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Avrupa Birliği'nin Cezayir ile Ekonomik ve Siyasi İş Birliği Ne  
Kadar Derindir? Avrupa Antlaşmalarının Etkisi

**How Deep is the European Union's Economic and Political  
Cooperation with Algeria? The Impact of the European  
Agreements**

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## Avrupa Birliği'nin Cezayir ile Ekonomik ve Siyasi İş Birliği Ne Kadar Derindir? Avrupa Antlaşmalarının Etkisi

### Öz

Bu makale, Cezayir ile Avrupa Birliği (AB) arasındaki ekonomik ve siyasi ilişkilerin arka planını ve AB'nin kullandığı araçları incelemektedir. Cezayir'in AB'nin kurucu ülkelerinden Fransa ile olan tarihi ve sömürge yönlerine dayalı bir geçmişi olması nedeniyle AB ile Cezayir arasındaki ekonomik ve siyasi tarihinin incelenmesi oldukça önemlidir. Bu bağlamda, Cezayir'in AB ile ilişkileri kolay olmamış hatta zaman zaman çalkantılı olmuştur. AB'nin Cezayir ile iş birliği beş aşamalıdır: 'Ortaklık Antlaşması', 'Avrupa-Akdeniz Ortaklığı', 'AB Komşuluk Politikası', 'Akdeniz için Birlik' ve 'AB-Cezayir Serbest Ticaret Anlaşması'. Bu çalışma, AB'nin, Cezayir ile daha derin ve geniş bir iş birliği oluşturmak için kullandığı araçları araştırmaktadır ve ikili ticaret ve yatırım durumu ile birlikte mevcut siyasi ve ekonomik sorunları değerlendirmektedir. Makalemiz mevcut ve yeni iş birliği fırsatlarını araştırmakta, ticaret ve yatırım istatistiklerini analiz etmekte, araştırmada literatür tarama yöntemi kullanılmış olup birincil ve ikincil kaynaklardan yararlanılmıştır. AB raporları ve uluslararası belgeler ticari ve siyasi açıdan değerlendirilmektedir. Siyasi olarak, AB'nin Cezayir'den özellikle göç ve güvenlik konularında daha fazla iş birliği talep ettiğini söyleyebiliriz. Ekonomik açıdan ise Serbest Ticaret Antlaşması'nın hali hazırda Cezayir'den çok AB'ye fayda sağladığı tartışılabilir, zira Cezayir dış ticaret açığı veren bir ülke konumundadır; ülke ihracatından çok ithalat yapmaktadır. Yabancı yatırımlar açısından ise ülkede sadece Avrupalı değil, aynı zamanda Amerikan yatırımlarının da özellikle petrol ve gaz arama ve üretim faaliyetleriyle ilgili ekonomik varlığı dikkat çekmektedir. Son olarak, Cezayir'in daha dengeli ve sürdürülebilir ekonomik gelir elde edebilmesi için daha geniş bir ekonomik faaliyet çeşitliliğine geçmesi tavsiyesi ile çalışmamız sonuçlandırılmaktadır.

**Anahtar Kelimeler:** Avrupa Birliği, Cezayir, AB Komşuluk Politikası, Avrupa-Akdeniz Ortaklığı, Serbest Ticaret Antlaşması, Akdeniz için Birlik



## How Deep is the European Union's Economic and Political Cooperation with Algeria? The Impact of the European Agreements

