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**Briefing Materials for the
President's Meeting With
President Bendjedid,
April 1985** [Redacted box]

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BRIEFING MATERIALS FOR THE PRESIDENT'S
MEETING WITH PRESIDENT BENDJEDID, APRIL 1985

Contents

I. Objectives

A. Algeria-US Relations: More Than Meets the Eye

II. Chadli Bendjedid: A Political Profile

25X6

III. Key Foreign Policy Issues

A. Algeria Realigns Itself in Middle East Politics

B. Algeria: A Key State in the Maghreb

C. Algeria Cools Its Ties with the Soviet Union

D. Algeria and Western Europe: Shaking off Bad Memories

IV. Military Issues

A. Algeria: The Search for Arms

V. Economic Problems

A. The Algerian Economy: Handling the Oil Slump

B. Algerian Natural Gas

C. Algeria's Nuclear Program and Prospects

VI. Political Dynamics of Algeria

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Washington, D. C. 20505

DIRECTORATE OF INTELLIGENCE

1 April 1985

ALGERIA-US RELATIONS: MORE THAN MEETS THE EYE

President Bendjedid will be the first Algerian head of state to make an official visit to the United States since Algeria's independence in 1962. Bendjedid almost certainly sees his visit as the capstone of his attempts to gain international recognition as an Arab and a Third World leader. He also will be looking for Washington's approval of his cautious but consistent efforts during the past several years to move Algeria away from its earlier radical image. In addition, he will use his meetings with US officials to reaffirm Algeria's commitment to expanding ties with the United States. The Bendjedid regime is particularly sensitive to what it believes is a lingering perception in Washington that Algerians are radicals, support terrorism, and are too closely aligned with the Soviet Union. He will want to focus discussions on economic development and regional stability.

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Political Interests

Bendjedid is likely to stress Algeria's role as negotiator on various Middle East issues. He will point to Algeria's efforts to mediate the Iran-Iraq war, to bring together Syria, Jordan and pro- and anti-Arafat groups, and to effect the release of US hostages in the Middle East. The Algerians believe that the Hussein-Arafat agreement merits serious consideration, but Bendjedid is likely to remind US officials that Syrian participation is essential for the success of any peace proposal. Bendjedid almost certainly believes that Arab recognition of Israel's right to exist is inevitable. He will

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encourage Washington to recognize the right of Palestinian self-determination. [redacted]

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Bendjedid may ask for US assistance in prodding Morocco to look for a peaceful settlement of the Western Saharan dispute. Bendjedid believes that his willingness to meet with Moroccan King Hassan in 1983 and his proposal earlier this year--that Western Sahara would control its internal affairs while Hassan would be its titular ruler and represent the Saharans in international organizations--are clear signs that Algeria wants a negotiated solution. The Algerians view Morocco's construction of the berm in Western Sahara and its intransigence in recent talks as evidence that Hassan is interested only in a military solution. [redacted]

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Bendjedid will support Washington's concerns about Qadhafi's destabilizing activities in North Africa and the need to counter Libyan influence in the region. Algiers is particularly irritated by the Moroccan-Libyan union, which it sees as being directed against it and would like to see the agreement's demise. At the same time Bendjedid is unlikely to support Washington's efforts to isolate Libya, so as not to provide Qadhafi with any excuse for meddling inside Algeria. [redacted]

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Security Issues

Algeria's commitment to diversify its sources of military equipment and upgrade its military technology is an important element in the rapprochement with Washington. Algiers also sees diversification as a way to shake off the close identification it has had with the Soviet Union and to enhance its nonaligned credentials. [redacted]

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Algerians are generally cautious in their military planning and are not likely to ask for equipment that they do not need or cannot assimilate into their inventory. For the moment, the Algerians are interested in US military training and equipment to maintain and enhance Soviet materiel already in place. The Algerians hope the visit will strengthen the prospects of Congressional approval for Algerian purchases of defense items under the Foreign Military Sales program, to which Algeria has just been added. In the long term, depending on Algerian perceptions of Washington's response to this request, Algiers could ask for US fighter aircraft, tanks, helicopters, and armored personnel carriers. [redacted]

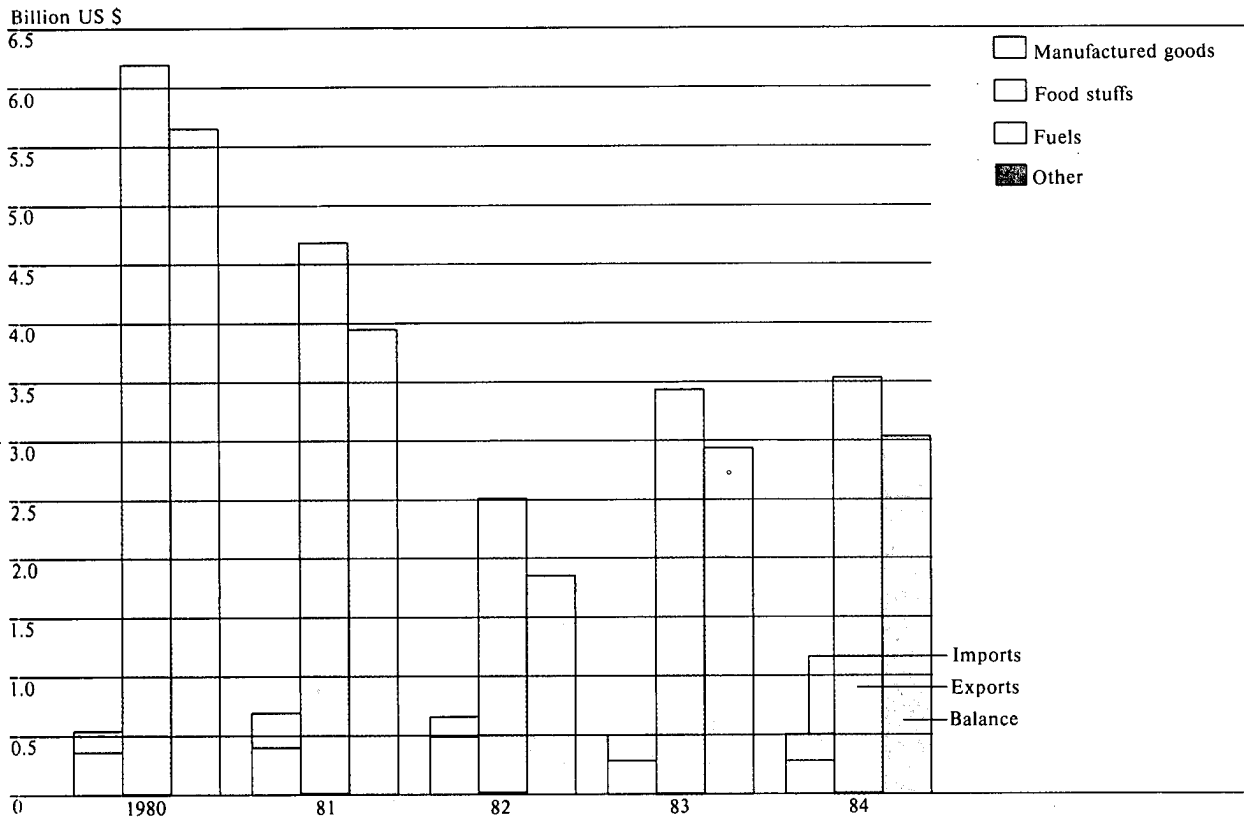
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Economic Assistance

Unlike most Third World leaders visiting Washington, Bendjedid will not ask for financial aid. Despite a soft oil market, the Bendjedid government has handled the sharp drop in oil and gas sales with a sensible austerity program and has maintained an excellent international credit rating. Algeria is still committed to socialism, but Bendjedid and his advisers have

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placed greater emphasis on decentralization and opening up the economy to the private sector. Algeria will seek US help in developing sectors of the economy that were neglected by previous regimes, such as agriculture and water resource management. The issue of US purchases of Algerian liquefied natural gas may be raised, according to the US Embassy, but the Algerians realize that their insistence on maximum prices precludes any significant increase in sales.

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Significant Dates in Algerian-US Relations

September 1983--Vice President Bush visits Algeria culminating series of high-level US visits since 1982 when Algerians signaled they wanted improved relations.

1980--Algeria agrees to negotiate release of US hostages in Iran.

October 1980 - US provides relief assistance to victims of the El-Asnam earthquake.

November 1978--Algerians request US medical team to save life of President Boumediene.

1977--Algerian Ambassador appointed to Washington.

November 1974--Relations reestablished after visit in October of Secretary of State Kissinger to discuss Middle East situation.

April 1974--President Boumediene visits United Nations and pays unofficial visit to President Nixon.

1970--American Black Panther leader Eldridge Cleaver granted political asylum and makes Algiers the group's headquarters. Encouraged to leave two years later after Algiers decides no longer to support terrorism.

June 1967--Algiers breaks relations with Washington after Arab-Israeli war and nationalizes several American-owned firms.

