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Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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Algeria: Growing Challenges For Bendjedid

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Summary

The eight-year-old regime of President Chadli Bendjedid is both internally factionalized and struggling to manage growing public disgruntlement. At the heart of Bendjedid's difficulties is the country's oil-related economic crisis, which has hamstrung government efforts to deal with serious social problems. The economic downturn has aggravated factionalism within the government, party, and military, and has fueled personality clashes and bureaucratic rivalry. The internal debate is a battle over policy, pitting Bendjedid against old guard leftists opposed to the President's economic reforms and opening toward the West. Bendjedid's position appears fairly secure; nevertheless, he is likely to face economic and political difficulties this year of such magnitude that his position will weaken, forcing him to compromise with opponents. As a result, he probably will be less able to promote closer ties with the United States; moreover, expanding US-Moroccan military cooperation and Algiers' diplomatic courtship of Libya also will complicate relations with Washington.

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President Chadli Bendjedid is facing the most serious challenge to his regime since he took office in 1979. The drastic drop in hydrocarbon prices on the international market last spring led to an economic crisis because of a loss of 50 percent of oil income, according to the US Embassy in Algiers.

This memorandum was prepared by [redacted] the Maghreb Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis, Information as of 7 January 1987 was used in its preparation. Questions and comments should be directed to Chief, Arab-Israeli Division [redacted]

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Ninety-eight percent of the country's export receipts, nearly 50 percent of government revenues, and about 25 percent of the GDP come from hydrocarbons. To deal with the financial shortfalls, the government cut its operation budget, reduced development and investment expenditures, and slashed imports. [redacted]

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Consequently, for the first time since independence, economic growth in 1985 was less than the annual 3 percent increase in population. The new round of austerity measures has required the government to cut programs addressing social problems. We believe unemployment has reached 25 percent in many areas, and unemployment and underemployment together may exceed 30 percent. Food, water, and housing shortages -- and their cost -- also have become increasingly burdensome for the rapidly growing population. For example, the Embassy says a kilogram of meat now costs \$30. [redacted]

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Economic strains seem to have increased social tensions. Last November, rioting by students and the unemployed rocked Constantine, the third-largest city, and minor disturbances occurred in other cities including Algiers. The violence appears to have stemmed from poor living conditions and grievances over corruption among government officials. These incidents were the first serious outbreaks of violence attributable to economic conditions since Bendjedid took power. The regime also is concerned about the growing assertiveness of Muslim brotherhood dissidents [redacted]

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Internal Politics: From Consensus to Conflict

Public disturbances have encouraged more infighting within the regime. Bendjedid is most vulnerable to attack from leftist ideologues of the ruling National Liberation Front (FLN) and government bureaucrats who want expanded welfare programs to meet the needs of youth and the unemployed, and from religious groups who claim that a return to the country's Islamic roots is the panacea. Although the regime has featured a high degree of collective decisionmaking incorporating the views of these elements, bickering has intensified over the allocation of resources. [redacted]

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Information on power centers within the government is sketchy and often inconsistent, mainly because the country's tight-knit, military-civilian oligarchy has cliques that cut across clan and professional lines. [redacted]

[redacted] the most intense struggle is between the Bendjedid group and leftists in the FLN and Army, led by Permanent Secretary Messaadia, who want to preserve the socialist aspect of the Algerian revolution. They object to the President's efforts to reform the economy by encouraging privatization and local government initiative. These ideologues also oppose Bendjedid's diplomatic opening to the United States and favor strengthened

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[redacted]

ties with the Soviet Union, Libya, and other radical states. Although these differences are largely concealed from the public, increasingly the various sides have carried the dispute into the national press. [redacted]

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The debate within the FLN, moreover, is widening to include broader segments of the military. The faltering economy has delayed long-sought modernization of the military and has led to morale problems within the officer corps. These developments, in turn, have strengthened the hand of those officers critical of the President. Feuding between the President and officers over promotions, strike activity within some units, and the Army's response to austerity measures has led Bendjedid to reassert his hold over the military. In late November, following a rare meeting with the senior echelon of the Army, the President fired former Chief of Staff Benloucif and reorganized the presidential guard, [redacted] probably as a preemptive move against potential coup plotters. [redacted]

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[redacted] we believe Bendjedid acted because he thought Benloucif was attempting to challenge his authority. Benloucif's replacement, General Belhoucet, probably is less sympathetic to the idea of developing ties with the United States. [redacted]

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Prospects for Bendjedid

In our judgment, Bendjedid remains first among equals within the country's ruling military hierarchy and is not in immediate danger of losing his position. The President's various opponents from within the regime or outside the government have yet to coalesce against him. Bendjedid demonstrated in his removal of Benloucif that he can have his way with preeminent power over the military. He continues to hold firm on the need for economic reform and we believe his agenda remains intact. [redacted]

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Nevertheless, Bendjedid's political position has slipped somewhat over the past year, and he will face even greater challenges unless he comes to grips with the deteriorating economy in our view. For example, the President made several senior personnel shifts in the cabinet and FLN in 1985 and early 1986 in line with his effort to revise the country's economic policies and consolidate power, but he has not been able to make any other significant changes in nearly a year. In addition, he failed to deliver what the US Embassy was told by Algerian officials would be a landmark speech on the economy in Oran during early November. According to the US Embassy, the 17th session of the FLN Central Committee in December witnessed stiff resistance to Bendjedid's reforms. [redacted]

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Given the strong likelihood of continuing financial austerity, President Bendjedid probably will not be able to make much progress in achieving economic reform. Moreover, he probably will be forced to divert resources from the public sector to the military to placate officers and bolster his tarnished image. We believe austerity probably will encourage the government to continue traditional socialist policies, even though reform probably would alleviate at least some of the economic and social problems. [redacted]

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Implications for the United States

Algeria's foreign policy probably will become more ambiguous because of the country's political drift. Bendjedid's weaker position and need to balance political factions will result in inconsistent or even contradictory decisions. For the United States, such a course would, in our view, probably mean limited progress in bilateral ties, or even a deterioration of relations, because of the continuing importance of radicals in the regime. In any event, Algiers will have fewer funds available to purchase military equipment from Washington, and US commercial firms will have fewer business opportunities given economic austerity. [redacted]

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In addition, Algerian-US relations with regard to North Africa are likely to suffer. Budding US-Moroccan military cooperation will complicate ties between Washington and Algiers, even though Algerian officials still hope that the United States will play an intermediary role between Algeria and Morocco in ending the war in the Western Sahara. [redacted]

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Algerian leaders [redacted]

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[redacted] continues to develop relations with Tripoli in ways that belie their claim that they simply want to monitor Libyan political developments. Bendjedid's sudden trip to Libya in early December was his first ever to that country,

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The travel of Libyan Foreign Secretary Mansour to Algeria following the summit, in our view, confirms progress in the relationship. Short of resolving serious bilateral differences, Bendjedid probably hopes expanded contacts with Tripoli will appease hardliners within his government and dissuade Qadhafi from meddling in Algerian affairs. [redacted]

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