### Abstract

This paper examines the background of the economic and political ties between Algeria and the European Union (EU) and the tools that the EU uses. The EU-Algeria economic and political history is quite important to analyse as it is founded on important historical and colonial aspects with France, which is one of the founder countries of the EU. Within this context, the relations of Algeria with the EU have not been easy and have even been turbulent from time to time. EU's cooperation with Algeria are five folded: The 'Association Agreement', the 'Euro-Mediterranean Partnership', 'EU Neighbourhood Policy', 'Union for the Mediterranean' and the 'EU-Algeria Free Trade Agreement'. This study explores the tools used by the EU to forge a deeper and wider cooperation with Algeria and assesses the bilateral trade and investment status and the current political and economic problems. Our paper explores current and new cooperation opportunities, analyses trade and investment statistics, uses literature review with primary and secondary researches. EU reports and international documents are evaluated from a commercial and political perspective. Politically, we can say that the EU is longing for more cooperation from Algeria, especially on migration and security issues. Economically, we can say that the FTA is currently benefitting more the EU than Algeria' because Algerian foreign trade balance is in deficit, the country imports more than it exports. Regarding foreign direct investments, we find economic engagement of not only European but also American investments in Algeria, especially regarding oil and gas exploring and production activities. We finally conclude our study with the recommendation of shifting towards a wider variety of economic activities for Algeria, so that it can obtain a more sustainable and balanced economic revenues<sup>1</sup>.

**Keywords:** European Union, Algeria, EU Neighbourhood Policy, Euro-Mediterranean Partnership, Free Trade Agreement, Union for the Mediterranean

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<sup>1</sup> This article is an extended paper based on the presentation entitled 'European Union's Cooperation and Trade with Algeria Through the Euro-Mediterranean Partnership and Free Trade Agreement', at the International Aegean Symposiums Social Sciences and Humanities, September 18-19, 2020, Izmir, Turkey.



## Introduction

The EU-Algeria economic history is quite important to analyse as it is founded on important historical and colonial aspects with France. When Algeria was a French colony, its land was defined as three “départements” of France. For this reason, upon the signature of the Treaty of Rome in 1957 along with the European founder countries, Algeria also became a member of the “European Economic Community” (EEC), despite it was in a war of independence from France. However, after obtaining its independence from France in 1962, Algeria exited the EEC (Walsh, 2020). Later, the EEC-Algerian Cooperation Agreement was signed in 1976 with the aim of providing financial assistance and support to businesses and infrastructure in Algeria (Caruso, Geneve, 2015:4).

In 1995 the European Union launched the “Barcelona Declaration” which lead to the “Euro-Mediterranean Partnership” and to the signature of the “Association Agreement” (AA) in 2002, which came into effect in 2005 (European Commission, 2020). This Agreement draws the main framework for the relations between Algeria and the EU. Nicholas Sarkozy, the former President of France supported intensively the project of the “Union for the Mediterranean” in 2008.

Thus, we can say that the EU expanded its relations with Algeria with several programs and instruments such as the “European Neighbourhood Policy”, “Euro-Mediterranean Partnership” and “Union for the Mediterranean”. The cooperation areas are not limited with trade; in fact, collaboration in several areas is enabled through the updated European Neighbourhood Policy Partnership Priorities and the evaluation related to the AA, which were both accepted in March 2017. These agreements cover both political and economic framework between the EU and Algeria up to 2020; such as energy, security, migration, trade, entry to the single market.

Before assessing Algeria’s economic and political cooperation programs with the EU, we will explore first the historical background of the country with France, which is one of the main pillars of this collaboration. We will expose then EU’s aspirations and reasons of cooperation with Algeria under the above-mentioned five folded EU programs. Finally, we will expose the political and economic problems and benefits for Algeria and the EU. We will expose and assess bilateral trade with its sectorial breakdown and the status of foreign direct investments in Algeria.

## Background of the Algerian – French Relations and Literature Review



Algerian War of Independence started in 1954 and lasted until 1962 to gain the country's independence from France. The 1954-1962 war costed around 1.5 million Algerian lives, but independence actions started during the first World War and accelerated after the second World War (Britannica, 2020). Independence War allowed Algeria to end the colony ruled by Paris for 130 years.

When Algeria was a French colony it was considered as France's three "départements". Algeria became a member of the EEC in 1957 even though it was in the middle of an independence war against France. Algeria became part of NATO in 1949. Algeria left both the EEC and NATO in 1962 upon gaining its sovereignty (Walsh, 2020).

