

THE ALGERIAN ECONOMY

Richard Fletcher

Independence

ANY study of the Algerian economy must take account of the conditions facing the new government in June 1962. After seven years of war, and with an initial population of 11 million inhabitants, the country had lost a million dead. Two million people had been displaced from their homes; of these over a million were in concentration camps in Algeria and several hundred thousand were refugees in Morocco and Tunisia. There were several hundred thousand orphans, tens of thousands of seriously disabled and tens of thousands of abandoned families.

The countryside was depopulated and devastated, the towns overcrowded with refugees, homeless families, landless peasants and displaced agricultural workers. In addition, some 900,000 French residents who held all the positions of any importance in agriculture, industry, and the local and national administration left the country within a period of two or three months. The administration was further disrupted by the O.A.S. who systematically destroyed government offices, records and other sources of information.

In this organized chaos there was no refuse collection in many towns and the streets became thick with garbage; some hospitals had no doctors and disease spread rapidly; gas, electricity and telephone records were destroyed and no bills could be sent out for over a year; the only important library in the country was destroyed with the loss of 5 million books, and the postal service was brought to a halt by the loss of its stock of postal orders, forms and records.

Faced with these appalling problems the new government had no alternative but get the existing administration into operation as quickly as possible on the pattern devised by the French. It is not denied that this administrative structure is over-centralized and paternalistic, and that most civil servants and local officials are without previous experience, but systematic reform must await the solution of more pressing problems and the training of sufficient personnel.

Self-management in Agriculture

Under colonial rule, agriculture reached a very high level of technical development in the coastal belt of the country and was by far the most important sector of the economy. Production was geared very largely to the needs of the French market under the control of holding

companies, financial institutions, shipping companies and import-export agencies centred in Marseilles. As a result, the annual surplus invested in *France* amounted to about £100 million, while the lure of cheap labour in North Africa contributed to the neglect of agriculture in southern France. It is ironical that one of the consequences of the departure of the colons from Algeria has been the raising of the technical level of agriculture in France.

Far from expropriating the French farmers the Algerian Government pleaded with them to stay, but by the autumn of 1962 some 60 per cent of the farms in the advanced agricultural sector were without owners or managers—so-called *biens vacants*. In most cases the workers brought in the harvest, ploughed the land and planted the crops for the following season on their own initiative. They burnt down the *bidonvilles* and reed huts in which they had previously lived and moved into the houses of the former proprietors and European specialists. In many cases they elected committees of management from among themselves to run the enterprises.

By March 1963 more than half the country's agricultural production was in the hands of the workers. The government wisely decided to accept this state of affairs, and published a series of decrees categorizing self-management (*auto-gestion*) as a specifically Algerian form of socialism and codifying and legalizing its institutions.

All vacant properties became the property of the state, which gave them in trust to the collective of their workers. The adult workers of each enterprise formed a workers' assembly, which elected delegates to a workers' council, which appointed a committee of management. In larger enterprises a specialist director was appointed from a state panel in consultation with the management committee. The director, who is now known as a *chargé de gestion*, is responsible to the state for the integrity of all property and equipment in his charge, and for ensuring that the enterprise adheres to the law and does not come in conflict with the national plan, and to the management committee for the day-to-day running of the enterprise. His status is equal to that of the chairman of the management committee and his function is similar to that of a general manager or chief officer in a British co-operative, where the management committee is elected by the employees.

Agricultural Production

In view of the complete disruption of the economy and the taking over of the farms by the workers (whose average literacy rate was less than 5 per cent) it is truly remarkable that there has been no drastic reduction in agricultural production.

Production of cereals was as follows (in quintals):

1960/61	1961/62	1962/63
8,472,000	22,263,550	24,446,000

In spite of a shortage of technicians and difficulties in finding export markets, wine remains one of Algeria's principal products, accounting for about one-third of the value of agricultural production and about half the total for the socialist sector, to which nearly all the vineyards have belonged since 1963. In spite of over-production of wine in France, import of Algerian wine has been maintained because of its higher alcohol content. Export and distribution of wine from Algeria is still in the hands of French firms.