October 1962--Beginning of 20 years of frosty relations between Algeria and United States as a result of President Ben Bella's visit to Cuba immediately after visiting Washington during Cuban missile crisis.

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DIRECTORATE OF INTELLIGENCE

1 April 1985

CHADLI BENDJEDID: A POLITICAL PROFILE

President Bendjedid publicly espouses an amorphous, nondoctrinaire socialism; in his private life he is a successful capitalist. His stated priority is to provide a better material life for his countrymen. In foreign policy, he does not seek to play the aggressive leadership role that his predecessor did in Third World forums, and he has often stated openly that Algeria does not believe in exporting its revolution.

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Bendjedid differs from his predecessor in that he wants first to be President of Algeria, not president of Africa or of the Third World.

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As he charts a new course for Algeria, Bendjedid is aware that he is not entirely free to discard the radical policies or rhetoric of the past. Algeria's eight-year struggle against the French for independence (1954-62) and its revolutionary ideology are still the basis of his legitimacy. Although Bendjedid has reduced the importance of Algeria's role as patron of liberation movements, he does allow revolutionary leaders--who elicit little if any sympathy among Algerians--to pass through

* Algerian officials occasionally meet with such revolutionary leaders as Antonio Cubillo Ferreira, secretary general of the Movement for the Self-Determination and Independence of the Canary Islands (MPAIAC) and Goukouni Oueddei of the Transitional Chadian Government of National Unity (GUNT).

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Algiers. For reasons of principle, he still feels obliged to give rhetorical and material support to the Polisario Front and the PLO. [redacted]

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Despite these gestures, Bendjedid is not a revolutionary who clings to the past. Public pronouncements reveal he is strongly committed to preparing Algeria's postrevolutionary generation--whose members are already in their early twenties--for the responsibilities of governing and keeping the country on its course of development. Bendjedid has been openly concerned about appointing younger officials to decision-making positions. Several years ago, Bendjedid announced that serving with him during the revolution was not enough for a person to receive a government or party position. Believing that Algeria's success lies partly in the hands of knowledgeable experts rather than exclusively with the military, Bendjedid has substantially increased the number of technocrats--many of whom "missed" the revolution--in the government. [redacted]

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Bendjedid and the United States

In addition to dispelling misconceptions about Algeria, Bendjedid probably also wants to use his trip to Washington to "get to know" Americans and their political system. Bendjedid has had little direct exposure to Americans, and most of his knowledge of the United States probably has been through other colleagues' impressions. Bendjedid does not view himself as anti-US, but suspicion and a limited understanding of the United States have probably contributed to conflicting attitudes. [redacted]

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Bendjedid almost certainly considers an official visit to Washington as an important step in the steady maturing of Algeria's revolutionary regime and the self-confidence of its leader. Moreover, Bendjedid probably believes his contacts with senior US officials in Washington will enhance his credibility among other Arab leaders as a bridge between radical and moderate groups in the Middle East. [redacted]

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Bendjedid is not likely to allow ideological and policy differences between Algiers and Washington to interfere with his efforts to cultivate a cooperative relationship with the United States. Like most other Arab leaders, he believes US policy will always favor Israel and distrusts US motives on Middle East issues. Likewise, Bendjedid is especially sensitive to what most Algerians regard as US favoritism toward Morocco and "excessive" US-Moroccan military cooperation. Bendjedid will also be quick to point out that even though Algeria is trying to diversify its military equipment, its commitment to nonalignment includes active relations with Moscow. On these issues, Bendjedid will be frank in conveying his views, but he is likely to avoid polemics. [redacted]

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[redacted]Maturing on the Job

When Bendjedid was elected President in 1979, US Embassy officials in Algiers reported that Algerians were delighted that a bourgeois would succeed the revolutionary ascetic Houari Boumediene. Aside from that observation, most comments about him were negative. Reports in the foreign media echoed the impressions of some political observers in Algeria that he was barely literate. The local rumor mill also claimed that he was the puppet of the powerful Col. Merbah Kasdi (aka Abdellah Khalef), longtime chief of military security under Boumediene and who is accompanying Bendjedid in his current capacity as Minister of Agriculture and Fishing. [redacted]

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These initial impressions have given way to respect for Bendjedid's demonstrated political cunning in easing out opponents and acumen in redirecting domestic and foreign policies. We see Bendjedid as a man grown confident in his job, sure of his footing, and firmly in control. An activist President, he makes frequent public appearances within the country. Western diplomats and journalists concur that he is popular. [redacted]

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Rise to Power

Bendjedid had demonstrated political skills during a 17-year career as a military region commander (1963-64 in Constantine; 1964-79 in Oran). Journalists and Western diplomatic observers have noted that he carved out a fiefdom for himself in Oran, where he wielded substantial political as well as military power. During that period, he sometimes clashed with Boumediene, ignoring or openly questioning national policies with which he disagreed. [redacted]

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The same Western diplomatic observers have also noted that as a regional military commander Bendjedid demonstrated other skills and attitudes that have since served him well--an egalitarian sympathy, a preference for behind-the-scenes maneuvering, a capacity for candor, and the ability to move quickly and ruthlessly against opponents. By the end of his tenure in Oran, Bendjedid, then a colonel, was the senior officer in the Army. He was named de facto Minister of Defense in September 1978, when Boumediene became fatally ill. Following Boumediene's death three months later, the military forced Algeria's sole political party, the National Liberation Front to select Bendjedid as a compromise presidential candidate. [redacted]

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No official biography of Bendjedid has been published, and we know little about his early life. Born in 1929 near Annaba in eastern Algeria, he has stated that he came from a well-to-do peasant family. He received an elementary education at a local French school and later studied Arabic and religion at a traditional Islamic school. At 26 he joined the Algerian underground to fight against the French, and he eventually rose

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through the ranks to command numerous operations with guerrillas based in Tunisia. [REDACTED]

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The Personal Side

Like many in Algeria's elite, Bendjedid has accumulated considerable wealth, although he is careful not to flaunt it. He is a part owner of at least two hotels, maintains stables, and enjoys sailing and other water sports. Bendjedid has been married twice; his second wife, by whom he has three children, plays a limited public role. [REDACTED]

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US and other foreign observers have described the avuncular Bendjedid as protocol conscious but very much at ease with himself, a man of quiet charm and humor. Bendjedid's knowledge of French is almost certainly as good as his Arabic, but his insistence on using Arabic as the official language during foreign visits points to his commitment to portray Algeria as Arab, Islamic, and nonaligned. He almost certainly does not speak English. [REDACTED]

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Because Si Chadli is Bendjedid's nom de guerre, his name frequently appears in the foreign press in reverse order, that is, Bendjedid Chadli. He is often referred to as Colonel Chadli. Bendjedid, however, is his officially recognized surname. [REDACTED]

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DIRECTORATE OF INTELLIGENCE

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ALGERIA REALIGNS ITSELF IN MIDDLE EAST POLITICS

The most significant shift in Algeria's foreign policy under President Bendjedid has been a more active role in promoting stability in the Middle East. The Algerians are maintaining close ties with Syria and radical PLO groups while increasing cooperation with Arab moderates. Algeria has not moved completely into the moderate Arab camp or given unqualified support to recent PLO-Jordanian peace efforts. Nevertheless, the change in its position is dramatic compared with only a few years ago when it was an active participant in the Steadfastness Front set up after Egyptian President Sadat's visit to Jerusalem. Indeed, Cairo now sees Algiers as a key player in any Middle East peace initiative. [redacted]

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Bendjedid's active role in Middle East politics reflects a maturing of the leadership and a willingness on the part of Bendjedid to expand his responsibilities as an Arab statesman. In our view, Bendjedid's first term is best characterized as a period of consolidation of power with an emphasis on domestic issues. As a second-term president, Bendjedid appears eager to develop a positive role for Algeria in the international community, and by gradually placing his men in key positions, he has reinforced his mandate to go forward with his policies. [redacted]

A host of factors have led Algeria to reconsider its place in the Arab lineup and its role in Middle East politics during the past several years: [redacted]

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- Algeria has been increasingly affected by the political ferment that Islamic fundamentalism, religious radicalism, and political subversion have produced in the Middle East during the past several years.
- The increasing use of terrorism as a political tool has caused Algeria to reevaluate its support for revolutionary groups, as the Bendjedid government believes terrorism has served only to increase instability in the region.
- Although the Algerians at one time encouraged the polarization of the Arab world into competing moderate and radical camps, Algiers has come to realize that this has weakened the Arabs' ability to offer constructive solutions to the Arab-Israeli conflict.
- Finally, the turmoil in Lebanon and increased factionalism within the PLO have further reinforced Algiers' view that instability in the region has undermined the Arab stand against Israel.

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Support for the PLO

Algeria's more active role in Middle East politics has been driven in part by the Palestinian issue. Algeria is one of the few Arab states that has maintained open communication with all PLO groups while supporting Arafat's leadership. Algiers provides sanctuary to about 2,000 Palestinians evacuated from Lebanon and allows these fighters to train on Algerian military equipment. Bendjedid believes an independent and unified Palestinian national movement is a critical factor in the Arab-Israeli equation and, thus, advocates a strict policy of noninterference in Palestinian internal affairs. Algerian officials also have stated that a unified PLO is necessary to deter more radical Palestinian elements from returning to terrorism.