The colonial regime was a period of torture and misery for Algerians who combatted for their freedom and to take back their rights. At the same time, it was also a difficult period to end French domination over Alegria's natural resources (Hamidani, 2020:1).

The Algerian 'army of the interior' put a lot of efforts and sacrifices to obtain its independence from France. However, according to Lounici, 'the army of the exterior' had little participation in the liberation process but has nevertheless contributed to the process from the neighbouring regions (Lounici, 2011:1).

But after the revolution, how far was France involved in Algerian affairs? Indeed, we can note that France stayed committed in both Algerian national and international affairs. In the years between 1960's and 1970's, Algeria made 75% of its exports to France, and 81% of its imports were made from France. Following the national crisis in the country, many Algerian diasporas went to settle down in France. Today, Islam is the second biggest religion in France. Therefore, we can say that France still holds its powerful presence in social, commercial, and political spheres of Algeria (The Algerian Story, 2020). France is ranked indeed the second biggest trade partner of Algeria in 2019, with exports worth €4.98 billion and a market share of 8.7%, behind China (19.8%) but ahead of Italy (7.8%) and Germany (7%) (France Diplomatie, 2020).

It is worth mentioning the important role that Algerians elites played with the ruling authority in Algeria as they used an influence of ideology based on the sentiment against 'colonial' French government. According to Bensaïd and Ziani, Algerian ruling forces build Algerian government together with the power and the support of the Algerian elites. However, once the independence was obtained Algerian elites and the government became more distanced and eventually lead to an environment and atmosphere comparable to surrounding Arab countries (Bensaïd and Ziani,



2015:1). Bouteflika, the former President of Algeria removed the emergency status in 1992 which was in force during the Arab Spring. Algerians' freedoms of fair trial or freedom to gather in mass were limited with this state of emergency (Algeria Today, 2012).

In today's France, an important official step was taken by the current President of France, Emmanuel Macron, who visited Algiers in 2017 and mentioned French horrors and atrociousness as "crimes against humanity." That created a storm in the far right and nationalistic elites in France. Before Macron, former French President François Hollande officially visited Algiers in December 2012, and announced that France's occupation was "unjust and brutal," but made no apologies (Daily Sabah, 2020). However, Algeria is still expecting a formal apology from France, in regard to the crimes perpetrated during the colonisation of 132 years, as current Algerian President Abdelmadjid Tebboune said: *"an apology from France would make it possible to cool tensions and create a calmer atmosphere for economic and cultural relations, especially for the more than six million Algerians living in France"* (Aljazeera, 2020).

In conclusion, we can say that colonial regime that lasted more than a century had forged unbreakable bonds between France and Algeria. Despite many ties have been weakened after the independence, the colonial relationship is still embedded in French life (Cohen, 1980:1). Even though Algerian and French relations have long been rough, because of the harsh legacy of French colonialism, Algerian government mentioned its desire to turn the page and open 'new chapter' with France. Trade exchanges, military and intelligence partnership between France and Algeria are enhanced (Lefèvre, 2015: 315).

### **Algeria's Relationship with the European Union**

The EU forges three main types of agreement with third countries which are explained below (European Commission, 2020):

The first type of agreement is the 'Customs Union' where custom taxes are cancelled in the commercial transactions between the signatory parties of the Custom Union agreement, the signatory parties form a common duty tariff for foreign importers. The second type of agreement include "Association Agreements", "Stabilisation Agreements", "Free Trade Agreements" and "Economic Partnership Agreements" where signatory parties abolish or lower customs tariffs in bilateral trade. The third type of agreement is the "Partnership and Cooperation Agreements" where signatory parties prepare a main scheme for their bilateral commercial transactions and they don't change the duty tariffs.



