



EUROPEAN COMMISSION

## MEMO

Brussels, 27 March 2014

### ENP Package – Algeria

*The EU and Algeria are linked by an Association Agreement (AA) signed in 2002 and which entered into force in 2005. In December 2011 Algeria officially indicated its willingness to start exploratory talks regarding the elaboration of an Action Plan under the renewed ENP. These talks started in October 2012 on the basis of an EU proposal. An Algerian counter-proposal was transmitted on 30 July 2013 and a first negotiation round took place in Algiers on 13 October 2013.*

*No Country Progress Report is prepared for Algeria in the absence of an approved ENP Action Plan.*

### Political situation and latest developments in EU/Algeria relations

In the context of **EU-Algeria relations**, regular bilateral meetings took place in 2013, under the Association Agreement (including a meeting of the sub-committee "political dialogue, security and human rights" in May). Mr Barroso, President of the European Commission, visited Algeria (7-9 July) which allowed *inter alia* signing a Memorandum of Understanding on strategic energy partnership. The EUSR for the Sahel (Mr. Reveyrand de Menthon) and the EU Counter-Terrorism Coordinator (Mr. De Kerchove) also paid visits to Algeria (23-25 June 2013 and 14-16 January 2014) illustrating the interest of both sides to strengthen dialogue and cooperation on security and regional issues. The negotiation process for an EU/Algeria ENP Action Plan started during the second half of 2013 with a first negotiation round in Algiers (13 October). The visit of an EP Delegation (28-31 October 2013) was the occasion to strengthen the dialogue among the respective Parliaments.

The domestic political situation in 2013 has been characterised by a major **government reshuffle** entailing the renewal of half of the members of government, including the key posts of interior, defence and foreign affairs, while maintaining Prime Minister Abdelmalek Sellal. Presidential elections will be held on 17 April 2014; the process of constitutional reform has not progressed. A commission of experts submitted a report to the President on 17 September. The report is not public and details are unknown, but the two main issues publicly discussed are the creation of the position of Vice-President and the possible extension of the presidential mandate from 5 to 7 years. Most opposition parties object to any constitutional reform before the presidential elections.

With regard to **political reforms** launched since 2012 in various areas, the process of completion of basic laws by subsidiary legislation (including decrees for application) has remained slow. Some of these laws – such as the law on associations – have also clear shortcomings compared to international norms and standards. Important draft laws on reform of the penal code and on the audio-visual sector are still pending. In 2013, there has been no visible progress in the implementation of the recommendations of the EU Election Observation Mission (May 2012 legislative elections).

**NGO activities** are regulated by the 2012 law on associations that requires a new registration (by January 2014) and restricts international cooperation. A certain number of domestic NGOs and almost all international NGOs are confronted with problems in the mandatory registration process. Several international NGOs complained to the EU authorities that their representatives have been unable for some years now to obtain visas for entering Algeria, which hinders their work and cooperation with local NGOs. The EU has raised on many occasions the problems regarding the implementation of the 2012 law on associations. In November more than 30 domestic civil society organisations started a mobilisation campaign in favour of the abrogation of the law on associations.

The overall situation with respect to **human rights** has not changed significantly in 2013. There is a perception of a continued lack of judicial independence and the situation seems to have deteriorated with respect to the freedom of association and assembly (including continuing hindrances for independent trade unions) and the freedom of expression (including for bloggers). There is a high-level (30%) representation of women in Parliament since 2012 but contentious provisions in the Family Code have not changed.

## **Economic and social issues**

High global hydrocarbon prices and increased government expenditure, partly aimed at limiting social discontent in a volatile regional context, were the two main factors influencing Algeria's economic situation in 2013. Comfortable foreign exchange reserves and low external debt levels place the country in a financially strong position, able to weather external shocks. However, the strong increase in budgetary expenditure over the last five years, requiring an oil price well above USD 100 to cover budgeted expenses in 2014, could create imbalances difficult to repair in case of a prolonged cycle of lower oil prices.

Algeria ranks 153rd (out of 189 economies worldwide) according to the World Bank's 'Doing Business 2014' report.

Investing in human capital (education, training, employment and health) and creating effective employment opportunities (notably among young people and women) will be crucial to strengthen sustainable and inclusive growth over the next years and to maintain social peace. In that context, economic reforms are urgently needed, in order to diversify and to strengthen the economy. Furthermore, according to a 2013 UNODC report, the problem of corruption increased substantially over recent years and it has been so far insufficiently addressed by the government.

Economic growth is projected to slow down from 3.3% in 2012 to below 3% in 2013. Inflation should stabilise at 5% in 2013 after having accelerated to 9% in 2012. Unemployment in 2013 stayed at the previous years' levels at 10%. The fiscal deficit is expected to decline to 1.2% of GDP in 2013 after 2.7% in 2012. The current account balance is positive but declined from 6% of GDP in 2012 to 1% in 2013. Algeria's foreign exchange reserves increased to USD 194 billion at the end of 2012, equivalent to 3.3 years of imports. The country continues to be excessively dependent on hydrocarbons, which amounted to 35% of GDP, more than 95% of export receipts and more than two thirds of fiscal revenues in 2012. Foreign direct investment inflows are limited, mainly due to the regional context and to the limitations to foreign ownership and profit repatriation recently imposed. However it increased considerably in 2012 to EUR 4.5 billion and will stay at the same level in 2013.