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For the past two years, the Bendjedid government has been called upon by other Arab leaders to work with Syria and its PLO allies to reconcile differences with pro-Arafat groups. Bendjedid's decision not to act as host to last year's Palestine National Council meeting in Algiers no doubt reflected his concerns about Syrian threats that radical PLO groups would not attend. Bendjedid probably believed this would formally split the PLO--an act for which the Algerians do not want to be responsible.

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Backing Away from the Radicals...

Of greater importance for US interests is Algiers' pulling away from the radical Arab states. Algiers has rebuffed Syrian, Libyan, and Iranian efforts to reconstitute the radical Steadfastness Front. The Bendjedid government has stopped routinely supporting the radical Arab states on the Palestinian

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issue because of what it views as Syrian and Libyan efforts to preclude progress toward PLO unity. We believe that Algiers probably realizes that recognition of Israel's right to exist as well as reestablishment of relations with Egypt are inevitable--a position in sharp contrast to that held in Damascus, Tripoli and Tehran. [REDACTED]

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Algiers' resistance to join the radicals also reflects its desire to mediate the Iran-Iraq war. Algeria's inclusion along with Iran in the radical front, in Algeria's view, would jeopardize its ability to represent both parties in any negotiations. According to the US Embassy in Algiers, Algerian officials reassured other Arab leaders that Algeria's participation in a meeting with Syria, Libya, South Yemen, and Iran in Damascus last month was nothing more than part of continuing contacts with other Arab states. [REDACTED]

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...Toward the Moderates

Bendjedid's recognition of Arafat's leadership and tacit approval of his efforts to work with Jordan on a joint approach to peace negotiations bring Algeria even more in line with the moderate Arab coalition of Saudi Arabia, Jordan, and Egypt. The moderates are particularly pleased with Algeria's insistence on a Palestinian consensus for any peace formula and its efforts at mediating Syrian-PLO differences. Jordanian and Egyptian officials believe that Algeria's close ties to Syria and its Palestinian surrogates make Algiers the best hope for persuading Syria not to block a settlement. [REDACTED]

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Algiers' determination to move closer to the moderate Arab states extends beyond compatible views on the Palestinian question, the Arab-Israeli conflict, and the Iran-Iraq war. The Bendjedid government has come to realize that Jordan, Saudi Arabia, and Egypt can be helpful in achieving Algeria's own goals in North Africa:

- Bendjedid has asked King Hussein, King Fahd, and President Mubarak to use their personal ties with Moroccan King Hassan to modify what Algiers believes has been Moroccan intransigence on the Western Sahara issue, according to Embassy sources.
- In support of Algeria's arms procurement program, Algiers may want to draw on the experience of Jordan, Saudi Arabia, and Egypt for guidance in procuring and integrating Western and US military equipment.
- Along with other Arab leaders, Bendjedid believes Qadhafi is a major threat to Middle East stability and sees Saudi Arabia and Egypt in a position to cooperate in countering Libyan subversion. [REDACTED]

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Outlook

Bendjedid's interest in promoting Algeria as an important contributor to regional stability will not translate into quick and consistent support of US policies in the Middle East. Algeria is unlikely to take the lead in forging solutions to intra-Arab disputes. We anticipate that Algiers will prefer to use its influence behind the scenes to urge a consensus and keep its role discreet. [redacted]

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Algiers has little leverage over Damascus but will do what it can to resolve Syrian-PLO differences, including working with other Arab leaders to temper Syrian objections and develop PLO unity. If the issue is controversial, as in the case of the Hussein-Arafat agreement, the Algerians probably will remain silent or convey their position privately. Algiers will continue, however, to take a more open position on issues of principle, such as publicly criticizing Syria and Libya for encouraging factionalism within the PLO. [redacted]

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As Algeria's relations with moderate Arab states improve, we believe Algiers will be more willing to cooperate with Washington on issues it views as debilitating or dividing the Arab world--Libya, the Iran-Iraq war, Western Sahara, and terrorism. [redacted]

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DIRECTORATE OF INTELLIGENCE

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ALGERIA: A KEY STATE IN THE MAGHREB

Size, wealth, and location make Algeria a focal point in North African affairs. Algeria's policy in the Maghreb is founded on the belief that regional stability best serves Algiers' political and economic interests. Bendjedid has promoted regional cooperation under the theme of "greater Maghreb unity" to preclude encirclement by unfriendly states, encourage economic interchange, contain Libyan adventurism, and assert Algerian leadership. At the same time, Algeria remains heavily involved in the most divisive issue in the region--the Western Sahara conflict.

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Regional Relations

The most concrete result of Bendjedid's regional initiatives is the friendship treaty with Tunisia in 1983, which Mauritania later joined. Good relations with Tunisia serve as a practical means of securing Algeria's economically important gas pipeline which passes through Tunisia. In addition, the uncertain Tunisian succession is seen by Algiers as a threat to regional stability, particularly if Libyan leader Qadhafi tries to exploit any political uncertainties regarding Bourguiba's heir. In such an event, Algeria probably views itself as the only regional power with the ability to present a credible deterrent to Libyan meddling in Tunisia.

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Algerian relations with Libya are strained and likely to remain so as long as Qadhafi remains in power. The Algerian

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President has a personal dislike for the Libyan leader based in part on Qadhafi's support for Bendjedid's opponents in the presidential election in 1979. Algeria regards Libya's efforts to export its revolution and to effect mergers with neighboring states as a direct threat to Algerian and regional security.

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Particularly irritating to the Algerians is Tripoli's rapprochement with Rabat and the subsequent Moroccan-Libyan union signed last August. Algeria views the union as a tactical move by Morocco to block Algerian efforts to promote regional unity and to end the Western Sahara conflict. Algiers hopes the personal incompatibilities between Qadhafi and Morocco's King Hassan will break up the "marriage of convenience." We believe, however, that Hassan will try to keep the union together until a solution to the Sahara war is found or until Qadhafi turns against Morocco by renewing support to the Polisario.

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Algeria has maintained excellent relations with Mauritania for the past several years. The change of regime in Nouakchott last December and shift away from a strong pro-Polisario position does not appear to have affected the relationship. Furthermore, Mauritania may soon renew relations with Morocco. Algerian-Mauritanian relations, however, are likely to remain good as long as Nouakchott does not move too far toward the Moroccan position on the Western Sahara issue.

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The Polisario Issue

Bendjedid has shifted Algerian policy on Western Sahara during the past year from a position of demanding full independence to one involving an autonomous status for the territory under Moroccan sovereignty as part of an effort to encourage regional cooperation. Algeria has undertaken several initiatives to find a solution to the conflict, including an Algerian-Moroccan summit in February 1983 and most recently talks between high-level officials in December and January. For the moment, negotiations are stalled over what Algeria sees as Moroccan intransigence to maintain the status quo. We believe that both sides continue to support the notion of dialogue and a peaceful solution, but the distrust between Rabat and Algiers makes a negotiated settlement difficult to achieve.

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Algiers continues to provide strong political support to the Polisario. Longstanding efforts to seat the Polisario's self-proclaimed Saharan Arab Democratic Republic (SDAR) as a member of the Organization of African Unity finally paid off last year. In addition Algiers is attempting to have the Polisario seated in the Nonaligned Movement.

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Algiers' assertiveness on the political front has been accompanied by some restraint on Polisario military activity. For example, Algeria does not allow the guerrillas to cross directly into Morocco from Algeria. Algeria will continue to

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provide the Polisario with military assistance to keep some pressure on Morocco, but the Front does not have the capability to gain a military victory alone. Algiers has been unwilling to commit its resources to support the Polisario, believing that doing so risks conflict with Morocco. Algeria views US military assistance to Morocco as further complicating the military balance in the Sahara. [REDACTED]

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Status of the War

The Algerians view extensions of the Moroccan defensive berm as evidence that Morocco is pursuing a military solution to the Western Sahara conflict. The berm has effectively denied the Polisario access to key population centers. In addition, the Polisario must travel through Mauritania to enter all but a small portion of Western Sahara. Part of the berm now comes to within approximately 15 kilometers of the Algerian border. [REDACTED]

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Polisario forces have carried out two major attacks--in October at Zaag and in January at Mahbes--since last fall, but harassing attacks are frequent. In both major attacks, armor equipped Polisario forces temporarily breached the berm but were repulsed by Moroccan reinforcements. The highlight of the January operation was the downing of a Moroccan Air Force F-1 with a surface-to-air missile fired from Algerian territory. [REDACTED]

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Placement of the berm so close to the Algerian border makes Moroccan troops in Western Sahara vulnerable to Polisario attacks launched from Algerian territory by reducing the reaction time, making the possibility of clashes with Polisario forces more likely. This leaves Rabat the option either of facing routine Polisario harassment or engaging in hot pursuit into Algeria, risking clashes with Algerian forces. The Moroccan armed forces probably will limit the use of their dwindling air assets, which are increasingly beset with general maintenance problems and malfunctioning avionics, in future operations near the Algerian border to avoid a repetition of the January incident. [REDACTED]