The predominance of wine (a product that Moslems do not consume) in the Algerian economy is a reflection of the colonial **relationship**, and the **planners** are **urgently** seeking alternative products in order to diversify production.

Wine production (1,000 hectolitres):

1959	1960	1961	1962	1963
15,800	18,600	15,650	13,000	12,750

Export of fresh vegetables fell by 39 per cent between 1961-62 and 1962-63, but shows signs of returning to previous levels. The reduction is due more to market conditions abroad than failure of production at home.

Production of citrus fruits—an important sector of the economy which requires high technical standards—now exceeds the 1960 peak. The figures are as follows (thousand tons):

1960	1961	1962	1963
398	368	378	400

Export of fresh fruit increased by 7 per cent between 1962 and 1963. Nearly all citrus farms and the associated conditioning and packing stations are under self-management or co-operative control.

Production of dates has been maintained, but processing and packaging are still carried out at Marseilles.

The above figures are quoted because the real test of self-management is whether or not it works. The results show that an illiterate peasant population, after 130 years of foreign domination, is able more or less successfully—despite great external difficulties and some failures and mistakes—to run a technically advanced agricultural economy without a native ruling class or foreign overlords. As Ben **Bella** said at the time of the self-management decrees: "Your destiny is now in your own hands."

In spite of the tremendous technical difficulties, history may well show the loss of French technicians and managers to be the salvation of the Algerian revolution. The agricultural workers had the choice of taking power in the truest sense—taking control of the means of production—or of abdicating. They decided to act, and the majority of

the government, with Ben **Bella** very much in the lead, decided to support them.

Such a process is not easily reversed. Self-management is well established and is throwing up a structure of democratic **institutions**—wholesale and distributive organizations, and co-operatives for processing and marketing—which are seeking links both in the Communist countries and with the co-operative movements in the West. The first national delegate conference of the self-management sector in agriculture was held in Algiers recently, when a thousand lively and highly articulate *fellahs* from all over the country discussed the needs and aspirations of their enterprises, and set out in detail the demands they expected "their" government to satisfy.

The Algerian experience shows that self-management of production is a reality. The difficulties are now at the "bureaucratic" level—finance, distribution, insurance, foreign trade, etc. It will be interesting to see what the direct, common-sense approach of the peasants will make of higher administration.

Foreign Trade

Considering the tremendous difficulties of the last three years, foreign trade has been maintained at a reasonable level. The departure of the European population has drastically cut the import of luxury and consumer goods; as a result, the balance of payments which formerly showed a large annual deficit was virtually in equilibrium in **1963**, and will probably show a surplus in **1964**. The figures for trade with France are as follows (millions N.F.) for six-monthly periods:

	<i>1961 (meun)</i>	<i>1962/1</i>	<i>1962/2</i>	<i>1963/1</i>	<i>1963/2</i>
Exports	1,665	1,712	1,536	1,379	1,438
Imports	2,528	1,519	1,205	1,511	1,226

Major products exchanged with France in 1963/2 are as follows:

<i>Imports:</i>	Food and agricultural	21 per cent
	Equipment	24 per cent
	Consumer goods	33 per cent
<i>Exports:</i>	Crude oil	54 per cent
	Wine	21 per cent
	Citrus fruits	8 per cent

Clearly, the Algerian economy has been run as an adjunct to the French market. Algerian planners therefore regard the diversification of foreign trade as of major importance.

Algeria has always had a substantial trading surplus with Britain, as the following table shows, and with increased British imports of natural gas, petroleum products and foodstuffs, this surplus could grow to very large proportions. The possibilities of increasing British exports to Algeria would appear to be considerable.

	1959	1960	1961	1962	1963	1964
			(f million)			
British Imports	11	12	9.2	10.8	7.5	7.3 (est.)
British Exports	2.4	3.3	3.1	1.8	2.7	4.0 (est.)

Of British imports, iron ore has traditionally been the largest single item at about £3.5 million per annum—about 25 per cent of our total iron ore imports. From 1965 onwards imports of liquid natural gas will be running at about £10 million per annum.

As far as overseas trade is concerned it can be seen that one of the main conditions for economic 'take-or'—a considerable agricultural surplus—has existed for many years, and to this is now added a surplus of foreign currency.

