializing in hydrocarbons, Algiers, 3 February 2008.

### 3) *The Marginalization of Civil Society in the Peace Process and a Lack of Democracy*

Another important constraint is certainly the fact that the reconciliation measures have been imposed in a top-down fashion, rendering investigations and discussions about past events impossible and thereby excluding Algeria's civil society. This provoked criticism and causes profound dissatisfaction with the government's programme, which was described above. The amnesty measures and the tendency to avoid investigations are not atypical for post-conflict societies, however; many countries that have undergone bloody conflicts only analyse committed crimes many years later—if at all. Nevertheless, this may help to heal some of the distrust felt towards the state and towards fellow citizens that prevails within the society in question. Some experts fear that “the charter legislation may even have further entrenched violence inside Algerian public and political life” (Joffé 2008: 223) as impunity can be a sign of inherent acceptance of committed crimes. This could contribute to rising frustration, hatred within social groups and concrete acts of vengeance.

In the political domain, there are a number of features that might favour the use of violence within ongoing conflicts. While a democracy in theory and by name, Algeria actually has authoritarian features<sup>29</sup>, such as upholding the state of emergency since 1992 or designing and enforcing laws limiting freedom of expression, thereby allowing the imprisonment of journalists and lawyers whenever they dare to criticize the head of state or the armed forces' activities (during the civil war, for example).<sup>30</sup> Also, the continuing influence of high ranking officers of the armed forces, even though it has been less apparent since 2003, is a serious impediment for an open political system. It is justified in view of the difficult security situation in the country. In this sense, as civil-society activist Merhab Mahiout put it, there is also “a utilitarian dimension of terrorism. The state needs the dreadful picture of terrorism, needs it to be maintained, for showing that the plague is better than cholera.”<sup>31</sup> One of the consequences is the heavy emphasis placed on the presence of security forces and on the tight control of the population. Political officeholders can use terror in order to preserve their advantage in the control of political and economic resources (Lowi 2005: 236). Despite the existence of all regular democratic institutions and their composition through elections, many Algerians call the system a “façade democracy” where social and economic conflicts cannot be effectively solved through institutional procedures. Institutions of civil society are also frequently criticized: even though Algeria is now one of the most “association dense” coun-

<sup>29</sup> Freedom House assigns the status “Not Free” to Algeria (Political Rights Score of 6 and a Civil Liberties Score of 5, from a worst-possible score of 7) (Freedom House 2009), and the BTI assigns 4.37 points from a best-possible score of 10 for its democracy status (BTI 2010).

<sup>30</sup> Also regional movements claiming more cultural rights, such as the Berbers (or Amazigh people) of Kabylia, have been repressed. These tensions are also linked with socio-economic dissatisfactions—the overall distribution of the state's wealth—but they are not explicitly aiming a direct share of the rents.

<sup>31</sup> Some analysts go as far as saying that the state's security forces, and here especially the Algerian intelligence service (Department of Intelligence and Security), are behind some of the recent attacks and also behind some of the massacres committed in the late 1990s (see, for instance, Gèze/Mellah, 2007).

tries in the Middle East and North Africa (Liverani 2008: 1), the influence of civil society in contributing to political change remains limited. Rather, observers believe that the associative sector has helped to maintain some of the institutional arrangements of the Algerian state as such, some associations having been used as a source of enrichment for certain individuals and groups (ibid: 164 f.). Most of them avoid any politically sensitive issue anyway.

#### *4) An Overemphasis on Sovereignty in Peace Issues*

External peace-building measures are generally considered to be an intervention in domestic politics and a problem for national sovereignty, which is why they are very limited.<sup>32</sup> This can to some extent be traced back to the experience with colonialism and the origin of the current power structure from the revolution against foreign domination. But measures undertaken by Algerian non-governmental organizations or other civil-society groups also operate within tight limits.<sup>33</sup> Cooperation with international non-governmental organizations and UN bodies experienced in the treatment of traumatized people, in the promotion of civic education and of peace-building measures can be fruitful. To limit inconveniences sometimes linked to the involvement of NGOs and international organizations in domestic policies (Debiel/Sticht 2005), such as their lack of democratic legitimacy, their activities could be monitored by the government or independent regulatory bodies. But up to now, the government has refused any major involvement that might include a detailed investigation of the civil-war period. The categorical refusal to accept an international investigation of the December 2007 attacks on the UN's headquarters in Algiers also falls within this area.<sup>34</sup> A degree of cooperation does take place with the United States regarding its counter-terrorism initiatives, but these activities have the same constraints as those presented above, mainly involving the violent chase of Islamist fighters, and might not lead to the roots of terrorism eventually dying.