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Outlook

We believe that Algeria will continue to express support for a solution to the fighting in Western Sahara, but it will persist in its efforts to expand international recognition of the Polisario. Bendjedid is likely to present Algiers' latest Sahara peace proposal to US officials and ask that they press Hassan to compromise. In our opinion, the popularity in Morocco of retaining the territory limits Hassan's ability to compromise. [REDACTED]

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Although we believe that both Algiers and Rabat desire a political solution, periods of increased tension are likely to occur, increasing the danger of direct confrontation. Morocco will probably continue its long-term strategy of walling in the

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Western Sahara by extending the berm south toward Dakhla, which will be especially irritating to the Algerians. [redacted]

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Elsewhere in the region, Algeria will try to block Qadhafi's troublemaking in the region by continuing good relations with Tunisia and Mauritania. Algiers would like to see the demise of the Moroccan-Libyan union. The Algerians also may consider providing support to Qadhafi's opposition. [redacted]

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1 April 1985

ALGERIA COOLS ITS TIES WITH THE SOVIET UNION

Bendjedid's desire for better relations with Washington have been accompanied by a cooling of ties between Algeria and the Soviet Union. Principal factors in this change are a shift in Algeria's ideological perspective and an interest in diversifying its sources of military arms. Bendjedid will point out, however, that he cannot abandon Algeria's longstanding ties with Moscow. Algeria will continue to require access to sophisticated Soviet-made military equipment and must ensure the continuation of Soviet resupply and maintenance assistance. Moreover, Algiers cannot appear too pro-West if it is to maintain its credentials as a major actor among Third World and nonaligned governments.

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Easing Away from Moscow

Limiting the influence of the two superpowers in North African politics has been one of Bendjedid's major foreign policy objectives. Bendjedid and his advisers often comment that Algeria will never become a client state of any power after having paid so heavily for independence. In our view, the Bendjedid government has made clear to Moscow that its version of nonalignment includes improved relations with Western Europe and the United States. In support of its policy of nonalignment, Algiers continues to refuse Moscow's requests to establish permanent basing rights or hold joint military exercises and has reduced the number of Soviet advisers over the past five years from a high of 2,500 to 1,200. According to the US Embassy in

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Algers, Algers has also made clear that it does not want direct Soviet military involvement in the Western Sahara conflict.

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An important factor in Algers' moving away from Moscow has been widespread dissatisfaction with the quality of Soviet military assistance and the desire to reduce Algeria's dependence on a single military supplier. According to the US Embassy in Algers, the government also believes that the Soviet models for economic development have failed to meet Algeria's needs. The emphasis on heavy industry had caused the development of such sectors as agriculture and light industry to languish. Moreover, the old system of centralized control over state corporations had produced a cumbersome and inefficient bureaucracy. The combination of these factors has prompted Algers to look to the West for technical and financial assistance.

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Bendjedid also has personal reasons for curbing Algeria's close identification with Moscow. Bendjedid almost certainly has not forgotten Moscow's efforts to swing the 1979 presidential election in favor of a pro-Soviet FLN leader to succeed President Boumediene. Bendjedid's consolidation of power during his first term as President included the careful weeding out of many pro-Soviet holdovers to weaken Moscow's ability to influence Algeria's decisionmaking process.

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Algers also is suspicious of Libya's ties with the Soviet Union. The US Embassy in Algers reports that the Algerians were extremely troubled by Qadhafi's public threat last year to grant Moscow access to Libya's military facilities. Algers probably views the union between Libya and Morocco as providing an opportunity for the Soviets to improve relations with Rabat. Algers almost certainly would view any attempt by the Soviets to sell more sophisticated weapons to Libya or supply military equipment to Morocco as threatening regional stability and undermining Algeria's desire for regional leadership.

These negative aspects of the relationship should not mask the fact that the Bendjedid regime works with Moscow in a number of areas:

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- Algeria continues to grant the Soviet Union access and transit rights to its ports on a case-by-case basis and allows Soviet overflights into sub-Saharan Africa.
- Algers continues to send students and some military personnel to the Soviet Union for training and education and participates in such Soviet-sponsored activities as the Afro-Asian People's Solidarity Organization and Moscow's annual International Youth Conference.
- Low-level Soviet-Algerian exchanges take place in any given year to sign cooperation agreements and discuss bilateral issues.

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-- Soviets participate in some Algerian development projects, such as building a steel plant in Jijel and parts of the gas pipeline to Hassi R'Mel, and have nearly 5,500 economic technicians in Algeria, although Algiers restricts their access to the local population. [redacted]

-- Algeria's voting pattern in the United Nations often mirrors that of Moscow, but this reflects Algiers' nonaligned orientation rather than support for the Soviet Union. The Bendjedid government did surprise most UN observers, however, by abstaining on the UN resolution condemning the Soviet invasion of Afghanistan. [redacted]

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Continued cooperation in these areas supports Algiers' commitment to nonalignment. More importantly, Algeria wants to preserve the option to buy sophisticated military equipment. The Algerians realize that a sudden and complete shift to Western military suppliers could result in the loss of Soviet maintenance, equipment, and spare parts. This would reduce dramatically Algeria's military capabilities--a key factor in Algeria's pretensions to regional leadership. [redacted]

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Outlook

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Algiers will be cautious not to alienate Moscow or jeopardize the Soviet arms flow as it expands ties to the West, particularly the United States. Algeria almost certainly will continue to grant Soviet air and naval forces limited transit and port visits as well as overflight privileges. Algerians also will refrain publicly from criticizing Soviet policies that they believe are outside Algeria's interests, such as Soviet support for Nicaragua or increasing Soviet involvement in Syria. At the same time, Bendjedid is unlikely to approve longstanding Soviet requests for military base rights or to sign a friendship treaty with Moscow, which would be viewed by the current regime as compromising Algeria's nonalignment. [redacted]

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Nevertheless, Moscow is concerned about Bendjedid's turn toward the West. The Soviets have been trying to prevent a further erosion in relations with Algeria through a series of high-level visits from Moscow over the last seven months. They probably will urge Bendjedid to visit Moscow after his trip to Washington. They are not likely to initiate a break or even cool relations with Algeria. [redacted]

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Relations between Algiers and Moscow, however, will continue to be strained. Moscow probably recognizes that Algeria will be dependent on Soviet arms for the near future and--under present circumstances--is unlikely to offer more lenient terms for military and economic assistance. Algiers has already experienced stringent Soviet repayment schedules and insistence that repayment be in hard currency and not oil. The Soviets may calculate that as the price of oil declines and as Algeria's oil

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supply diminishes over the next 10 years, Soviet terms will remain more attractive than the West's. If Algiers buys sophisticated military equipment, such as fighter aircraft, from the West, Moscow may ease repayment terms to curb such purchases.

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DIRECTORATE OF INTELLIGENCE

1 April 1985

ALGERIA AND WESTERN EUROPE: SHAKING OFF BAD MEMORIES

In his meetings with US officials Bendjedid is likely to point to closer ties with Western Europe as evidence of the sincerity of Algeria's more moderate foreign policy. Last year, Bendjedid made his first visits to Paris, Rome, and Brussels to underscore Algeria's commitment to a constructive dialogue on subjects of mutual interest in Western Europe and the Middle East. In turn, Bendjedid wants expanded economic benefits, military equipment and training, and West European support of Algerian leadership in the Maghreb. [redacted]

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The benefits Algiers derives from its ties with the Europeans could affect Algerian-US relations. Of particular concern will be the extent to which the Europeans support Algerian efforts to reduce its dependence on Moscow for military equipment. The issue of US purchases of Algerian gas also might become more prominent if Algiers encounters difficulties in lining up European customers. [redacted]

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Several factors have inhibited Algeria from expanding its relations with Western Europe--its largest trading partner--beyond strictly economic matters. Algeria's socialist and traditionally pro-Soviet orientation has made it difficult for both sides to cooperate on political and international issues. Algerians have been deeply suspicious of Western Europe's intentions along the North African littoral, particularly under the NATO security arrangements. Most Algerians also view their northern Mediterranean neighbors in the

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context of Algeria's bitter struggle against the French to gain independence. [redacted]

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Algeria's Socialist Comrades

Algeria's efforts to improve relations have been facilitated by the increased political clout of European socialists. The rise of socialism has influenced some European countries to adopt what Algiers views as a more acceptable position on such issues as the Polisario Front and Palestinian problems and superpower dominance in Africa and the Mediterranean. Embassy reporting suggests that in some cases, Algiers has used party channels to promote closer cooperation or to obtain more favorable terms in private-sector trade agreements. [redacted]

