

# Algeria's Agonies: Oil Rent Effects in a Bunker State

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## The Resource Curse Hypothesis

Oil rentier states, if not damned definitively by their wealth, are thought to share several failings arising from the atrophy of their tax extractive capacity.<sup>1</sup> Blessed with substantial oil revenues, they need not tax their populations as much as other states enjoying similar per capita incomes. Consequently, the argument goes, they are less accountable to their citizenry than more extractive states. The rentier state enjoys relative autonomy as long as the rents keep flowing. The petroleum industry is capital intensive, employs few workers and lacks substantial linkages with the broader economy, further insulating it against social and political pressures.<sup>2</sup>

Dependence on oil revenues can lead to overspending, debt and fiscal crises because of the volatility of international petroleum markets. The economy becomes distorted by the Dutch disease, whereby periods of resource-dependent economic growth diminish the value of other tradable goods, real estate and services, leading to even greater dependence on petroleum revenues and reducing the kinds of manufacturing and service exports that contribute to long-term growth. After the Netherlands' discovery of natural gas in the late 1950s and early 1960s raised the value of its currency and inflated labour and other production costs, for example, its other manufactured goods become less competitive and exports fell.

Oil-dependent states can subsidise education and other social services but cannot encourage occupational specialisation, further distorting the labour economy and the educational system.<sup>3</sup> When oil prices tumble, rentier states face political as well as economic instability. The state, isolated from social forces, has few credible institutions to absorb economic shocks through peaceful conflict resolution. Oil-rich states may spend more on weapons, reinforcing authoritarian solutions to violence and encouraging military rule. While oil rents do not lead inevitably to political, economic and social disorder, petrostates have an 'elective affinity'<sup>4</sup> with a disaster-prone pattern of development.

### **Does the Resource Curse Apply to Algeria? Evaluating the Evidence**

Algeria seems to be a wretched poster child for this rentier theory of the petrostate. Other essays in this volume document the ideological and economic hubris of the mid-1970s and the virtual disintegration of Algeria's middle class since the collapse of oil prices in 1986. I argue, however, that any shock-absorbing political intermediaries – individuals or institutions that can facilitate transactions between other actors that do not have trust in or access to each other<sup>5</sup> – disappeared long before the discovery of oil. Oil revenues merely helped to augment, exaggerate and prolong the state-sponsored industrialisation that was fashionable in the 1960s and 1970s. I suggest that the rentier theory, despite a play of words on 'rent', tells us little about rent-seekers or about institutional development and decay. Comparing Algeria with neighbouring Tunisia, which has less oil wealth but shares the French colonial legacy and other similarities, illuminates significant differences that can help us better understand the role of oil and other factors in Algeria's tragic course of political and economic development.

Tunisia's petroleum endowments are relatively modest. It no longer qualifies as a petrostate, although oil constituted 50 per cent of its exports briefly in the early 1980s, in contrast with Algeria's 98 per cent. The two countries also experienced different trajectories of development despite sharing a common mentor in the 1960s: the French economist, Gérard Destanne de Bernis, whose theory of 'industrialising industries' almost ruined both Tunisia and Algeria.<sup>6</sup> But the most significant difference between them lies in the origins of their respective elites. The struggle against colonial rule enhanced the prestige of the educated elite in Tunisia and deepened its political and social intermediaries, whereas the liberation of Algeria completed the destruction of Algeria's elites and civil society. It is the earlier, more primitive and extensive colonialist penetration of Algeria and its consequences that better explain the differences between Algeria and Tunisia, rather than their (slightly) different hydrocarbon profiles.

### **Taxation and Oil**

The central argument of the resource curse literature is that rentier states receive an uncertain flow of revenues from an economic enclave that depends on international market prices and is largely disassociated from the rest of the economy. There is less discussion, however, of the precise mechanisms through which hydrocarbon resources affect a state's developmental capacities (extraction, planning and allocation, and distribution), much less the variety of possible relationships between the state and the rest of the economy in the rentier state, particularly its private sector. It is not clear why oil revenues necessarily diminish extractive capabilities.