Industrialization

Up to now Algeria has really been two countries: the European coastal belt with its advanced agriculture and highly developed network of roads, electricity, gas and other services, and the vast, under-developed inland area of share-croppers, subsistence farmers and rural unemployed stretching right down to the Sahara. The problem of revitalizing the coastal belt, though itself considerable, is small compared with that of developing the interior, providing work for the 50 per cent unemployed and systematically raising the standard of living of the mass of the people. The planners are in a dilemma—further technical development of the advanced agricultural sector is necessary to earn the surplus required for developing the rest of the country, yet the increase in productivity will inevitably create further unemployment. Each enterprise tends to be assessed on how much labour it can absorb, rather on how little it needs! Not a formula for industrial expansion!

Algeria is unusual for an under-developed country in that the excellent power infrastructure is running at only 70 per cent of capacity, in spite of having lower prices for electricity (35 A.F./kWh) and gas than anywhere in Europe. Coal-fired power stations have been closed down and major hydro-electric schemes delayed because of lack of demand.

As a further symptom, little use appears to be made of the favourable balance of payments with Britain, while the additional £500,000 aid advanced by the Conservative government remains untouched.

The existing small industrial sector almost came to a halt in 1962, the technicians left for France and many factories were either dismantled or sabotaged. One of the largest plants, the Verreries de l'Afrique du Nord glassworks, was formerly owned by the Saint Gobain chemical combine who dismantled the machines and took them to Oran for shipment to France. The workers intervened and refused to allow the equipment to be loaded, and with the help of the army it was returned

to the factory. Here the workers repaired the damage and reassembled the plant on their own initiative. With the help of Czech technicians production was restarted after an interval of nearly two years, and now exceeds the 1961 level. Algerian demand for glassware appears to be more than met and the surplus is being exported to other African countries.

V.A.N. now employs 400 workers under self-management, and, with good management and strong trades union and social organizations, appears to be firmly established in an expanding market. A number of other factories with similar experiences include Acilor, a steelworks making reinforcement bars, and a cement works. A commercial vehicle assembly plant and other factories are still working under foreign ownership.

But the successful application of self-management to a small industrial sector will clearly not solve the basic problem of industrialization. We have seen that Algeria has an agricultural surplus, excess distributed power, unspent foreign credits, and a large, unemployed labour-force on the one hand—and on the other hand, a population crying out for consumer goods and the necessities of life; yet the barriers to industrialization are still immense.

The immediate needs are known to the planners. Shoes, clothing, textiles, foodstuffs and household goods at present imported from France should be produced locally. Fruit and vegetables, figs, dates and wine, at present canned, packed or bottled almost exclusively in Marseilles should be processed in Algeria. Natural gas at present burnt to waste in the Sahara or shipped abroad should be fed to petrochemical plant, producing the basic materials for a complex of light industries, producing consumer goods and providing employment not only in the coastal belt but in the less developed areas.

The country must gain control over its foreign trade and, if necessary, build up its own shipping line. ("War on Want" found that French shipping companies, who had a virtual monopoly of Algerian shipping, charged more than twice as much to take loads of dried milk to Algeria as to Tunisia some 400 miles further.)

Apart from phosphates, which are mined locally, nearly all fertilizers are imported from France, where they are manufactured from Algerian oil! The development of a petrochemical plant for the production of fertilizers is therefore a first priority.

All this is known. The barriers are not lack of capital or resources but the lack of skilled manpower and organizational experience. The problems are so immense that, in an open society where everything is discussed in public and decisions are taken by general consent, no one knows where to start. In the confusion of the last two years the government has concentrated on the training of specialists and technicians. Many students have been sent abroad and a number of technical institutes have been set up in Algeria by East European states.

There are signs that the Ministry of Industrialization, recently reorganized under Bachir Boumaza, is now getting down to the job of planning and building new industries.

The first need is for a high-powered design and projects bureau which can undertake feasibility studies of major projects such as pipelines, petrochemical plant, dams and irrigation schemes. The bureau would then act as principal contractor on these projects—possibly through a national construction agency—would control and co-ordinate the local and foreign specialist sub-contractors, and would insist that the major part of the design work would be carried out in its offices in Algiers. Suitable contracts would ensure that a considerable proportion of the design and detail draughtsmen and field and project engineers would be Algerian trainees. Foreign companies would no doubt protest at such requirements, but the benefits accruing to the Algerians would far outweigh any marginal increase of efficiency from carrying out the work in London or Paris as hitherto.