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A key development in Algiers' rapprochement with Western Europe was the election in 1981 of a socialist government in France. President Mitterrand's visit to Algiers shortly thereafter--the second visit of a French President since Algeria gained independence in 1962--was viewed by both countries as the beginning of more active Franco-Algerian cooperation. Subsequent visits by senior French officials and Bendjedid's visit to Paris in 1983 also served to strengthen the relationship. Algiers--well aware of Mitterrand's opposition to Algerian independence in the 1950s--has been particularly pleased by his willingness to keep almost a million Algerian workers in France and his return of Algerian colonial archives. Paris also has continued to pay premium prices for Algerian gas and recently concluded a \$1.9 billion contract for an updated air defense system. Although the French Government has avoided taking a stand on the Western Sahara conflict, the French Socialist Party has endorsed self-determination for the Saharan peoples. [redacted]

Bendjedid also is pursuing closer ties with the socialist government in Spain. The resolution last month of the three-year-old dispute over a liquified natural gas contract and Gonzalez's visit to Algiers in March mark the beginning of a new stage in Algerian-Spanish relations. Madrid is especially interested in obtaining economic benefits to compensate for the high price it has agreed to pay for Algerian gas. Algiers, for its part, wants Spanish support for the Polisario and a balancing of Madrid's ties with Rabat. The Algerians also are interested in military cooperation. [redacted]

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Algiers wasted little time after the election of Greek Socialist leader Andreas Papandreou in exploring areas of closer cooperation. The Greeks renewed improved relations with Algiers as a means to establish Athens as a link between Western Europe and the Arab world. Papandreou visited Algiers in 1982 to kick off the close relationship and several commercial and scientific agreements have been signed since then. [redacted]

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Relations between Italy and Algeria have revolved mainly around gas sales and operating the pipeline that links the two

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countries. As with other West European countries, Algiers' insistence on separate economic assistance packages to accompany its gas contracts has been a contentious issue between Italy and Algeria. Discussions on regional issues during a recent visit by the Italian Foreign Minister suggest that Algiers might look to Rome, which maintains good relations with Libya and Tunisia, for support in thwarting Libyan troublemaking in Tunisia after the death of Tunisian President Bourguiba. [REDACTED]

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What Can Be Expected

Algeria may encounter significant obstacles in its pursuit of closer relations with Western Europe. Algiers' insistence on high prices for its gas--unless accompanied by concessions on volumes to be purchased--will hamper economic cooperation with potential customers. Relations with France could nosedive if Algiers detects signs of French paternalism toward its former colony, if Paris adopts a more hardline policy toward Algerian immigrant workers, and if the French do not maintain what Algeria perceives as balanced relations with other North African states, particularly Morocco and Libya. Spain also wants good relations with Morocco and Libya and is still suspicious of Algerian support for the separatist movement in the Spanish-governed Canary Islands. Relations with the United Kingdom are unlikely to move beyond that of cordial business partners as long as a conservative government is in control in London. [REDACTED]

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Algeria's press and official spokesmen undoubtedly will continue to criticize the West on many issues. Moreover, Algiers will remain a tough but pragmatic negotiator in concluding commercial agreements, trying to link trade with European endorsement of such political issues as North-South cooperation, nonalignment, Palestinian and Polisario self-determination, and reducing superpower influence in the region. [REDACTED]

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

1 April 1985

ALGERIA: THE SEARCH FOR ARMS

High on President Bendjedid's agenda during his visit to Washington is purchases of US military equipment and technology. Algiers during the past several years has indicated its desire to diversify its source of arms from predominantly Warsaw Pact suppliers. With the exception of construction services and a small amount of training, the only major systems obtained from the West have been 17 C-130 aircraft from the United States and two logistics landing craft and six fast patrol boats from the United Kingdom.



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Algiers is looking to the United States for maintaining and upgrading its current inventory of aircraft. Algiers views its Air Force as the first line of defense against an attack from its two principal external threats, Morocco and Libya, and wants to maximize the advantage in performance capability--particularly avionics--of its equipment. We believe, over the longer term, the Algerians want Western assistance in establishing an indigenous capability for producing small arms and other relatively unsophisticated materiel. For those items it cannot produce domestically, Algiers wants to be able to buy from a variety of sources, Western as well as Soviet. To date, the Algerians have obtained or are negotiating assistance agreements with the United Kingdom, France, and West Germany as well as the United States.



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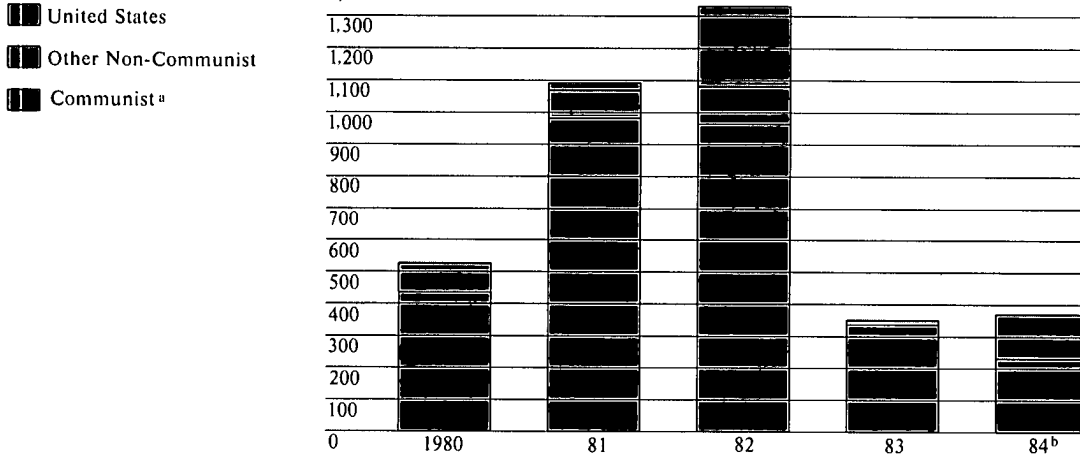
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Algeria: Military Deliveries, 1980-84

Million US \$



^a Primarily from the USSR.
^b Estimated.

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The Soviet Role

Moscow has been Algeria's primary supplier since independence and has provided more than 80 percent of Algerian military needs valued at approximately \$5 billion. According to Embassy reporting, the most recent agreement, signed in 1980, provides for delivery of \$3 billion in equipment and spare parts. Recent deliveries of equipment under this contract include the SA-8 surface-to-air missile system at least 60 improved versions of the T-72 tank, four SSN-3-C coastal defense missile systems and an antitank guided missile system. [REDACTED]

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For Algiers, however, Moscow's generosity has had its drawbacks. Complaints have focused on the poor quality of equipment provided, what Moscow charges for the equipment, and difficulties in obtaining spare parts and warranty maintenance.

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What Algiers Wants from Washington

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[REDACTED] The Air Force is particularly interested in acquiring communications and electronic countermeasures for the L1011 presidential aircraft, tactical training for C-130 crews, a variety of pilot and maintenance training programs, and assistance in maintaining and upgrading Algeria's Soviet-supplied fighter aircraft. Algiers also is involved in negotiations with US firms for the acquisition or production of 1,000 6x6 armored vehicles, various improvements to Soviet-built T-54/55 tanks, and the supply of 2,500 general purpose wheeled vehicles over the next five years. [REDACTED]

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Algiers Also Looking Elsewhere

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Algiers is not looking exclusively to Washington to end its dependence on Moscow for military materiel. The Algerians have been negotiating with the French for both equipment and assistance in developing a domestic arms industry. The French press claims that France may have signed its largest contract yet with Algeria for air defense equipment for \$1.9 billion. In addition, Algiers is looking to the French for aircraft, submarines, fast patrol boats, minehunters, and an early warning radar system. [REDACTED]

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British military assistance has been primarily with the Algerian Navy, and Algiers is interested in British submarines, a frigate, and landing ships. London also wants to promote the Hawk as a replacement aircraft for Algeria's aging MIG-15 and MIG-17 aircraft. [REDACTED]

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Algerian interest in West German assistance dates back to 1981 and focuses on training and coproduction, probably in Algeria, of a wide range of armaments including armored vehicles and artillery. Algiers also is interested in mass producing the 73mm HEAT/HEAP infant rocket system domestically with German assistance. [REDACTED]

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1 April 1985

THE ALGERIAN ECONOMY: HANDLING THE OIL SLUMP

Algeria has weathered the soft oil market through a combination of good economic management and a drawdown of foreign exchange reserves. Unlike many other Third World oil producers, Algiers has maintained a strong international credit rating which should allow sufficient financial leeway to complete most aspects of the current development plan.

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Self-imposed financial cutbacks have had a significant impact on urban consumers. Trade figures show that imports of consumer goods are down 50 percent from the 1982 level, and social spending has been sharply curtailed. The US Embassy reports that unemployment and underemployment in the increasingly youthful and well-educated population probably top 20 percent in urban areas. Algeria's pervasive security forces and the limited expectations of most Algerians have helped control discontent over social and economic conditions so far. Continued austerity, however, will increase the likelihood of unrest.