Despite Algeria's exit from the EEC, the European Union tied some relations in the following years with Algeria through different tools such as:

- The "Association Agreement",
- The "EU Neighbourhood Policy",
- The "Euro-Mediterranean Partnership",
- The "Union for the Mediterranean" and
- The "EU-Algeria Free Trade Agreement".

We will explore these EU programs and tools in more detail below.

### **EU- Algeria Association Agreement**

The AA became operational in 2005 and established a free trade zone. The Association Agreement draws the commercial, cultural, judicial, and social structure of the cooperation. At the same time, this AA also defined a twelve years period to eliminate Algeria's taxes for commercial and industrial products. At the end of this period the AA would become an FTA, but the period has been postponed to 2020 for electronics, steel, vehicles, and textiles.

All areas were covered by the AA and the groundwork scheme was formed with this agreement. The EU updated its "European Neighbourhood Policy" and thus Algeria and the EU accepted their new "Partnership Priorities" in 2017. The current AA was also assessed by the parties in 2017, by an 'evaluation report', these two new legal structures formed the political ground between Algeria and the EU until 2020, in a wide range of sectors such as sustainable development, economy and environment (European Commission, 2020).

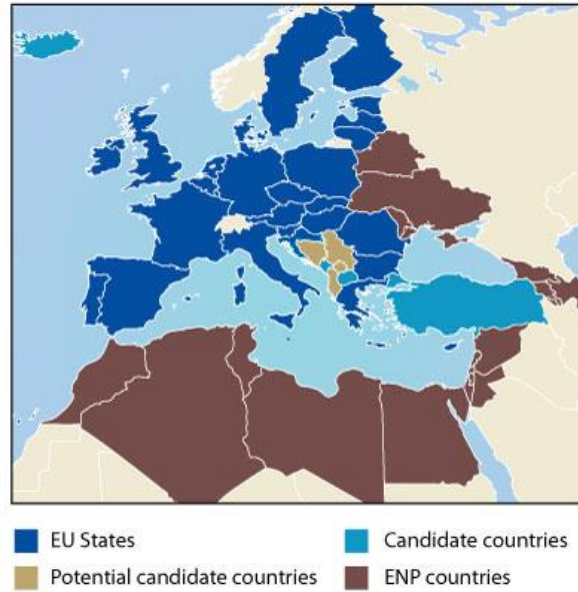
### **The European Neighbourhood Policy (ENP)**

The "European Neighbourhood Policy" (ENP) aimed to expand stability, wealth, and security within the EU's bordering countries and to forge partnership among the EU and its bordering countries. The EU launched the ENP in 2003, on the grounds of common norms for "Democracy", the "Rule of Law" and respect of "Human Rights". The ENP currently involves sixteen countries<sup>2</sup>.

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<sup>2</sup> These are Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia, and Ukraine. Russia is not included in the ENP but is covered in 'Cross-Border Cooperation'



**Figure 1.** Map of the European Neighbourhood Policy

Source: [https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/european-neighbourhood-policy\\_en](https://ec.europa.eu/home-affairs/what-we-do/policies/international-affairs/european-neighbourhood-policy_en)

The EU updated the ENP in 2011 following the 'Arab Spring' protestations and reviewed it by a Joint Communication published on 18 November 2015. Under the modernized ENP, the main target became to maintain and preserve safety in the region.

### **Euro-Mediterranean Partnership: Euromed**

Euromed is among the main programs of the ENP; it covers EU states and sixteen Mediterranean countries. The overall target is to forge the collaboration groundwork launched in Barcelona in 1995 aiming to expand economic alliance and democratic reforms in the region. Euromed foresaw the establishment of the "Euro-Mediterranean Free Trade Area" and eliminate obstacles<sup>3</sup>. Euromed region represents around 10% of the total EU external trade (European Commission, 2020).

Algiers observed and evaluated the EMP as a bridge for new political aspirations mainly because it was assessed as integrating Algerian national intentions. For this reason, the EMP has created a great interest at first leading to negotiate and agree on new AA with the EU. Despite the financial costs of the updated AA, the new FTA negotiations have long been debated

activities under the ENP. The EU manages its relations with Russia by a 'Strategic Partnership' that covers justice and security areas.