Tax collectors rarely retire even if they sometimes reduce tax rates. If tax revenues as a percentage of GDP define extractive capability, the fact that petrostates have relatively low tax rates may simply reflect their decision not to increase taxes after the advent of oil rents. In the 1960s, Algeria and Tunisia each extracted roughly one-quarter of GDP through various taxes devised by French colonial administrations and sustained after independence. After two decades of increasing oil revenues, followed by the bust of 1986, Algeria still managed in 1989 and 1990 to extract 16.3 per cent of GDP, compared with Tunisia's 19.5 per cent. Leaving out import duties, which are administered easily, Algeria actually outperformed Tunisia (13.7 per cent and 11.5 per cent respectively). Although a detailed examination of direct versus indirect taxation is beyond the scope of this essay, Algeria's indirect tax rate surpassed Tunisia's in 1990. Karl suggests that indirect taxes also should have salutary effects on government accountability.<sup>7</sup>

Algeria's extractive capacity atrophied only over the following decade. By 2000, Algeria's tax revenues amounted to only 11.5 per cent of GDP, while Tunisia's had increased to 26 per cent under good international financial tutelage.<sup>8</sup> In Algeria, lower taxes were associated with civil strife, as rentier theory predicts. But it seems more likely that the relatively low tax revenues often attributed to Algeria's petrostate status were the consequence rather than the cause of civil war and economic breakdown that began in 1986. In Tunisia, higher taxes have been associated with severe political repression, not the greater accountability anticipated by rentier theory. As John Waterbury suggests,<sup>9</sup> it is not clear that higher taxes necessarily imply wider representation when they also can be used to finance repression.

Rentier theory suggests that the state's ability to develop accurate and timely economic data about enterprises and households deteriorates when it is not needed for tax administration and enforcement, diminishing the information available for state planning. Even if the assumption is correct that oil riches diminish a state's ability or willingness to tax, it is not clear if or how overall institutional capacity decays without an impetus for extraction. Chaudhry argues, for example, that in Saudi Arabia, oil wealth did not cause the 'decay of extractive institutions [that] progressively lowered the quality of available economic information'.<sup>10</sup> The Saudi administration was dependent on United States technical assistance and strategic rents before the oil bonanza and may never have had much economic information.<sup>11</sup> In other, better-administrated Arab countries, like Tunisia, little trustworthy individual- or industry-level economic information exists. People on both sides of the Mediterranean learn to fear the tax collector as children. Tax fraud remains rampant in Tunisia despite fiscal amnesties and reforms imposed by international financial institutions. Permitting and then threatening to punish tax evasion also helps various government agencies blackmail the private sector and keep it docile.

## Oil and Military Spending

Oil wealth may also encourage military expenditure, as in Iran under the Shah or in Iraq under Saddam Hussein. Despite the centrality of the Algerian military to the state since independence, its expenditures were never excessive. Neighbouring Tunisia, the only stable Arab republic not ruled by military officers until Ben Ali's takeover in 1987, is often described as exemplary for its frugal military expenditures. Table 1 shows, however, that it outspent Algeria consistently from the mid-1980s to the mid-1990s, when the Algerian state was obliged to defend itself against armed bands of terrorists. Measured as a percentage of either the Gross National Product or the central government budget, Algerian military expenditures were substantially lower than were Tunisia's until 1993, when the government cancelled Algeria's parliamentary elections and became engaged in hostilities with various Islamist groups. Table 1 also shows that, although Algeria consistently enlisted a larger proportion of its work force, Algerian conscripts were under-funded until the state faced severe security challenges. By 1997, however, Algeria's armed forces, as a percentage of the total population, still only slightly outnumbered Tunisia's. Before increasing the number of police in 1992, the entire Algerian force numbered 43,000,<sup>12</sup> compared to a Tunisian force that had increased to 65,000 under Ben Ali. Despite having a pervasive influence on state affairs following independence, apparently Algeria's colonels (eventually generals) preferred to funnel most oil revenues into development projects unrelated to security.

TABLE 1  
ALLOCATION OF MILITARY RESOURCES, ALGERIA AND TUNISIA 1985-97

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Military expenditure as % of central government expenditure													
Algeria	6.3	7.5	7.6	9.4	...	7.7	...	5.9	8.1	9.5	9.4	10.6	12.0
Tunisia	8.8	8.3	5.6	7.6	7.7	7.2	7.4	7.1	7.0	6.9	5.7	6.1	5.3
Military expenditure as % of GNP													
Algeria	2.5	2.9	2.8	3.3	3.0	2.0	1.7	1.8	2.8	3.3	3.2	3.3	3.9
Tunisia	3.6	3.6	2.1	2.8	2.9	2.7	2.7	2.4	2.5	2.4	2.0	2.1	2.0
Military personnel as % of total labour force													
Algeria	2.9	2.9	2.7	1.9	1.9	1.8	1.7	1.6	1.6	1.5	1.4	1.3	1.3
Tunisia	1.5	1.5	1.4	1.5	1.4	1.2	1.2	1.1	1.1	1.1	1.0	1.0	1.0
Military personnel as % of total population													
Algeria	0.78	0.80	0.73	0.53	0.52	0.50	0.49	0.48	0.47	0.46	0.43	0.42	0.43
Tunisia	0.52	0.51	0.49	0.51	0.50	0.43	0.42	0.41	0.40	0.40	0.39	0.39	0.38