The Economy

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Petroleum continues to be the mainstay of Algeria's economy. Hydrocarbons account for nearly all export earnings, 30 percent of GDP, and 60 percent of government revenues. Algeria has been a world leader in developing and marketing its large gas reserves. Algiers realizes that it will have to rely increasingly on gas

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exports for foreign exchange. Local oil industry statistics indicate that crude oil production peaked in 1978. [redacted]

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World Bank figures show that agriculture employs 30 percent of the Algerian labor force but provides only 6.5 percent of GDP. Agricultural production has stagnated during the past two decades while the population has rapidly increased, forcing the government to import as much as 50 percent of food needs. Several factors are responsible for the stagnation:

- Significant shortfalls in the use of investment funds allocated to agriculture, resulting in insufficient replacement of equipment, inadequate development of water resources, and serious deterioration of irrigation structures.
- A government policy of subsidized food prices that has made agricultural activity unprofitable.
- A decline in the agricultural labor force spurred on by wage policies that favor urban workers.
- An overly cumbersome centralization of agricultural planning, investment, and marketing systems and lack of coordination within the government in carrying out these functions. [redacted]

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The US Embassy in Algiers reports that industrial development has consumed the lion's share of the country's financial resources--nearly 40 percent of GDP over the past 10 years. Even so, Algeria's efforts to diversify the economy have had only limited returns--heavy industry, excluding petroleum accounts for only 15 percent of GDP. Since Bendjedid came to power in 1979, Algeria has reoriented its development policy to pay more attention to agriculture and the needs of the burgeoning population--50 percent is under 18 years old--which is growing by 3 percent annually. [redacted]

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A New Game Plan

Algeria has just embarked on its 1985-89 development plan. This plan emphasizes development of agriculture and water resources. The plan also reveals Bendjedid's growing preference for decentralizing the public sector and greater reliance on private initiative. The evolution toward a market-oriented economy, however, will be tightly controlled by the government, particularly in priority areas of the economy such as hydrocarbons and heavy industry. [redacted]

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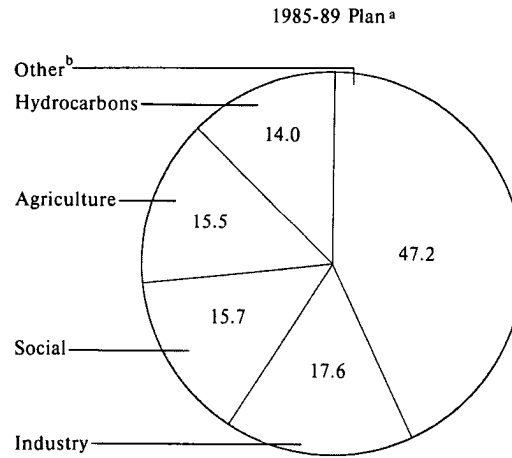
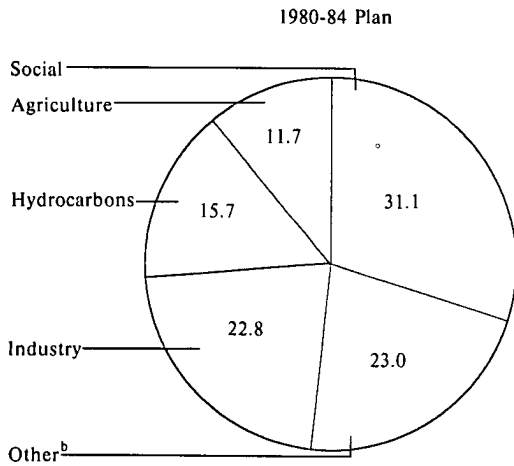
The vicissitudes of the oil market will be a primary factor affecting Algeria's economy and the government's ability to meet development goals. The US Embassy reports that sharply lower petroleum revenue projections already have been incorporated in

Algeria: Investment Spending, by Sector

Billion US \$

Total: \$ 104.3

Total: \$ 110.0



^a Proposed.

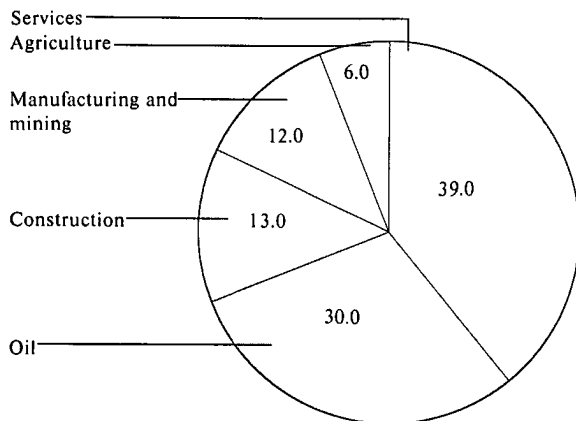
^b Expenditure allocated to completing projects started under the previous plan.

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Algeria: Origin of GDP, 1984

Percent



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the national budget and the development plan. Algeria's excellent credit rating, despite one of the largest debt burdens of any OPEC country, should allow the government to meet foreign borrowing needs through 1989, in our opinion. [redacted]

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Algiers will try to minimize its international loan requirements by continuing its hardline policy on crude oil and gas prices. We anticipate that the Algerians will support high prices by reducing deliveries. Problems with gas production--more complex reservoir structures than anticipated and time delays in installation of necessary secondary recovery equipment--are likely to hold export capacity below contract volumes in any case. Algiers is likely to be more flexible on sales of noncrude petroleum liquids such as condensate to help maintain export revenues. Sales of condensate, natural gas liquids, and refined products are not controlled by Algiers OPEC quota of 660,000 b/d of crude oil. [redacted]

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Outlook: Continued Dependence on Hydrocarbons

Algeria's economy and foreign trade position will continue to be determined by the international oil market through the rest of the 1980s. Hydrocarbon exports this year are not expected to exceed the 940,000 b/d level achieved in 1984--a level that includes about 300,000 b/d of oil equivalents. Overall export receipts of \$12.4 billion will show no growth this year. Even assuming no increase in the already reduced cost of imports, we project a \$2.6 billion current account deficit for 1985. Real GDP growth has averaged 4 percent annually since 1979--well below the 7.3 percent average over the previous five years--because of the weak foreign trade position and is not likely to exceed 5 percent in 1985, according to the US Embassy. [redacted]

Implications for the United States

Algeria's economy is the strongest in North Africa, despite financial constraints, and offers many opportunities for increased US participation. Algeria has provided a \$500 million market for US agricultural goods, heavy machinery, and transport equipment since 1979 and had a \$3 billion trade surplus with the United States in 1984. US companies will have to overcome stiff competition from Algeria's European trade partners--particularly the French--to gain a larger share of the market. Financing will be a key element in major contract negotiations. Petroleum barter deals may be offered as payment. In addition, Algiers may look for concessions on gas negotiations with Washington as a sign of US interest in broader bilateral relations. [redacted]

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Algeria: Balance of Payments

Billion \$

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984^a</u>	<u>1985^b</u>
Current Account Balance	1.6	-1.8	-1.9	-1.7	-2.3	-2.6
Trade Balance	5.6	2.4	2.2	2.7	2.4	2.4
Exports (f.o.b.)	15.9	13.5	12.7	12.5	12.6	12.4
Petroleum and products	14.9	12.3	10.7	9.4	9.6	9.4
Gas	1.0	1.2	2.0	3.1	2.6	3.0
Imports (f.o.b.)	10.3	11.0	10.5	9.8	10.2	10.0
Foodstuffs	2.1	2.2	2.0	1.8	1.8	1.7
Semimanufactured goods	4.4	4.2	4.1	3.7	3.9	3.9
Capital goods	2.8	4.0	3.4	3.8	3.9	3.9
Consumer goods	1.0	0.6	1.0	0.5	.6	0.5
Net Services	-3.9	-4.1	-4.0	-4.2	-4.5	-4.9
Freight and insurance	-1.2	-1.3	-1.3	-1.2	-1.2	-1.2
Investment income	0.7	0.8	0.6	0.5	0.4	0.4
Other	-3.3	-3.6	-3.3	-3.5	-3.7	-4.1
Grants	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Capital Account Balance	-0.5	1.7	0.6	1.2	1.9	2.4
Changes in Reserves	1.1	-0.1	-1.3	-0.5	-0.4	-0.2

