

U.S. ARAB CHAMBER OF COMMERCE

Algerian - American Relations and Economic and Political Developments in Algeria Presentation by H.E. ABDALLAH BAALI Ambassador of Algeria to the United States of America To the

U.S. ARAB CHAMBER OF COMMERCE
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Ladies and Gentlemen, good morning :

I wish to begin by expressing my thanks and my appreciation to the Branch Office of the National US-Arab Chamber of Commerce for inviting me to speak before such a distinguished audience. I am grateful for the opportunity to discuss the reality of Algeria and the prospects and promises it holds for stronger and more diverse relations between our two countries.

Towards the end of last month, a fairly large group of US executives spent a week in Algeria touring the country and exploring business opportunities. The number of areas open to potential US investors was quite impressive: Infrastructure, water resources, construction, medical facilities, transportation, agriculture, energy, and technology. The list is far from exhaustive; it is almost unlimited.

Such is the face of Algeria today, a country transformed into a huge construction site and where so much is happening. Among a few of the major projects being undertaken or planned to be implemented, 18,000 km of roads, including the 1,200 km-long East-West Highway, 14 water desalination plants, 8 huge dams, 1.5 million new housing units, 19 major hospital centers, new cities, including Hassi Messaoud in the South and a brand new metropolis west of Algiers, the Algiers subway system, and tramway systems in the cities of Algiers, Oran, and Constantine.

Today, I am delighted to be here to speak about Algeria, a country with a bright economic outlook, the promise of strong and genuine democracy, real opportunities for turning the Algerian-American relationship into a strong and durable partnership, and finally, a country that has become a very attractive destination for investors from all over the world.

Barely entering its 47th year as an independent state, Algeria has changed, is changing, and seems set to continue to change in the years ahead. In ten years, Algeria has built more infrastructures, more housing or schools than it did since independence. In ten years, Algeria has forged for itself an international image as a nation that is influential, respectable and even envied.

Known as El Djazair in Arabic and officially as the People's Democratic Republic of Algeria, it is the largest country of the Mediterranean region and the second largest in Africa and shares borders with seven countries – Tunisia, Libya, Niger, Mali, Mauritania, Western Sahara and Morocco. With a fast growing population of over 34 million, political stability and a growing economy spurred by the recent energy boom and considerable natural resources, Algeria has emerged as one of the most attractive markets in the world for US trade and investment. Many a visitor returning to Algeria, after a decade or so, went back impressed by the progress made, commenting that it is far more impressive than the achievements that many other countries, recipients of foreign aid, have made over much longer periods.

Ladies and gentlemen :

We are all familiar with the "Location, location, location" mantra by which value of real estate is measured. In the instance of Algeria, I would also refer to the same motto and make the claim that location is one of the major assets of my country. By now, it is a well-known fact that Algeria is not only an attractive and growing market; it is also prime real estate in a strategic area of the world. It is a natural geographic, political, economic and cultural link between the African continent, the Maghreb-Middle East region and two free-trade zones within the European Union and the Arab world.

Privileged as it may be, Algeria's location is not its only asset, however. Given the size of its hydrocarbon sector, Algeria holds important oil reserves and the 7th largest natural gas reserves in the world. Last year, for example, it produced an average of 1.37 million barrels of crude oil per day of which 1.25 million barrels was exported. With such significant export revenues – and major gas reserves – the country has been able to stand on its own feet. In fact, in recent years, we chose to turn away from multilateral financing and, with a few exceptions, no new World Bank loans have been extended to us since 2003. Hydrocarbons have become the main driver of Algeria's impressive and ongoing economic and human development.

This sounds great, doesn't it? Well, it is and it is not. It is because, yes, it is great to have all that oil revenue. But, it is not, because we do not want to continue to rely on hydrocarbons alone. Algeria has a lot more to offer in terms of natural resources, renewable energies, human capacities, industrial and road infrastructure, transportation, agriculture, to name but a few sectors of tremendous growth potential. The list goes on and on and on.

This is what we would like not only our European and Asian partners, but, also and in particular, US businesses, to consider and get involved in. We would like for US firms to diversify their interests and increase their footprint in a country that offers potential investors great incentives, advantageous legislation, existing infrastructure, trained manpower, and a wide array of non-hydrocarbon sectors to consider for profitable investment. For instance, growth in the non-hydrocarbon sector, which represents 55 percent of total GDP, reached about 6 percent in 2008.

In addition to the variety of investment incentives it offers, Algeria seeks to foster a better business climate, namely

through streamlined administrative procedures, accessibility to real estate, and banking facilities for reflows of business earnings. Furthermore, the Algerian Investment Code, as amended in August 2001, grants a number of fiscal incentives, such as reduced customs duty rate for equipment imported for investment execution, tax-exemption for annual profits, for total income, and exemption from Value-Added Tax on goods and services.