<sup>3</sup> Members of the Euromed are "Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Malta, Morocco, Palestinian Authority, Syria, Tunisia and Turkey".





among politicians and non-governmental organisations. However, Algeria's expectations for a closer relation with the EU disappeared due to EU's limited action for the government's counterinsurgency (Darbouche, 2010:74).

### Union for the Mediterranean

The "Union for the Mediterranean" (UfM) is an intergovernmental organisation gathering EU and fifteen Mediterranean countries<sup>4</sup>. The targets of the UfM is to ensure regional collaboration and partnerships in projects related to 'stability, human development and integration' (Union for the Mediterranean, 2020).

We have mentioned above that Algeria was at first very eager and interested on the EMP policy of the EU, when it was first introduced, as it was perceived as complementing Algerian's domestic strategies and policies. What about the UfM? According to Darbouche, neither the ENP nor the UfM have impressed Algerians. The UfM especially failed to meet Algerian's key targets they have been expecting for since the ENP. Another important aspect to underline here is the fact that because the UfM had little probability of having support from Algeria mainly because a French initiative (Darbouche, 2010:77).

### Algeria's Economy and Foreign Trade with the World

Hydrocarbons are the most important sources of revenues in Algeria, they have amounted approximately to one third of Algerian GDP, which represents 60% of Algeria's budget revenues. Most importantly, hydrocarbons equalled 95% of the country's revenues in exports (Trading Economics, 2020). Algeria is ranked 10<sup>th</sup> in the global reserves of natural gas and is the 6<sup>th</sup> biggest exporter. Algeria is placed at the sixteenth rank in oil reserves with its 12.2 billion barrels and exports almost half of its total production (USA International Trade Administration, 2020).

Thus, we can say that hydrocarbons form the biggest part of Algeria's economy, making the country dependent on global oil and gas prices (World Bank, 2020).

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<sup>4</sup> Countries that are member of the UfM are "Albania, Algeria, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Jordan, Latvia, Lebanon, Lithuania, Luxemburg, Malta, Mauritania, Monaco, Montenegro, Morocco, The Netherlands, Palestine, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Syria, Tunisia, Turkey and the United Kingdom". However, Syria's membership to the UfM is on hold since 2011. The United Kingdom is currently in the process of exiting the EU, however there is currently no mention about UK's withdrawal from the UfM on its official website.



Algeria's main export item is gas, with refined and crude petroleum coming after, then "coal tar oil" follows and "ammonia". The country has mainly imported "automobiles, condensed milk, refined petroleum, wheat and packed medicaments". According to the Central Intelligence Agency World Fact Book, "Italy, Spain, France, the United States and Turkey" formed the main export and imports destinations of Algeria (CIA World Fact Book, 2020)<sup>5</sup>. In 2018, Algeria exported 37.9 billion Dollars and imported 43.3 billion Dollars, resulting in a negative trade balance of -5.44 billion Dollars (OEC, 2020).

### Trade Between Algeria and the EU

Algeria's number one trade partner is the European Union, half of the country's foreign trade operations are made with the EU countries. Trade volume between Algeria and the EU equalled 35.2 billion Euros in 2016. However, Algeria is not placed on the top list of the EU's foreign trade partners, it is ranked 20<sup>th</sup> in the EU imports and 24<sup>th</sup> in EU's exports. Based on the European Commission data, EU's primary export items toward Algeria are "machinery, transport equipment, agricultural products, chemicals and iron and steel" (European Commission, 2020). The table below shows the trade figures between Algeria and the EU for the years between 2017 and 2019.