The countries of Africa have specific technological problems of their own whose study should be one of the functions of a central technical planning bureau. Where fuel is being burnt to waste the economics of energy distribution are very different from those in Europe. A large number of small gas-turbine power generators fed by pipe-line may be more economic than the European system of large, high-efficiency steam-turbine stations feeding a network of cables.

Similarly, gas-turbine pumping stations could irrigate thousands of square miles of desert from deep wells. Studies of the relative costs of pumping water from deep wells, the building of dams and pipe-lines, and the evaporation of sea water or salt lakes by nuclear or other energy sources, should be carried out in Africa, where the urgency of the problem is immediately apparent, and not in some remote institute in Edinburgh or Zürich.

The immediate problem is to separate the Algerian economy from that of France and to orient it towards the rest of the world, but in the long run production of oil, gas and manufactured products will be directed towards the countries of the rest of Africa which already look towards Egypt, Algeria and the Arab world for support in their own development. The trans-Saharan road now being planned will be the first of a network of communications linking North and Central Africa.

Natural Resources

Algeria is rich in iron ore, coal, clay for cement manufacture and other natural resources, but her greatest wealth lies in the oil and gas deposits under the Sahara. These deposits have been known to exist for over seventy years and were the bases of many French government scandals and crises at the turn of the century, but it has only suited the companies to exploit them on an appreciable scale over the past ten years.

The following table shows the rapid growth of Algerian oil production, its relation to that of Africa and of Iraq—a major Middle East producer.

OIL PRODUCTION (million metric tons)					
	1938	1950	1961	1962	1963
Iraq	4.4	6.6	49	49	—
Africa	—	—	19.8	34.3	—
Algeria	—	—	15.7	20.5	23.9

Of this production the greater part was shipped to the Common Market countries in the following proportions:

France	15.5 million tons
Rest of Common Market	6.2 million tons
Rest of Franc Zone	3 million tons
Rest of World	1.63 million tons

There have been no refineries in Algeria up to now, though one is planned to start production this year. Algerian needs for refined products have been met by re-imports from France.

Oil production is almost entirely in the hands of French companies who, under the Evian agreements, secured the right to search for and extract oil apparently in perpetuity. Negotiations with the French have dragged on for over two years in an attempt to soften the companies' terms, but so far without success. By 1963 the two pipe-lines from the Sahara to the coast had reached their full capacity. The companies asked the government for permission to build a third pipe-line; the government agreed provided it was allowed to participate, but its terms were rejected by the companies. The government then decided to act independently and was able to raise a substantial sterling loan from Kuwait and the City of London, guaranteed by the British Conservative government, anxious to score a point off de Gaulle. The pipe-line is now under construction by a British consortium acting on behalf of the Algerian government, and as a result British prestige in Algeria is high.

No other producer country has succeeded in taking such effective measures against the companies, and the O.P.E.C. (Organization of Petroleum Exporting Countries) countries are watching developments with great interest.

The problem for Algeria will now be to find international markets, and specifically to gain entry to Britain for her crude oil. Fortunately the world has changed since Anglo-Iranian was nationalized, and under competition from E.N.T. (the Italian state oil company), Eastern Europe and other independent producers, the cartel is cracking up.

In his speech inaugurating work on the third pipe-line in September 1964, Ben Bella proposed a new basis for the exploitation of oil by the international companies. These principles could apply to other producer

countries, and particularly to Great Britain if oil or gas were found under the North Sea.

He pointed out that of a total revenue of **£240** million from the sale of crude oil in **1963**, Algeria received only **£40** million, and had no share at all in the much larger profits of refining and processing. Further, the taxes of consumer states greatly exceeded the earnings of the producer country, which received none of the benefits from the design and production of equipment, nor from associated scientific and technical services, and whose nationals were only allowed to participate in the most inferior positions.

In short, the international companies operated on Algerian territory in their own private enclaves for the sole purpose of maximizing their profits regardless of the welfare of the people of Algeria.

