
Economic importance of Algeria from the perspective of Japan

November 10, 2015

Masaya FUJIWARA

Ambassador Extraordinary and Plenipotentiary of Japan to Algeria

1. Economic importance of Algeria

Algeria

- ✓ Occupies a stable position in the Middle East and North Africa area.
- ✓ Has rich hydrocarbon resources. Crude oil production per day: 1.6 million barrels; Natural gas production per year: 7.9 billion cubic meters.
- ✓ Has a strong need for industries, especially in fields where Japanese enterprises have advantages, e.g. plant construction, machinery items, etc.
- ✓ Has a population of approximately 40 million in which 75 % of people are under 35 years old and presumably with increasing purchasing power
- ✓ Has made an effort toward economic reforms with some measures, including review of the no external debt policy, and introduction of PPP. Such movements are good opportunities to strengthen the economic relations between Algeria and Japan.
- ✓ The Strategic Master Plan for infrastructure planning in Algeria under development is also an opportunity to further discuss the future projects of mutual interest of both countries.

Why not strengthen the economic relations between Japan and Algeria through the Joint Economic Committee and/or other opportunities.

2. Political and Economic Relations between Japan and Algeria

1. Since the far east office of FLN was founded in Tokyo in 1958, Japan has kept a good relationship with Algeria. Due to the lively activities undertaken by Japanese companies in the 1970s and 1980s, a good reputation about Japan remains among Algerians.

2. While Japan recognizes Algeria's high potential of economic growth, our business activities are not so active. Japan is the fifteenth trade partner of Algeria. Investment from Japan is also partial. In terms of imports, for Japan, Algeria is the 26th partner for crude oil and 19th partner for LNG.

Transition of Algeria's trade amount from 2005 to 2014

	05	06	07	08	09	10	11	12	13	14
Trade Balance	26	34	35	41	8	18	26	20	11	3
Export	46	55	61	79	45	57	73	72	66	61
Inc. Hydrocarbon	45	53	60	77	44	56	72	70	63	58
Import	20	21	26	38	37	39	47	52	55	58

Billion USD

(Source: Bank of Algeria)

Major trade partners for Algeria in 2013

	Country	Exp	Country	Imp
1	Spain	10	China	7
2	Italy	9	France	6
3	UK	7	Italy	5
4	France	7	Spain	5
5	USA	5	Germany	3
15	Japan	1	Japan	1

Billion USD

(Source: Bank of Algeria)

3. Economic cooperation from Japan

(1) Since Algeria formulated a policy of not getting into further external debts, the main economic cooperation from Japan has been in the form of technical cooperation such as training courses and dispatching of Japanese experts, through JICA.

e.g. Sahara Solar Breeder Project, Technical cooperation in the field of disaster protection, marine, fishery, etc.

(2) Other types of cooperation include strengthening people-to-people exchanges such as the ABE Initiative (African Business Education Initiative for Youth), foundation of the Japan Algeria Friendship Association, and the Japan Algeria Business Club.

(3) The Strategic Master Plans for infrastructure planning in Algeria, which collates project plans of electricity, desalination, port construction, etc., is being developed based on the agreement at TICAD V.

(4) Cooperation on issues such as countermeasures against terrorism, youth employment, and bond market has been also offered.

(5) The accumulated total of JBIC loans is approximately 972 billion JPY as of the end of March, 2014. However no new loans has been provided recently.

3. Economic approaches to Algeria

1. Major countries such as the EU and the USA recognize the geopolitical importance and high economic potential of Algeria, and thus strengthen their relations with Algeria, frequently holding high level contacts and strategic dialogue.
2. In 2015, leaders of more than fifteen countries have visited Algeria including the French President in June. From Algeria, the Prime Minister, Abdelmalek Sellal visited China this April. Algeria has held joint economic committee meetings with Italy, France, Spain, Germany, India, and South Africa in 2015.
3. Relations with Japan
 - (1) The then Parliamentary Vice-Ministers for Foreign Affairs, Kentaro Sonoura visited Algeria this May. A bilateral political dialogue was held in Tokyo this June.
 - (2) While the joint economic committee with Japan has not been held since its sixth meeting in 2008, the President of Algeria, Abdelaziz Bouteflika, and major leading figures have expressed strong hopes to strengthen the economic relationship with Japan.



Remark of the President of Algeria, Abdelaziz Bouteflika

"We attach importance to relations with Japan and therefore expect for further development of the bilateral relationship through political dialogue, joint economic committee and cooperation for countermeasures against terrorism."

(At the ceremony of the presentation of Credentials in November, 2014)

4. Recent trends and issues

1. Acceleration of economic diversification

(1) Government's 5 years' plan from 2014 to 2019

With the aim of economic diversification, a total budget of 262 billion USD will be provided to expand and modernize industries, promote mining industries, promote productive agriculture, strengthen fisheries and aquaculture, continue investment in the energy sector, and tourism.

(2) National Cancer Plan from 2014 to 2019

A total budget of 800 million USD will be provided for the sake of cancer control, to realize informative medical services and management of medical information, and improve medical facilities

2. Movement towards import restriction & expansion of domestic production

(1) Response to the downfall in crude oil prices which occurred since late 2014

Increases in a portion of taxes and charges, cuts in a portion of subsidies, measures to import restrictions, suspension of large scale public works and promotion of domestic industries has been introduced or discussed.

(2) Regulation of vehicle import activities executed in February, 2015

New safety requirements for imported vehicles, strengthened requirements for import agents, re-investment to domestic automotive industries within 3 years, etc., are required.

3. Issues – expected to be improved

(1) As pointed out by the World Bank, which evaluated the business environment of Algeria at 163rd out of 189 countries in “Doing Business 2016”, there are a lot of procedural restrictions in trade, imposing more cost and time than in other countries.

(2) Due to a policy of not getting into further external debts, restriction of investment ratio, the maximum 49% for foreign investors, and difficulty in foreign remittances, there are concerns about risk in investment to Algeria.

(3) There are indications that uncertain governmental procedures, e.g. for renewal of liaison office of foreign enterprises, and certification of imported vehicles, confuse related enterprises.

Would the new investment law being elaborated introduce better treatment for foreign investors?

The Japan Algeria Business Club to be established is expected to contribute to improve business environment for Japanese enterprises.