## **Oil and Social Responsibility**

The idea, too, that oil wealth infects a country's economy with Dutch disease, crippling its labour market and, as a result, its educational system, does not quite apply to Algeria. Alan Gelb finds that Algeria's economy was skewed already by 1972, before the big oil windfall. The rise in oil prices did not distort the economy further against tradable agricultural or manufactured goods.<sup>13</sup> As Michael Ross<sup>14</sup> explains more generally, Dutch disease is less likely to infect poorer, labour-abundant economies than states in which labour is relatively scarce, like the Netherlands.

Furthermore, Algeria's rustic colonels placed a high value on modern education. Algeria invested in this sector heavily to compensate for French colonial neglect and build a modern society as rapidly as possible. Table 2, again comparing Algeria with Tunisia, shows how Algeria broke its colonial shackles and forged ahead of Tunisia in most respects, at least numerically, as a result of the oil boom of the 1970s. In 1960, when Algeria was still a part of France, only a minority of its children went to primary school, compared to almost two-thirds of those in Tunisia (lines 11 and 12). Algerian primary school graduates who were enrolled in secondary school, whatever their age (gross enrolment), comprised only eight per cent of the youth of secondary school age in Algeria's growing population, compared to 12 per cent of Tunisians (lines 17 and 18).

Although both populations suffered prolonged French occupations, Tunisians were much better off after independence. Interestingly, relatively more Algerian girls made it to secondary school, although fewer women were then active in the labour force (lines 8 and 9) and would never catch up with Tunisian women in the twentieth century. By 1970, however, before the oil boom, Algeria was devoting more resources to education than Tunisia (lines 5 and 6). In real terms, excluding investment in buildings and equipment, its 'genuine' operating expenditures in education caught up with Tunisia's by 1975 and jumped ahead during the oil boom (lines 2 and 3), even as a percentage of a much larger per capita GDP. The effects could be seen in rapidly expanding enrolments. Although Algeria never outstripped Tunisia's primary school enrolments, both countries were sending almost all their children to school by the end of the century. Algeria's secondary school enrolments, for girls as well as boys, surpassed Tunisia's in the 1980s, although Tunisia caught up over the following decade. The pattern was similar in higher education, where Algeria invested substantial sums in a wide variety of 'higher institutes of learning' designed to form technicians for its ambitious industrial infrastructure. Although Algeria's drive for 'industrialising industries' ultimately failed, the country's oil revenues generated a large, educated middle class of aspiring cadres trained for occupations outside the petroleum industry.

TABLE 2  
COMPARISON OF EDUCATION EXPENDITURES AND ENROLMENTS IN ALGERIA  
AND TUNISIA, 1960-99

	1960	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998	1999
<i>Education Indicators</i>												
Genuine savings: education expenditure (% of GDP)												
Algeria	...	...	4.7	4.8	5.1	5.8	4.5	4.9	4.3	4.3	4.3	4.3
Tunisia	...	...	5.7	4.5	4.6	5.0	5.3	5.6	5.5	6.3	6.3	6.3
Public spending on education, total (% of GNI, UNESCO)												
Algeria	...	4.8	7.9	6.7	7.8	8.6	5.5	5.8	5.1	...	...	...
Tunisia	...	5.8	7.1	5.2	5.4	5.8	6.2	6.8	6.7	7.7	...	...
Labor force activity rate, female (% of females ages 15-64)												
Algeria	10.4	10.3	10.2	10.6	11.1	11.6	12.1	15.3	16	16.7	17.4	18.1
Tunisia	13.0	13.5	14.1	17.1	20.1	20.4	20.7	23	23.5	23.9	24.4	24.9
School enrolment, primary (% gross)												
Algeria	46.0	68.0	76.1	92.7	94.5	93.6	100.2	106.6	107.5	...	...	...
Tunisia	66.0	91	100.4	96.5	102.1	115.1	113.3	116.8	116.5	118.0	...	...
School enrolment, primary (% net)												
Algeria	...	...	...	76.6	80.9	86	92.9	95.1	94.1	...	...	...
Tunisia	...	...	75.5	...	82.2	93.1	93.5	97.8	97.6	...	...	...
School enrolment, secondary (% gross)												
Algeria	8.0	7.0	11.2	20.0	33.0	51.4	60.8	62.5	63.3	...	...	...
Tunisia	12.0	16.0	22.7	21.1	27.0	38.9	44.9	60.4	64.6	64.3	...	...
School enrolment, secondary (% net)												
Algeria	...	...	10.3	...	30.5	44.7	53.7	56.2	56.3	...	...	...
Tunisia	...	...	...	16.3	22.9	31.9*	...	...	...	...	...	...
School enrolment, secondary, female (% gross)												
Algeria	6.0	5.0	6.5	13.7	25.9	43.6	54.1	59.1	61.7	...	...	...
Tunisia	5.0	9.0	12.6	14.6	20.2	31.8	39.5	58.3	63.2	62.9	...	...
School enrolment, secondary, female (% net)												
Algeria	...	...	6.0	...	24.2	38.1	47.5	52.9	54.5	...	...	...
Tunisia	...	...	...	12.2	17.3	25.9*	...	...	...	...	...	...
School enrolment, tertiary (% gross)												
Algeria	...	1.0	1.8	3.0	5.9	7.9	11.4	12.0	...	...	...	...
Tunisia	...	2.0	2.6	3.9	4.8	5.5	8.5	13.0	13.7	...	...	...