## Trade-related issues

Algeria's most important trade challenges are trade facilitation and the country's non-integration with its neighbours. **Bilateral trade** flows continued to grow in 2012<sup>1</sup> and the EU remained Algeria's main trading partner, absorbing half of Algerian exports and imports.

Algeria is **not a WTO member**, but it is in the process of accession since 1987. In spring 2013 Algeria resumed its WTO membership negotiations but achieved little progress. The new budget law for 2014 raises issues of concern to the negotiation process (for instance measures with discriminatory effect on imports of cars, measures favouring locally produced goods, some export bans etc.); while on the other hand including measures (tax exemptions and tax reductions) which are positive from the economic point of view. Algeria has **Free Trade Agreements with Mediterranean partners** (Tunisia and States participating to the Greater Arab Free Trade Area).

The EU-Algeria **Association Agreement** provides for duty-free access for Algerian industrial exports and a number of agricultural preferences with the prospect of progressive liberalisation to be accomplished by 2020. There are a number of bilateral trade irritants which could not be solved during 2013. The two major issues were the pending settlement of accounts of foreign ship owners and the non-recognition for trade purposes of Croatia's accession to the EU.

## EU Cooperation

In 2013, the EU launched two new programmes to support the socio-economic, agricultural and rural development in underprivileged areas of the country, for a total of EUR 50 million. Also, the Financing Agreements of four earlier programmes under the **2011-2013 National Indicative Programme** in the areas of Fisheries, Environment, Governance and support to the Association Agreement were signed in December 2013.

For the **period 2014-17 the Single Support Framework** (SSF) has been drafted and foresees interventions to focus on three sectors: justice reform and citizen's participation; labour market and employment; and management and diversification of the economy.

Cooperation with NGOs continued in 2013 with the launch of two new calls for proposals, under the EIDHR and the Non-State Actors thematic instruments, allowing the number of ongoing projects to increase to nearly 50. For the programming period 2014-20 and in line with the revised EU neighbourhood policy, EU support will shift from CSO being beneficiaries to becoming also actors in the implementation of cooperation programmes, through their regular participation in bilateral programmes.

---

<sup>1</sup> Data for 2013 was not available at the time of writing.

## **EU–Algeria – BACKGROUND**

### **FACTS AND FIGURES**

2005: Entry into force of the EU-Algeria Association Agreement.

2008: Signature of the Roadmap, completing the Association Agreement.

1995-2006: Under the MEDA I and II programmes, EU funding of cooperation programmes in Algeria has amounted to more than EUR 500 million in grants (and EUR 2.2 billion of European Investment Bank loans).

2007-2010: The National Indicative Programme (NIP) for cooperation amounted to EUR 184 million, financed under the European Neighbourhood and Partnership Instrument.

2011-2013: The new NIP for this period amounted to EUR 172 million (plus EUR 10 million coming from SPRING), covering two sectors: Sustainable Development and Culture (Environment, Socio-Economic Development, Heritage and Culture) and Economic Growth and Employment (Transport, Fisheries and Association Agreement Support).

March 2012: Signature of the EU-Algeria Agreement on Scientific and Technological Cooperation.

2012: The first EU Elections Observation Mission (about 120 observers) to Algeria was deployed for the 10 May legislative elections, upon invitation by the Algerian authorities.

2012: Since 1 September new provisions of tariff reductions (Association Agreement); phasing-in extended to 1 September 2020.

2012-13: The 7<sup>th</sup> session of the Association Council was held in Brussels in December 2012. The 2<sup>nd</sup> session of the Sub-committee on Political Dialogue, Security and Human Rights took place in Brussels in May 2013. Were also held in 2013: The 3<sup>rd</sup> Sub-committee on Transport, Environment and Energy; the 7<sup>th</sup> session of the Macro-economic Dialogue; the 3<sup>rd</sup> session of the Sub-Committee on customs cooperation; and the 3<sup>rd</sup> Sub-Committee on Information Society, Research, Innovation and Audiovisual Culture.

July 2013 (visit President Barroso): Memorandum of Understanding on strategic energy partnership was signed.

2013: Algeria submitted a counter-proposal for an ENP Action Plan in July; a meeting to take forward negotiations was held in Algiers in October.

## **For further information**

[Press release: Neighbourhood at the crossroads – tacking stock of a year of challenges \(IP/14/315\), 27 March 2014](#)

For the Joint Communication check the EEAS website at  
[http://eeas.europa.eu/enp/index\\_en.htm](http://eeas.europa.eu/enp/index_en.htm)

Website of Commissioner for Enlargement and European Neighbourhood Policy, Štefan Füle: [http://ec.europa.eu/commission\\_2010-2014/fule/index\\_en.htm](http://ec.europa.eu/commission_2010-2014/fule/index_en.htm)

Website of High Representative and Vice President of the European Commission, Catherine Ashton: [http://ec.europa.eu/commission\\_2010-2014/ashton/index\\_en.htm](http://ec.europa.eu/commission_2010-2014/ashton/index_en.htm)

European Commission: European Neighbourhood Policy

[http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)

<http://www.enpi-info.eu>

[http://eeas.europa.eu/algeria/index\\_en.htm](http://eeas.europa.eu/algeria/index_en.htm)

[http://eeas.europa.eu/delegations/algeria/index\\_fr.htm](http://eeas.europa.eu/delegations/algeria/index_fr.htm)