But if this was so, he continued, why was the government operating in such a prudent manner towards the companies? The answer was that if Algeria merely wished to maximize her revenue this could be done most rapidly by throwing open all her resources to foreign companies. But this would bring the nation under the control of the oil companies—that is, of foreign interests. They did not suffer 1 million dead to bring back colonialism!

Algeria did not wish to break her ties with foreign companies but to establish her relations with consumer countries on a different footing. These relations should be determined between states, and not through the intermediary of the companies. The interests of consumers and producers were not incompatible—once properly defined, both sides could expect a fair return.

Ben Bella continued that this attitude conformed with the latest French thinking. (It is known that de Gaulle refused to support the companies in their dispute over the third pipe-line—to their chagrin.)

The real obstacle to progress was the colonialist mentality of the companies who, having thought the Algerians incapable of governing themselves, now considered them incapable of running their own industries.

Algeria was determined to play her full part at all stages in production—from prospecting and drilling to refining and distribution—and would enter into equitable relationships with all who were prepared to help her. Already, the Petroleum Institute of Boumerdts had been established with Russian help, and the French were assisting with a second institute devoted to gas and petrochemicals.

A national selling company was being set up and further pipe-lines projected—this organization was already discussing further sales of natural gas abroad, and seeking outlets for crude oil. A national refinery was being planned, together with a fertilizer plant—and local distribution would be taken over as soon as possible.

A prospecting company was being formed as a joint venture with enlightened foreign companies (probably E.N.I.) who were prepared to

co-operate on a basis of equality. Algeria proposed quickly to put an end to the myth that the exploitation of oil was a secret known only to the companies.

Algeria could no longer permit the companies to ignore the state of her balance of payments. Although on paper her account was in surplus, in practice most of her foreign earnings ended up in the banks of Paris. In future, strict exchange control would be enforced and companies would be required to spend a fair proportion of the revenue in Algeria.

Algeria's basic policy was to demand industrialization as the price of her primary products. The producer countries should combine together to ensure that those who exploited their riches made a fair contribution to their industrialization—and to put an end to the companies' game of playing off one state against another. O.P.E.C. was a first step in this direction.

Referring to the third pipe-line and gas liquefaction plant, Ben Bella continued that Britain, with her high industrial standards and investment capital, and Algeria, with her enormous economic potential, had struck an excellent bargain which neither would regret. One side provided their savings and technical genius, the other their human and material potential—together they were able to co-operate on a basis of equality; to build and to produce.

Their aim was the economic emancipation of the Algerian people, for which so many had fought and died.

The day before this speech was made, Ben Bella opened the gas liquefaction plant at Arzew. This is the largest construction project in Africa after the **Aswan** dam and was made possible by the British Gas Council's undertaking to import liquid natural gas to an annual value of about £10 million over an extended period—that is, about 10 per cent of total British consumption.

Speaking at Arzew before representatives of the British government, Ben Bella again thanked the British for their help and co-operation. He then defined Algerian policy on raw materials.

Algerian gas, he **said**, like other natural resources, is the property of the state and must be used first for home consumption, transformation and production, and secondly for export to those countries who were prepared to enter into long-term contracts to assure their future supplies.

Concessionary companies would receive a just reward for investment in exploration and production, but must not expect to share with the state the annual revenue arising from the discovery of the basic raw materials so necessary to the economic activity of a modern country.

The distinction between the normal return on industrial activity and the rent resulting from a gift of nature is fundamental to the understanding of the abuses of the companies.

The companies who have, up to now, exercised a dominant influence because of their **rôle** as intermediary between producer and consumer

must now return to the functions of simple industrialists, which they should never have abandoned.

As a corollary to the development of their own production the under-developed countries must be given access to the markets of the more advanced nations.

In this sketch of the Algerian economy we made no mention of the day-to-day political activity of the nation—the clashes of personalities, false starts, back-trackings and reversals of policy to be found the world over—believing that a country's future is determined by basic economic and political forces, and their relation to the needs and aspirations of the people. But all the indications are that the present régime in Algeria has a better chance of solving the basic problems of an under-developed country than do those of most similar nations.