\* 1984

### State Oil and the Private Sector

Although rentier theory predicts few linkages between the state and the private sector, vast oil treasuries hardly ensure a state's relative autonomy. Kiren Chaudhry<sup>15</sup> has demonstrated how difficult it was (and still is, despite gradual progress) for the Saudis to reduce subsidies to the supposedly

dependent, state-created private sector. The preponderantly Najdi composition of the Saudi bureaucracy may also explain why those from the Najd region benefited disproportionately from the state's generous credit facilities. In contrast, Algeria exemplifies a relatively autonomous state – so autonomous, in fact, as to be almost imaginary in that it has lacked legitimacy, or the essence of Hegel's 'stateness',<sup>16</sup> since the crisis of October 1988. Far from being an idle rentier like the ruling families of the Gulf Co-operation Council who redistribute some wealth, Algeria may be viewed more appropriately as a military outpost defending against and manipulating chronic tides of civil unrest – a 'bunker state',<sup>17</sup> *par excellence*. With or without low-intensity warfare, property rights in the bunker states are insecure, marginalising the private sector. Whether or not such insecurity and failure to protect property rights explains away the resource curse,<sup>18</sup> it seems intimately associated with Algeria's rough pattern of economic adjustment.

Algeria's bunker state still monopolises oil rents, but it has revised the tacit contract that offers welfare and security to the population in exchange for allegiance. The menu of state services diminished with the decline in oil revenues while the population expanded and became more educated and demanding, leading to civil instability. The deteriorating security situation, however, eventually enabled the state to regain some popular support, as the law and order it represented acquired more value in the face of threats from armed bandits. Luis Martinez implies that the state permitted some degree of insecurity,<sup>19</sup> thereby enhancing the value of any tacit contract. Stories of military officers dressing up like Islamist terrorists and committing atrocities, however, have been effectively discredited as ways of selling books to gullible French audiences.<sup>20</sup>

It is more likely that Islamist megalomaniacs – perhaps cultivated more readily in 'deculturated' environments than in more civilised Muslim societies – committed the atrocities, not the army or its special forces. Rather, the mindless massacres of tens of thousands of civilians enabled the regime to carry out draconian economic policies. In fact, in the late 1990s, Algeria adjusted further and more rapidly than Egypt and other favoured regional pupils of the International Monetary Fund (IMF) in several respects.<sup>21</sup> But the Algerian case raises the question of whether any bunker regime can adapt to the global economy without massive suffering. The economy undergoes some very slow structural change,<sup>22</sup> while a core of illegitimate military rulers retains power under the pretext of controlling widespread insecurity. Raw struggles for power among the ruling factions and between the regime and Islamist guerrilla forces diverted attention from the implementation of economic policies advised by the IMF, giving policy makers relative autonomy.