**Table 1.** Trade in Goods Between EU and Algeria, billions of Euro

Year	EU Imports	EU Exports	Balance
2009	16.8	14.4	-2.4
2010	20.3	15.2	-5.1
2011	26.1	16.8	-9.3
2012	30.2	20.7	-9.5
2013	27.9	21.8	-6.1
2014	25.3	22.8	-2.5
2015	18.4	21.8	3.4
2016	15.6	19.8	4.2
2017	17.0	18.5	1.5
2018	18.4	18.5	0.1
2019	16.3	16.9	0.6

Source :

[https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_algeria\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_algeria_en.pdf)

### Foreign Direct Investments (FDI) in Algeria

<sup>5</sup> Algeria is conducting accession meetings since 1987 with the World Trade Organization (WTO), the accession process is still ongoing.



FDI represents foreign property of manufacturing factors. When the share of the foreign property is superior to ten percent of the enterprise's value, the enterprise is then categorized as an FDI. FDI is possible in production and services sectors. FDI can also possibly be based on a joint venture or an acquisition (Global Economy, 2020).

Due to its rich natural resources, Algeria attracted a relative high amount of FDI inflows in the years of 2006 and 2011. Nonetheless, European investments decreased in recent years, but instead Gulf countries investments increased. Based on UNCTAD 'World Investment Report 2020', FDI inflows dropped lightly in Algeria in 2019 and amounted 1,38 billion US dollars, the amount was 1,46 billion in 2018. However, FDI stocks had a reverse trend, they equalled 31,9 billion US Dollars in 2019, which corresponds to an increase of almost 10 billion US Dollars in comparison to 2010. Algeria's inward stocks amounted 1.3 billion Euro from the EU countries, while the outward stocks amounted to 14.4 billion Euro in 2018 (European Commission, 2020).

**Table 2.** Foreign Direct Investments in Algeria Between 2014 and 2019  
(Millions of Dollars)

Years	FDI Inflows	FDI Outflows
2014	1 507	-18
2015	-585	103
2016	1 636	46
2017	1 232	-9
2018	1 466	880
2019	1 382	83

Source : [https://unctad.org/system/files/official-document/wir2020\\_en.pdf](https://unctad.org/system/files/official-document/wir2020_en.pdf)

Algerian politicians complained about EU's attitude for not pushing productive investment into Algeria. According to Darbouche (2010:5), EU deliberately provided only commercial ventures in the consumer products industry, where to the contrary, Asian, or Middle Eastern investors directed more productive sectors. The most concrete example of Algeria's deception is when Renault opted to establish its first regional plant in Morocco in 2008.

Over the last few years, we notice that there is a re-orientation of FDI towards the domestic market and a significant extension in infrastructure and transportation projects. China and Turkey have taken the French stand of the biggest investor as they invested significantly in Algeria in recent years. The visit of Turkish President Recep Tayyip Erdogan to Algeria marked this strategy positively during the "Turkish-Algerian Business Forum" that was hold in 2018. Among the biggest investors in Algeria, we



can name BAIC International (China), Hyundai and Ford (Lloyds Bank, 2020).

**Table 3.** Foreign Direct Investors in Algeria in 2018

Main Investing Country	% in 2018
China	24.8
Singapore	22.0
Spain	17.9
Turkey	16.2
Germany	2.7
South Africa	2.4
France	2.3

Source : <https://santandertrade.com/en/portal/establish-overseas/algeria/foreign-investment> (Latest available data)

**Table 4.** Main Invested Sectors in 2018

Main Investing Country	% in 2018
Industry	24.8
Tourism	22.0
Construction and Public Works	17.9
Agriculture	16.2
Services	2.7

Source: <https://santandertrade.com/en/portal/establish-overseas/algeria/foreign-investment> (Latest available data)

Algerian government recently changed its law about foreign direct investors to facilitate foreign investors acquisitions and operations in January 2020. The aim of this law is to encourage and to attract more foreign investment in exploration and production of oil and gas, and to ease taxes, simplify license procedures, and shorten the timeframes for the exploration and production activities. It is worth mentioning that the American oil company Sonatrach is the major hydrocarbons contractual regulator, it controls roughly 80% of hydrocarbon production in Algeria and supervises the country's exploration of oil and gas along with its production and distribution (US Trade Administration, 2020).