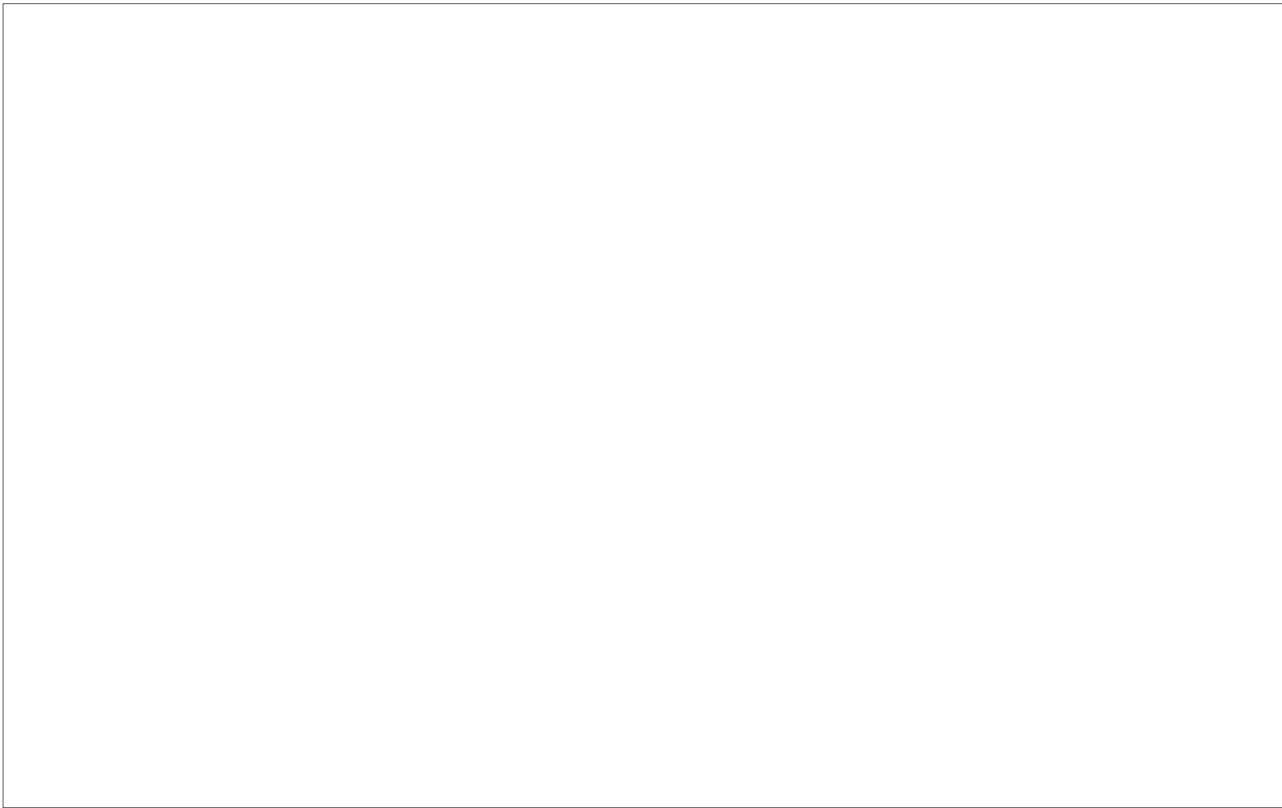
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a Estimated

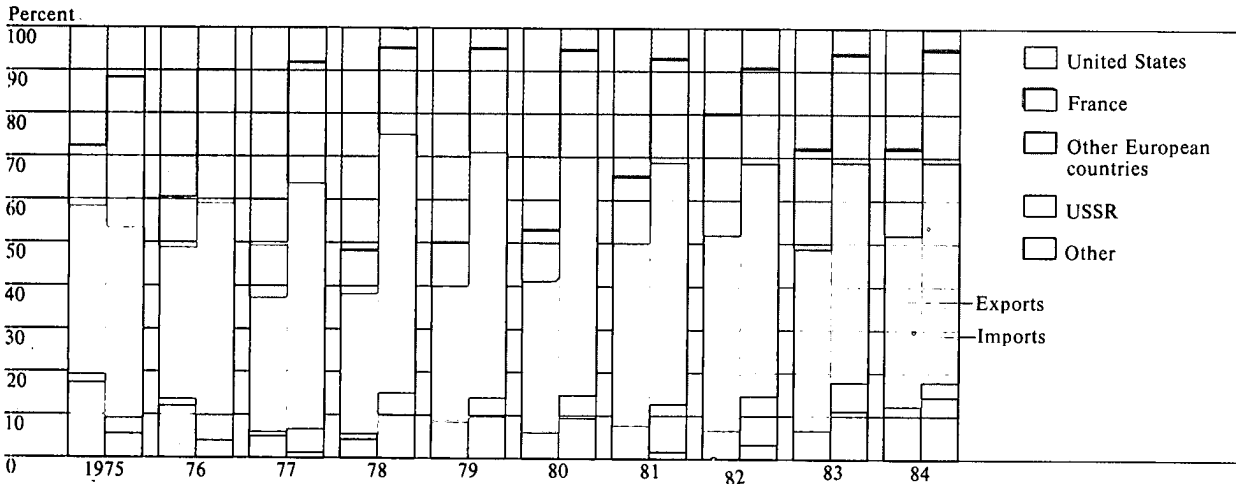
b Projected; assumes petroleum exports of 939,000 bd at an average price of \$27.50 per barrel.

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Algeria: Direction of Trade, 1975-84



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DIRECTORATE OF INTELLIGENCE

1 April 1985

ALGERIAN NATURAL GAS

Algeria has the potential to be a significant supplier of natural gas to Western Europe in the 1990s. In the past, however, Algiers has taken a hardline stance on pricing, even when confronted with a weak market. As a result, gas purchasers probably will be less willing to sign new contracts for Algerian gas to meet expected demand, opening new opportunities for the Soviet Union to capture any growth in import demand in the European market.

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Algerian gas reserves are the fifth largest in the world. Its ability to sell liquefied natural gas (LNG) is limited, however, by its pricing demands which make Algerian LNG 30 percent more costly than Soviet gas. Only gas sold to Italy via the Trans-Mediterranean Pipeline is competitively priced in the current surplus market. Partly as a result of its pricing policy, Algiers has not been exporting all of the gas originally called for in its contracts:

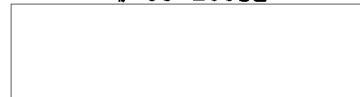
- Contract commitments to France, Italy, Belgium, and Spain are about 29 billion cubic meters (bcm) annually. Algeria, however, currently is supplying only about 19 bcm to these consumers. This represents less than 10 percent of West European gas consumption. Algeria recently resolved a pricing dispute with Spain and is completing the second phase of its export pipeline system to allow it to cover its full contract commitments to Italy.

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Algerian Gasfields and Facilities



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-- Algeria had at one time as much as 30 bcm in contract commitments to the United States which would have given Algiers about 5 percent of the US market. These contracts, however, have been reduced to around 5.9 bcm, with 4.5 bcm of that in a currently suspended contract with Trunkline.

Algeria has attempted to avoid buyer objections over pricing policies by negotiating export contracts directly with consumer governments. These deals are at times part of a larger trade package but require government subsidies to state-owned utilities which purchase the gas.

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We believe Algiers' inflexible pricing policy has been in large part determined by production considerations which limit the amount of gas available to meet supply commitments during the rest of this decade. Unanticipated production problems in existing fields, delays in developing new gasfields, and continuing poor operational performance of LNG plants are limiting output. Algiers has considered several alternatives to overcome these problems--such as decreasing gas injection and accelerating development of southern gasfields--but most are too costly or politically undesirable and could not be implemented in time to prevent the sizable shortfall in exports we expect. Algeria is likely to implement several minor measures such as slowing growth of local gas consumption and initiating limited development of new gasfields. Such measures would allow Algiers to export between 20-25 bcm annually through the early 1990s, still short of its contract commitments to Western Europe.

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By the mid-1990s, after new gasfields come on line and the production capabilities of existing fields are restored, Algiers should be able to meet its existing commitments and perhaps have an additional 40-45 bcm per year available for export. Despite industry forecasts of an increase in gas import demand, however, we believe most European customers will be inclined to forgo additional volumes of Algerian gas because of concern over Algeria's pricing policies and its reliability as a supplier.

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DIRECTORATE OF INTELLIGENCE

1 April 1985

ALGERIA'S NUCLEAR PROGRAM AND PROSPECTS

In May 1981 Algeria adopted a nuclear energy program to provide 10 percent of Algeria's electrical energy needs by the year 2000. The Commissariat aux Energies Nouvelles (CEN) was established in 1983 to supervise nuclear and nonfossil fuel research and development. The only nuclear facilities in Algeria are three accelerators for high-energy research, which they have had for several years. Algerian students can study nuclear science at the University of Algiers or abroad and are generally supported by state scholarships.

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Algerian Nuclear Ambitions

Algeria has nuclear cooperation agreements with France and Belgium to exploit significant uranium resources in southern Algeria, to establish a nuclear energy grid, and to develop an indigenous nuclear technology. Algeria signed a scientific and technical cooperation agreement with Argentina in 1983 and concluded a similar agreement last month for energy cooperation. We believe both agreements provide a framework for future nuclear cooperation. Last fall Argentina agreed in principle to provide training in nuclear technology and perhaps a natural uranium-fueled research reactor which could take advantage of Algeria's uranium reserves.