Algeria's military leaders – the occult *décideurs* who used to hide behind its formal state facade – enjoy more autonomy than their Saudi rentier

counterparts, who must be responsive to their semi-private business sector. In the bunker state, trade unions and business associations exist but are not permitted to acquire autonomous roots that might render them accountable to the general population. Civilian entrepreneurs, whether in business or politics, must remain loyal to their protectors within the military regime. Politicians who seek to establish their own, independent power base, such as President Mohammed Boudiaf in 1993, Abdelhak Benhamouda or the Algerian trade unionist who was gunned down in ambiguous circumstances after crossing a powerful military faction,<sup>23</sup> risk assassination. Credible economic or political pacts are impossible in the absence of credible interlocutors. Instead, it is up to the ruling clans to cut their own deals, dividing up the rents and other economic spoils of domestic and international commerce. Even where official state monopolies have been dismantled, the clans retain rents from the same, ostensibly privatised and deregulated businesses.<sup>24</sup>

### **An Alternate Explanation: Political Intermediaries**

Rentier theory, fixated on extraction capabilities and volatile petroleum revenues, cannot explain the pathology of bunker states. Explanations lie elsewhere, in the disconnection between the bunker and social forces, worsened by the lack of credible political intermediaries, whether in legitimate constitutional structures of government or civil society. Rentier theory argues that low taxation rates explain the lack of political intermediation, but the Algerian case suggests that this logic does not hold. Algeria imposed high taxes in the 1960s and 1970s, but the post-revolutionary legitimacy enjoyed by the regimes of that period never was embodied in concrete institutions. The state, rather than reflecting a legitimate political order, was an alien French construct. The ruling party, the *Front pour la Libération Nationale* (FLN), became a political myth that was, in reality, a country club made up of self-co-opted elites. Almost every year after Boumediène's 1965 seizure of power, the party proclaimed the 'year of the party' and its own reorganisation, but the FLN never restructured, either before or after oil revenues flooded the Algerian treasury.

Finally, it was not expectations of oil revenues that undermined Algeria's institutional capacity. Algeria's institutional weaknesses were born in 1962, before the oil from Hassi Messaoud started to flow in significant quantities. The best or worst that may be said about Algerian oil, discovered in commercially significant quantities in 1956, is that it may have prolonged Algeria's war of national liberation by strengthening French resolve, for a time, to hold on to the Sahara. But French colonialism had erased any viable Algerian intermediaries much earlier, and the armed guerrilla struggle against French rule would further disintegrate the remnants of an Algerian elite.



The original sin, then, was not the 1956 discovery of oil, but the 1830–31 French invasion of Algeria and subsequent destruction of the Ottoman governing infrastructure. New intermediaries arose initially to contest the French occupation, while French colonial policies alternated between direct and indirect rule, which relied on and reinforced some religious and tribal intermediaries. But from 1840, when Marshal Bugeaud launched the scorched-earth campaigns, until the First World War, traditional indigenous elites were either wiped out or discredited by association with the coloniser. The new ones, educated in French schools, enjoyed much less professional and social space in French Algeria than their counterparts in neighbouring Tunisia. Their political formations were elite clubs, not grassroots organisations, which would have been unacceptable to the colonial authorities. Even the reformed Algerian religious schools associated with Ben Badis in the 1930s were implanted far less extensively in Algeria than in neighbouring Tunisia. Grassroots nationalist organisations would spring up among Algerian workers in France, not in Algeria.

The stultifying colonial situation isolated French-educated Algerian elites from potential mass followings inside the country. Algeria's political class acquired token representation in France's Fourth Republic after the Second World War, but the Sétif massacres of April and May 1945 almost certainly thwarted any hope of political compromise between Algerian nationalists and the colonial authorities. It was not French-educated Algerian civilians, but former Algerian French army sergeants like Ahmed Ben Bella who ultimately launched the armed struggle against French occupation in 1954. The FLN co-opted some intellectuals, including traditional politicians like Farhat Abbas, as well as university students, who were represented in late 1950s by the *Union Générale des Etudiants Musulmans Algériens* (UGEMA). The intellectuals, however, whether politicians like Abbas or student leaders like Belaid Abdesselam, were tools of guerrilla forces that murdered one another for political power. It is well known that, in the end, the organised external army of Colonel Houari Boumediène crushed the guerrilla factions and dominated the new state – from behind the scenes until 1965 and then openly with the colonel's 'rectification' of the Revolution. The purpose of this compressed history is to demonstrate that the state never offered opportunities for educated elites to forge connections with popular constituencies. Ali El-Kenz<sup>25</sup> has documented some of the consequences: until 1988, there were no organic intellectuals, no autonomous intermediaries and no civil society associations other than private, informal ties among families and friends. With or without petroleum, the Algerian state always spun in a vacuum of populist discourse, or a '*langue de bois*', as Algerians called it. It was not so much oil as history that hindered democracy in Algeria.<sup>26</sup>