### **Algeria's Free Trade Agreement (FTA) with the EU: Trade Deficit for Algeria**

The AA determined a transitional period comprising 12 years for Algeria to eliminate its duty and custom taxes, for all products. However, this timeframe had to be postponed to 2020 for several goods like steel, electronics, textiles, and vehicles. Many parties such as trade unions and politicians were against the application of the free trade area especially from



the perspective of Algeria as they claimed the zone to be economically detrimental for the country (Euractive, 2020). As Hamann pointed out, (2020) Algeria faced the activation of a 15 years old FTA with economic fears, mainly because the country depends on gas exports, the current Covid-19 epidemic caused an important drop in the oil prices. Thus, the free trade zone would lead in practice to a significant reduction of Algeria's income from oil exports. According the World Bank forecasts, Algeria has imported products from EU countries amounting 320 billion Euros in the years of 2005 and 2019. Based on the general import duties that that the country used to apply on EU products, the amount that would be lost by Algeria in these extra revenues for the government is significant. Therefore, the entry into force of the EU-Algerian FTA would eliminate the import tariffs and thus evaporate Algerian government revenues. On the other side, the EU would also similarly eliminate its imports taxes, (Algeria's exports of chemicals, mined materials, and petroleum products) which would expand European businesses and governments' purchases of Algerian exports. Nonetheless, as Algeria's trade balance is in deficit, its exports between 2019 and 2019 were worth only 15 billion Euros, against 320 billion Euros of imports of products from the EU. Even though Algeria desires to increase its exports with the FTA, it cannot compensate its lost revenues from import tariffs (Hamann, 2020).

Many Algerian businessmen and politicians stand against the deal because of its unequal consequences in economic terms. Even though it took years to negotiate the FTA, today many Algerians wish and expect a renegotiation for more balanced and equal terms for Algeria. For this reason, the Algerian President was put a lot under pressure and requested trade minister Kamel Rezig to reassess the FTA (The North Africa Post, 2020)

### **Turkey's Losses from Algeria's FTA with the EU**

Just like Algeria, the EU forms Turkey's number one commercial partner, especially after the entry into force of the Customs Union in 1996. On the other hand, FTAs concluded by the EU with third countries put Turkey under unfair competition, leading to losses in market shares. A study investigated by Dinçer et al (2020:1) assesses the effects of the EU-Algerian FTA on trade flows in Turkey in 2005. The study consisted of 181 countries, to measure commercial effects of the EU-Algeria FTA for the years of 1996–2013. In result, they found that Algerian and Turkish bilateral trade is negatively affected from this FTA, as Turkish imports and exports could have been 12 and 17% higher, without the EU – Algeria FTA in force (Dinçer et al, 2020:1).



## The European Union Funds Put in Place Toward Algeria

The EU allocated since 2011, 273.3 million Euros in total to Algeria through the “European Neighbourhood Instrument” (ENI). Besides the ENI, EU also provided some other tools such as the “European Instrument for Democracy and Human Rights” (EIDHR) and the “Civil Society Organisations-Local Authorities” (CSO-LA) programme. In addition, during the European and Algerian Association Council hold in March 2017, a financial assistance worth 40 million Euro was signed with the aim of supporting Algerian economy. Key focus points of the EU to provide these funds are (European Commission, 2017):

- ‘Renewable energy and promotion of energy efficiency (10 million Euro),
- the modernisation of public finances (10 million Euro) and
- the execution of the EU - Algeria AA (20 million Euro)‘.