Terrorism also needs to be seen in an international dimension: not only combatants, but weapons, ammunition and the financing of cells of insurgents are crossing borders. Some of the radical Islamist groups in the 1990s were (and probably still are) financed to a considerable extent by Saudi Arabia, other Arab countries or groups based in these countries and elsewhere. This also brings the question of natural resources back into the centre of the analysis, regarding the source of the money and the fact that power shifts could, besides ideological proximities, also lead to financial advantages and a rise in power deriving di-

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<sup>32</sup> Some international NGOs, such as the Italian Committee for Solidarity between People (CISP), in cooperation with national NGOs, are nevertheless active in conflict prevention, for instance by promoting peaceful conflict resolution methods for children, but their scope of action is very limited.

<sup>33</sup> Interview with a French civil-society activist, Algiers, 13 February 2008.

<sup>34</sup> Algerian Prime Minister Abdelaziz Belkhadem had clearly opposed plans announced by UN Secretary-General Ban Ki-moon on 14 January 2008 for an independent investigation of the 11 December suicide bombings as the move was considered as an attempt to interfere in domestic affairs (Maghreb 17.1.2008).



rectly from access to resource flows. Geopolitical dynamics and international interests concerning the access to and control of valuable natural resources in Algeria and elsewhere, which went beyond the scope of this article, could therefore have important impacts on domestic factors fuelling conflicts within Algeria (Cavatorta 2009) and can only be effectively addressed on an international level. This should be taken into account when looking for ways to shift to a genuine post-conflict situation.

## 5 Lessons Learned and Conclusions

The hydrocarbon revenues have, indeed, had an effect on peace and stability in Algeria: they fuelled the conflict *and* were used as an instrument for achieving peace. As the distorting effects on the whole economy are strong ones and many of the imbalances stem from one-sided reliance on the resource sector, it cannot be denied that their negative impacts are far-reaching. Seen from a counterfactual angle, however, it is unclear whether Algeria would be much better off in socio-economic terms if it did not have any revenues from natural resources at all.

Oil revenues also flanked the way out of the civil war and into a more or less stable political situation. The government has mainly chosen to work through a highly present security sector to implement some general economic programmes for improving welfare and to adopt a strategy of civil reconciliation, which mainly consists in an amnesty for former combatants and some compensatory payments. All three measures were largely financed from hydrocarbon revenues, which can thus also serve as an instrument for achieving peace. High windfall gains extend the leeway of the government and can also boost economic activity in certain sectors in which the government has decided to invest. But once the revenues fall, these measures are difficult to sustain. Two factors that determine whether the positive effects outweigh the negative ones or vice versa are the development of the oil price and the way the resource revenues are managed. The impact on violence and the question of whether enduring peace can be achieved are nevertheless much more complex and go beyond the mere distribution and use of resource revenues.

Upgrading police and army forces to display the state's strength is a typical measure taken by an authoritarian state—especially if it is independent from tax extraction thanks to its high income from the resource sector and can therefore spend the money freely at its will. The high windfall gains derived from the hydrocarbon sector in the last years gave the government further a great deal of leeway for implementing its reconciliation policy, among other things. Also, the measures for large-scale distribution, mainly achieved through subsidies for consumption products such as basic food products and petrol, fit in with the theoretical predictions made for a rentier state like Algeria. The “resource curse” approach is mainly useful with regard to the fact that the Islamist forces—and probably any other oppositional groups—are likely to aim at controlling the hydrocarbon revenues once in power.

The main struggle has actually been about this access to power, of which the country's natural resources only constitute one element. A fundamental issue in this context is the attraction that terrorist networks and other violent groups have on young recruits in Algeria. This necessarily leads us to questions of grievances about and the reasons for the unjust distribution of resource revenues in Algeria and other resource wealthy states affected by violent conflict.

Many lessons could be learned from the Algerian case, but one is especially obvious: the lessons that could have been drawn from the conflict in the 1990s have not led to any fundamental changes in the economic, social or political structure of the country. Its dependence on oil and gas remains a heavy one and social development also seems to be paralyzed in this unproductive, rent-based and import-dependent economy. Part of the nation's proneness to conflict and violence is rooted in the socio-economic development of the country, and it is easier to establish a link to natural resources here than for the conflict itself. One of the concluding assumptions therefore is that the use of resource revenues for conflict prevention and peace-building very likely leads to sustainable results only when embedded in full-fledged reforms of the entire economic and political systems. But as central actors in the state and the commercial elite live quite well with this system, it is more than uncertain whether those who wholeheartedly advocate reforms are eventually going to be successful. A sustainable, profound change from within the system remains improbable. This, when combined with other unfavourable circumstances, could make the transformation of popular dissatisfaction into violence even more likely.

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