Oil revenues undoubtedly prolonged Algeria's charade of development between 1967, when Boumediène consolidated power by surviving a final

challenge from a dissident colonel, and 1988, when the legitimacy of the one-party state ended in urban riots and their suppression by the military. Ghazi Hidouci recalls how his efforts with fellow planners to inject some caution and market analysis into Boumediène's dreams of rapid industrialisation came to naught in 1974, with the news of yet another rise in oil prices.<sup>27</sup> But he also documents a rent-seeking mentality that preceded the oil bonanza. When most of the million French settlers departed on summer vacation in 1962, never to return, their *biens vacants* were up for grabs. He reports that, after 'a veritable pillage of the patrimony to the detriment of the collectivity . . . in the space of a year or two the newly privileged would occupy the circuits of power in all domains'.<sup>28</sup> Algeria had enjoyed a relatively diversified economy, but, 'unlike the deserts of the Persian Gulf before petroleum, the least developed, where all was to be newly created, in Algeria one destroyed an economy and a pre-existing equilibrium in order to promote a new myth [of industrialising industries]'.<sup>29</sup> In this passage, Hidouci implies that hydrocarbons were the culprit, but a period of revolutionary voluntarism may offer a better explanation.

In 1972, *before* the rise in oil prices, Boumediène launched a pre-emptive attack on Algeria's emerging commercial and landowning bourgeoisie to prevent it from developing a countervailing influence by co-operating with elements in the civil administration. His revolutionary triptych (political, agrarian and cultural) effectively bottled up any civil society until 1988, despite some limited public discussion of a petition widely circulated by four respected leaders critical of the FLN and calling for 'enrichment' of the FLN Charter and amendment of the Constitution.

Even without hydrocarbons, surely Algeria would have tried, as Tunisia did until 1969, to build 'industrialising industries' at the expense of agriculture. Although distrustful of its own landowners (who had concentrated more property holdings in the traditional sector than their Tunisian counterparts during the colonial era), Algeria's socialist-inspired regime lacked the administrative capacity to manage agriculture directly. The productivity of the holdings of the departed *colons* declined as they were taken over by their agricultural workers (*autogestion*) and later brought under more centralised control. The so-called *traditional* Algerian-owned agricultural sector survived but the agrarian *revolution* affected productivity adversely. The VALHYD Plan<sup>30</sup> would not have made sense without oil and gas resources, but Boumediène's regime nonetheless would have found a way to pursue its priority of investing in heavy industry until it ran out of funds. Perhaps the explosion of 1988 would have occurred earlier.

Tunisia, as we know, followed a more flexible trajectory after 1969, when it reversed course on agrarian reform and 'industrialising industry'. What differentiated it from Algeria, however, was not oil (which was earning up to half

Tunisia's export revenues in the late 1970s and early 1980s), but the development of civil society during the colonial period. After their independence, both regimes were authoritarian, but until 1987 Tunisia's was civilian and broadly based in a single party, a trade union and other national grassroots organisations that had been founded to contest French rule. Path dependency and revolutionary voluntarism frustrated Algerian civil society until 1988, when the military police state opened up suddenly. Algeria then experimented briefly with economic and political liberalisation before the military again clamped down with the support of much of the secular elements of civil society, who were opposed to the Islamists.

### Conclusions

Algeria undoubtedly will continue to be a rentier state, depending on revenues from oil and gas to finance a substantial part of the government budget.<sup>31</sup> My conclusion, however, is that Algeria is not, in fact, forever condemned for its exploitation of the 'devil's excrement', but rather is in a position to recapture some of the promise of the 1989–91 reform period, now that political Islam has been partly tamed and its violent elements discredited.<sup>32</sup> Specifically, the military leadership has an interest in removing itself from the political arena to protect its corporate identity. The civilian leadership put in place by the military may be able to exploit this opportunity by deepening alliances with emerging forces in civil society. President Abdelaziz Bouteflika already has overcome rumours of his expected demise.<sup>33</sup> The parliamentary elections of 30 May 2002 have strengthened his handpicked reformers in the government despite low turnout (47 per cent nationwide, 32 per cent in Algiers).

At an October 2002 conference on terrorism organised in Algiers, the military presented, for the first time, its analyses of the violence that had wracked Algeria since 1992 in a report by the chief of police, Ali Tounsi.<sup>34</sup> The generals' new entry into the public spotlight may represent their farewell to active politics, now that counterinsurgency operations are confined to mopping-up operations on the periphery. The Islamists lost their public appeal around 1996 because of their excessive use of violence. The public now views them largely as deranged fanatics without a political cause. They no longer present the serious threat to the regime that they did between 1992 and 1994. General Touati, the man behind the military's new exercise in public relations, continued to voice scepticism concerning the efforts of President Bouteflika and his interior minister, Nourredine Yazid Zerhouni (a former head of the *Sécurité Militaire*) to reach a political compromise with the remnants of the Front of Islamic Salvation (FIS),<sup>35</sup> but the president will certainly be permitted to complete his term and, perhaps, run for re-election.