Between 2014 and 2017, the EU allocated most of its funds to Algeria on legal reforms, the participation of citizens into public life, improvements of labour market, economy diverseness and employment. The EU financial assistance to Algeria between the years 2018-2020 is provided mostly to cover the ‘2017 Partnership Priorities’ which are:

- promotion of basic rights, improvement of political dialogue, enhancing governance, strengthening the rule of law,
- partnership in socially and economically more inclusive programs and trade,
- collaboration in energy projects, in environment and development,
- closer communication in strategy dimension and security affairs and
- collaboration in migration issues.

## Algeria’s Reluctant Position in Security Cooperation Issues

The EU was seeking for more collaboration and engagement from Algeria especially on migration related issues. The EU developed financial incentives and funds on these issues, some countries used more of these funds, compared to Algeria who did not agree to negotiate a “Mobility Partnership”, and doesn’t take part in projects under the “EU Emergency Trust Fund for Africa” (EUTF), apart for large regional projects (Zardo and Loschi,2020:2). According to Zardo et al, there is a resistance and non-cooperative approach from Algeria to the EU’s funds, for example Algeria does not collaborate with the EU in Frontex neither (Zardo and Loschi, 2020: 1-7).



## Conclusion

We have seen in our research that Algeria has a "special" relation with France due to its traumatic colonial history which continues today to overshadow its political, economic, diplomatic and security ties both with France and the European Union. As we have analysed in our paper, there have been many initiatives, programs and tools that the EU introduced to Algeria such as the "Association Agreement", the "EU Neighbourhood Policy", the "Euro-Mediterranean Partnership", the "Union for the Mediterranean" and the "Free Trade Agreement". All these agreements and initiatives were planned to extend the bilateral cooperation between Algeria and the EU to many areas such as politics, economics, environmental, but also and especially in security and migration issues in the recent years. We can say that among the Mediterranean and North African countries, Algeria had rather an uneasy and strained relationship with the European Union.

In terms of the promotion of democratic values in Algeria, we can assess that EU's agreements had insufficient impact especially in the use of conditionality for democratization in the re-definition processes of the security concerns at the EU level on one hand and at the empowerment of the authoritarian elite in Algeria on the other hand (Çelenk, 2009:1). From a political perspective, the European Union wishes to increase the level of cooperation in security and migration issues with Algeria. However, this is indeed a matter of mutual interest, because countries tend to cooperate in proportion of their interests and security issues are always on the top level of states' sovereignty areas. Thus, we can conclude by saying that the political perspective of this bilateral cooperation is marked with a certain level of reluctance. Politically, the EU is longing for more cooperation from Algeria, especially on migration and security issues.

According to Jaumotte, the expected FDI increase didn't happen in Algeria despite the European regional trade agreement with Algeria in the 1990's. The FDI stock-to-GDP ratio stagnated and actually declined between 1995 and 1999 (Jaumotte, 2004:15). According to Haddoud et al, who analysed the impact of the European Union Regional Trade Agreement on the Algerian foreign trade and its economic welfare, between 2000 and 2010, the Association agreement had created new trade opportunities in new sectors outside hydrocarbon. However, trade creation occurred mainly in imports, rather than exports (Haddoud et al, 2013:1). Therefore, we can say that economic welfare remained negative; if exports are lower than imports, trade balance would stay negative for Algeria and thus create a budgetary deficit for the country.



Therefore, from an economic perspective, we can say that the FTA is benefitting more the EU than Algeria' because Algerian foreign trade balance is in deficit, the country imports more than it exports. We also find an important American economic engagement in Algeria, especially regarding oil and gas exploring and production activities. Algerian government has stated it needs foreign partners to double exploration and production hydrocarbons in the next five years, including exploring and developing its shale oil and gas resources.

Lastly, we can add that even though Algeria is rich of natural resources and its main revenues lie on hydrocarbons activities, it would be beneficial for the future of its economy to shift towards a more diversified economy, which in turn would contribute positively to employment and economic growth levels of the country and diminish the negative effects of any sudden drops of oil and gas prices, as it recently happened with the Covid-19 pandemic globally in 2020.

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