Ladies and gentlemen:

It is almost redundant to speak of the increasingly friendly character of the Algerian-American relationship. It is important nonetheless to underline that the two countries enjoy a mutual confidence that reflects the strong desire of their respective Governments to nurture stronger bilateral ties through the exploration of the opportunities offered to them. Our two countries share great convergence of views on a wide range of issues of mutual interest. The Algerian-American relationship enjoys a strong economic and political foundation that we wish to consolidate through more significant security and military cooperation, increased dialogue and greater concertation with the goal of establishing a mutually desired strong and durable strategic partnership.

Today, Algeria is the first trading partner of the United States in North Africa and the second in Africa and the Arab world and provides investments conditions that are now better than ever and would allow American businesses to expand rapidly. For the fourth consecutive year, the United States have been Algeria's top trade customer with a record level of almost \$20 billion and were in 4th position among its suppliers. Second recipient after Saudi Arabia of US investments made in the hydrocarbon sector in the Arab world, Algeria is an important and reliable provider of petroleum and liquefied natural gas to the United States. With plans already under way to expand our current share from 5% to 20% of the US market by the Year 2015, Algeria plays an increasingly significant role in ensuring the security of America's energy supply.

While trade exchanges between our two countries reached about \$22 billion last year and are promises to grow even more, they continue to be almost exclusively — and I would add, unfortunately - focused on hydrocarbons, however. This is a state of things that we have been determined to change dramatically by putting forth the enormous potentialities offered by Algeria in terms of resources and market value, on the one hand, and the opportunities for profit and business expansion available to investors, on the other.

Ladies and gentlemen:

Algeria has greatly benefited from its energy sector over the years. It is also eager to use the great many assets that it is endowed with, in its efforts to liberalize and diversify its economy in 1995. With an overall real growth of 4.6% in 2007 (that is, up from 2% the previous year), a per capita GDP at \$5,097 in 2008 (compared to \$1,623 in 1999), a foreign debt reduced to \$623 million in June 2008 from a staggering \$30 billion in 1999, the Algerian economy has yielded very encouraging results. The International Monetary Fund (IMF), the World Bank and other international financial institutions have all praised the country's economic performance. To wit, last year, the IMF issued a report in which it stated that Algeria's economic performance constituted evidence that the reforms undertaken in recent years are bearing fruit. Apart from the solid growth, between 2000 and 2007, inflation was kept in check at an impressive 2.46% (down from 30% in 1995) despite a relatively minor dose of the higher food prices that have affected countries around the world. In addition, international reserves surpassed the \$138.35 billion mark (representing two and a half years of imports) and even after the heavier-than-expected outlays for the year, the Algerian state registered a budget surplus equivalent to 12% of expenditure. Furthermore, additional funds were accumulated in the oil stabilization fund (FRR), which reached 37 percent of GDP.

Even in the face of the challenging international environment, Algeria's economic outlook remains encouraging. This view was supported by the Executive Board of the International Monetary Fund in a report issued on February 27, 2009, where the financial institution stated that "Algeria appears insulated from direct financial contagion given the predominantly public financial sector, minimal external indebtedness, and prudent management of international reserves."

According to the IMF report as well, Algeria is also making significant progress in its efforts to set the stage for a private sector that can more reliably sustain itself once the current round of public works begins to slow down. To that end, a special emphasis is being placed on elements aimed at boosting private investment by developing protection for investors and more efficient means of financial intermediation. Both the World Bank and the IMF have commented favorably on the direction of reforms and the groundwork laid for a stronger private sector.

The Government focus on diversification of the economy is not only smart policy, because we want to lessen our dependence on the hydrocarbon sector; it is also, and above all, fair and balanced policy because job creation and growth increase in other sectors of the economy is the best way of combating unemployment. Incidentally, unemployment rates have decreased significantly, dropping from 30% in 1999 to about 11% in 2007. Today, sectors accounting for employment in Algeria are government (32%), agriculture (14%), industry (14%), and construction (10%). Recently, the Algerian Government launched an ambitious investment program to upgrade our national infrastructure. The Complementary Growth Support Program is a five-year investment plan consisting of \$90 billion earmarked for infrastructure projects. The plan places a significant emphasis on diversifying the performing economic sectors and giving the most attention to areas outside of hydrocarbons.

In addition to two growth support plans, over the next five years, Algeria will soon launch another five-year plan (2009-2014), allocating close to 150 billion dollars of public expenditures to development, all the while continuing to call for greater involvement by domestic and foreign investors. The Government's efforts will focus on reaching several objectives, creation of 3 million new jobs and building more than 1 million new housing units. The plan will include funding for hundreds of projects, including renewable energy, infrastructure, agriculture, transportation, water resources, IT, agribusiness, financial services and tourism.

In short, ladies and gentlemen, Algeria offers US investors a market with unmatched potentialities for growth and

benefits. Greater involvement by the US business community in the Algerian market will further enhance the already important bilateral cooperation between our two countries and pave the way for a durable and mutually beneficial strategic partnership between Algeria and the United States of America.
Thank you very much.