The depth of Algeria's political and economic crises cannot be exaggerated, but nobody who studies the country should take predestination theories seriously. Projected price increases and new discoveries of oil and gas revenues will surely help, not hinder, the country's economic recovery. As for underlying political problems, a recovery of Algeria's short-lived democratic experiment (1989–91) could overcome the legacy of the authoritarian bunker state of the past. Algeria already may be on the way. Elections are relatively free and have produced parliaments that reflect cleavages similar to those that have emerged from Morocco's vaunted pluralist experiment. Islamists who accept competitive elections and constitutional restraints on power are represented in two political parties with seats in parliament. In some respects, Algeria enjoys better prospects for constitutional democracy than Morocco because it has lanced its Islamist infection, while political Islam is still swelling in Morocco.

Algeria still suffers from a troubled historical legacy. Ali El-Kenz<sup>36</sup> pinpointed the problem before the most recent instability began. The colonial invasion destroyed the intermediaries of traditional elites and civil society without giving rise, as in neighbouring Tunisia, to new ones. The independence struggle and subsequent insurrections in Algeria created guerrilla bands designed to destabilise, not represent, the society. The flowering of civil society in 1989, however, suggests that Algeria has the potential to overcome its grim colonial legacy. Oil revenues have produced a widening stratum of aspiring, young middle class graduates of secondary schools, higher institutes and universities. Civilians, moreover, now share significant roles in combating terrorism. Women, in particular, have organised in self-defence. Some of the oil rent surplus, if invested wisely through the government's economic recovery programme (2001–04) in new civil society intermediaries and patronage networks, could help, rather than hinder, democracy.

#### NOTES

1. Hazem Biblawi, 'The Rentier State in the Arab World', in Giacomo Luciani (ed.), *The Arab State* (Berkeley, CA: University of California Press 1990) pp.85–98; Kiren Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East* (Ithaca, NY: Cornell 1997); Terry Karl, *The Paradox of Plenty* (Berkeley: University of California Press 1997).
2. Hussein Mahdavi, 'The Patterns and Problems of Economic Development in Rentier States: The Case of Iran', in M. Cook (ed.), *Studies in Economic History of the Middle East* (Oxford: 1970).
3. Michael L. Ross, 'Does Oil Hinder Democracy?', *World Politics* 53/3 (April 2001) pp.325–61.
4. Karl (note 1) p.237.
5. See John Higley, Ursula Hoffman-Lange, Charles Kadushin and Gwen Moore, 'Elite Integration in Stable Democracies: A Reconsideration', *European Sociological Review* 7/1 (May 1991) pp.35–53; Susan Shapiro, 'The Social Control of Interpersonal Trust', *American Journal of Sociology* 93/3 (Nov. 1987) pp.623–58.