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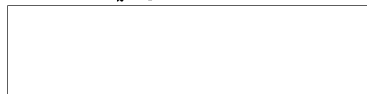
Algeria has attempted to obtain French, US, Canadian, and Argentine assistance in building and supplying a research facility that would include at least three additional research reactors, according to Embassy reporting. Discussions with the

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French, however, have stalled over financial considerations, while negotiations with the United States and Canada are bogged down over the issue of safeguards. [REDACTED]

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Nuclear Nonproliferation

Algeria has refused to sign the Nuclear Nonproliferation Treaty. The Algerians view the treaty as discriminating against states just setting out on nuclear development programs by forcing them to abstain from activities that nuclear weapons states already are free to pursue. Furthermore, Algiers believes the treaty compromises national sovereignty by forcing a nation to open all nuclear facilities to foreign inspection. [REDACTED]

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Algerian officials have indicated to the US officials that they have no intention of conducting unsafeguarded nuclear activities and will accept IAEA safeguards on any nuclear facilities they develop. Algiers prefers, however, to negotiate safeguard agreements on a case-by-case basis rather than make a blanket commitment in advance. [REDACTED]

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Current Negotiations

Progress has been slow and deliberate on Algeria's nuclear program. Algiers will continue discussions with Western suppliers and others, but it probably views current discussions with Argentina as the most promising. Apart from China, Argentina has the most advanced nuclear program in the Third World and could supply Algeria with significant technology and facilities. Nuclear cooperation with Buenos Aires probably also is attractive as Argentina is not a signatory to the Nonproliferation Treaty and may not insist on safeguards. [REDACTED]

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**POLITICAL
DYNAMICS**

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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

1 April 1985

POLITICAL DYNAMICS OF ALGERIA

President Bendjedid has brought about a gradual shift in the direction of Algeria's domestic and foreign policies. The radical, pro-Soviet ideologues who dominated Algerian politics during the first 20 years of independence have been replaced and their strident anti-US rhetoric and policies modified in favor of a more genuine nonalignment. Under Bendjedid's leadership, the country has moved increasingly toward the West, principally to obtain technology and arms, but also to redress the past tilt toward the Soviet Union. Bendjedid has made it clear in his actions and public statements that his policies are geared more toward fulfilling contemporary Algerian expectations and solving Algeria's immediate economic and social problems than trying to apply socialist precepts that have been found wanting.

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The Leadership

The Algerian ruling elite is an interlocking network of men with close personal ties and common values derived from their revolutionary experience. Bendjedid and his key advisers--military officers, some prominent figures from the past, and an ascendant group of educated technocrats--are staunch nationalists and often claim they are "Algeria-firsters." In contrast with the dogmatic, pro-Soviet cast of previous regimes, the current leadership is pragmatic, and most are Western in their outlook, tastes, and style.

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This memorandum was prepared by [redacted] the Maghreb Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. Information as of 1 April 1985 was used in preparation of this paper. Comments and queries are welcome and should be addressed to Chief, Arab-Israeli Division, [redacted]

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Bendjedid's ability to move Algeria along a more moderate path should not obscure the fact that a number of influential leftist ideologues and political radicals remain in Algeria's sole political party, the National Liberation Front (FLN), and pose a potential for opposition. Pro-Soviet sentiments almost certainly exist at the lower levels of the party, the bureaucracy, and the military. Bendjedid, however, is particularly skilled at co-opting these men and in some cases has shuffled their positions to remove them from their political power base. Others may realize that to get ahead in the Bendjedid regime, they must modify their attitudes.

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Institutionally, decisionmaking in Algeria is highly centralized, but in practice, Bendjedid seldom exercises the full prerogatives of his office without consultation. We believe he seeks first and foremost the approval of the military. Not only is the military Bendjedid's principal power base, it also is the only source of power that could effectively challenge a presidential initiative. Military officers hold eight of the 30 Cabinet portfolios and 26 percent of the FLN membership.

The Regime, the Public, and the Opposition

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Most Algerians probably would give Bendjedid high marks for his performance and his efforts to rebuild national pride. Bendjedid's anticorruption campaigns--also a means to eliminate his rivals--have been well received by the public, which all too often views the regime's primary goal as self-aggrandizement. Bendjedid's efforts to steer Algeria back into the Arab mainstream have enhanced his image at home as an Arab statesman. Similarly, there has been widespread support for Algeria's improved reputation resulting from Bendjedid's role in negotiating the release of US hostages from Iran, acceptance of Palestinians after the PLO expulsion from Beirut in 1982, and his efforts to mediate the Iran-Iraq war.

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Despite Bendjedid's political strength, several issues could crack the current government policy consensus or increase popular criticism of the government. Of particular concern is disaffection among students, workers, and Islamic fundamentalists. So far, the regime has had considerable success in controlling dissent by a mixture of accommodation and suppression and by clearly limiting government tolerance of criticism. A loyal and efficient security service monitors dissidents and resorts to force in those instances when militants threaten public order.

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Fundamentalism. The spread of Islamic fundamentalism in Algeria is being monitored very closely by the government. The regime has not forgotten a series of violent, fundamentalist-inspired demonstrations in Algiers in 1982. Fundamentalist appeal is focused on the urban working class, students, and rural poor. The regime maintains tight control over the national religious establishment to minimize the chances that the regime's Islamic credentials--a cornerstone of its right to govern--are

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not seriously challenged. Moreover, the government's crackdown after the 1982 disturbances has kept the fundamentalist groups in Algeria small, fluid, and poorly organized, and they do not pose a significant threat to the regime. [REDACTED]

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Economic Problems. Algeria faces social and economic problems similar to those of most developing Third World nations --rising unemployment, a burgeoning population (50 percent are under 18 years old), and an inadequate supply of consumer goods. Strikes among students and workers occur periodically, and gangs of idle youth roam the streets of major cities, increasing the possibility for unrest. Police and security forces have responded quickly and effectively to any disturbances. More troubling is the impact of dwindling crude oil revenues and difficulty in marketing natural gas resources--Algeria's primary source of foreign exchange--on Algiers' ambitious investment program. The Bendjedid regime is in the early stages of decentralizing the government bureaucracy and expanding the private sector in the economy as well as developing housing programs and other social services. The performance in these areas will probably determine popular attitudes toward Bendjedid's economic management, and any serious misstep is likely to revive the old arguments over socialism. [REDACTED]

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Ethnic and Regional Tensions. The Kabyle region in the mountains northeast of Algiers is predominantly Berber and has historically opposed the central government--coups against the government were led from this region in 1962 and 1967. Periodic demonstrations among the Berbers arise mostly out of what they perceive as the government's neglect and second-class treatment and not from desires for autonomy. Especially controversial has been the government's Arabization plan--the replacement of French with Arabic as the national language--which the Berbers see as undermining their culture and language. The regime generally tolerates public criticism from the Berbers and has accommodated some demands by increasing the number of Berbers in the government and by allowing Berber to be taught at the university. The Berbers desire, however, to get a bigger piece of the Algerian pie will remain a sorepoint in Algerian society for some time. [REDACTED]

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Western Sahara. Bendjedid's support for a compromise solution to the Western Sahara dispute could become a contentious issue among Algerian decisionmakers. Although the Western Sahara issue is not critical for most Algerians, Bendjedid cannot ignore those factions in Algerian political life that advocate support for the Polisario. Certain groups in the Algerian military and the more ideological wing of the FLN would oppose any attempt by Bendjedid to cut ties with the Polisario. To ensure consensus in the government, Bendjedid realizes that any negotiated settlement must contain at least the appearance of guarantees for Saharan rights. [REDACTED]

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Outlook

The prospects for political stability in Algeria are good. Bendjedid's men are in key posts in the government, the FLN, and the military. Although some groups in Algerian society are disappointed that neither the revolution nor Bendjedid's economic policies have lived up to expectations, most believe they can effect changes through the system. Moreover, Bendjedid's sensitivity to military concerns diminishes the possibility for serious friction between him and the decisive element in the Algerian power structure. Finally, the lack of leadership, funds, and manpower will restrict the opposition's ability to challenge Bendjedid.

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Algeria: Fact Sheet

Population

20,695,000; average annual growth rate 3.1%; 80% Arab, 20% Berber, less than 1% European

Land

2,460,500 sq km; 80% desert, waste, or urban; 16% pasture and meadows; 3% cultivated; 1% forest

Water

Limits of territorial waters (claimed): 12 nm

Religion

99% Sunni Muslim; 1% Christian and Jewish

Language

Arabic (official), French, Berber dialects

Literacy

35%

Government

Republic; single-party rule under National Liberation Front (FLN)

Legal system

Based on French and Islamic law, with socialist principles

Suffrage

Universal over age 19

Communists

400 (est); Communist Party illegal (banned 1962)

Gross Domestic Product

\$42.9 billion (1982)

Agriculture

Main crops--wheat, barley, grapes, olives, citrus fruits, dates, vegetables, industrial crops

Major industries

Petroleum, light industries, natural gas, mining, petrochemical, electrical

Crude Oil Production

700,000 b/d in 1985 (OPEC quota 660,000)

Foreign Reserves less gold

\$1.576 billion (Jan 1985)

Major trade partners

US, West Germany, France, Italy

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Exchange rate

5.2 Algerian dinars=\$1 (January 1985)

Fiscal Year

Calendar year

Defense Forces

Army 150,000; Navy 6,500; Air Force 12,000 (est 325 pilots);

National Gendarmerie 24,000. Compulsory two-yr service.

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