6. See, for example, Gerard Destanne de Bernis, 'Les industries industrialisantes et les options algériennes', *Revue du tiers monde* 12/47 (1971) pp.545–63.
7. Karl (note 1) p.204.
8. Karim Nashashibi, 'Fiscal Revenues in South Mediterranean Arab Countries: Vulnerabilities and Growth Potential', IMF Working Paper WP/02/67, International Monetary Fund, 2002, pp.11–12.
9. John Waterbury, 'From Social Contracts to Extraction Contracts: The Political Economy of Authoritarianism and Democracy', in John P. Entelis (ed.), *Islam, Democracy and the State in North Africa* (Bloomington, IN: Indiana University Press 1997) p.153.
10. Chaudhry (note 1) p.170.
11. Robert Vitalis, 'Review of Chaudhry's *The Price of Wealth*' (note 1), *International Journal of Middle East Studies* 31 (1999) pp.660–61.
12. Colonel Tounsi, chief of the Algerian police, paper presented to Conference on Terrorism, Club des Pins, Algiers, 26–28 Oct. 2002.
13. Alan Gelb, *Oil Windfalls: Blessing or Curse?* (New York: Oxford University Press for the World Bank 1988) pp.162–3.
14. Michael L. Ross, 'The Political Economy of the Resource Curse', *World Politics* 51/2 (Jan. 1999) pp.297–322.
15. Chaudhry (note 1).
16. G.W. Hegel, *Principes de la Philosophie du Droit*, trans. Andre Kaan (Paris: Gallimard 1940).
17. Clement M. Henry and Robert Springborg, *Globalisation and the Politics of Development in the Middle East* (Cambridge and New York: Cambridge University Press 2001).
18. Ross (note 14) p.320.
19. Luis Martinez, *La guerre civile en Algérie* (Paris: Editions Karthala 1998) pp.259, 337, 370.
20. 'I saw colleagues burn alive a child of 15, soldiers disguised as terrorists massacre civilians, colonels kill mere suspects in cold blood, officers torture Islamists to death', wrote Habib Souaidia in *La sale guerre, 1992–2000: histoire d'une imposture* (Paris: La Découverte 2001), provoking calls for an international inquiry into the conduct of Algeria's military regime. The author, a former special forces officer, had in fact been expelled from the army for petty theft and imprisoned for two years before departing for France. He then collaborated with Mohammed Sifaoui, an Algerian journalist who helped him write *La sale guerre*, his memoirs, which expose the negligence of the Algerian army that looked on during various massacres in the mid-1990s. Sifaoui explains that his intention in aiding Souaidia, who could not write grammatical French, was to combat corruption and encourage reconciliation between the regime and its armed opponents. But, after he finished the manuscript, the editor of La Découverte interviewed Souaidia and persuaded him to embroider his memories with new revelations like the above quote. Sifaoui also casts doubt on Nesroulah Yous, *Qui a tué à Benthalha?* (Paris: La Découverte 2000), and argues that François Geze, the French editor, persuaded Souaidia to tell lies consistent with the other book that he had published. Sifaoui also points out that Hichem Abboud never accused the military of engaging in massacres in *Le mafia des généraux*, although his book was highly critical of the generals. See contributions to this volume by Martinez and Colonna.
21. Karim Nashashibi *et al.*, 'Algeria: Stabilisation and Transition to the Market', IMF Occasional paper 165, 1998.
22. Isabelle Weremfels, 'Obstacles to Privatisation of State-Owned Industries in Algeria: The Political Economy of Distributive Conflict', *Journal of North African Studies* 7/1 (Spring 2002) pp.1–28.
23. *Algérie Confidentiel*, p.100.
24. Bradford Dillman, *State and Private Sector in Algeria: The Politics of Rent-Seeking and Failed Development* (Boulder, CO: Westview 2000).
25. Ali El-Kenz, *Algerian Reflections on Arab Crises* (Austin, TX: University of Texas Press 1991).
26. Ross (note 3) notes that his independent variable, 'regime type', may serve as a proxy for local history. In most of his models, it explains about as much variation in democracy scores as oil export revenues. Karl (note 1) explicitly omits historical comparisons for lack of time, space

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- and data (p.189), although she acknowledges the importance of the timing of state formation in Venezuela (p.197).
27. Ghazi Hidouci, *Algérie: La libération inachevée* (Paris: Editions de la Découverte 1995) pp.65–7.
  28. Ibid. pp.22–3.
  29. Ibid. p.43.
  30. *Plan de valorisation des hydrocarbures*; see Ali Aissaoui, *The Political Economy of Oil and Gas* (Oxford: Oxford University Press 2001) pp.90–94.
  31. Energy Minister Chekib Khelil proposed 'privatisation' of Sonatrach, the state oil company, in autumn 2002. Apparently, he intended to allow foreign oil companies to buy some additional shares, just as Sonatrach, too, acquired shares to consolidate other contractual relationships. Algerian deputies balked at the proposed legislation because they feared that Khelil had plans further to privatise the industry. Earlier, he worked for many years at the World Bank, where he became familiar with Argentina's experience of privatising its national oil company. Algeria, however, has considerably more oil and gas reserves than Argentina. Public opinion is staunchly opposed to any significant privatisation of its upstream resources. Algeria has signed many production sharing agreements – John P. Entelis, 'Sonatrach', *Middle East Journal* (Winter 1999) p.17 – that offer foreign companies 'equity' oil in exchange for investments and services, but as Aissaoui (note 30) notes, Algerian politicians did not understand them and objected to giving up any national sovereignty.
  32. Martinez (note 19) p.376.
  33. George Joffé, 'The Role of Violence Within the Algerian Community', *Journal of North African Studies* 7/1 (Spring 2002) p.47.
  34. Tounsi (note 12).
  35. 'Discorde autour de la Concorde', *El Watan*, 29 Oct. 2002, reports that in Ali Tounsi's press conference on the final day of the conference on terrorism, Tounsi voiced his agreement with the law on civil concord passed by referendum offering amnesty to terrorists who were ready to give up their arms, but he opposed any further olive branches to the remnants of the FIS. Earlier in his opening remarks to the conference, President Bouteflika appealed for 'national', not just 'civil', concord.
  36. El-Kenz (note 25).



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