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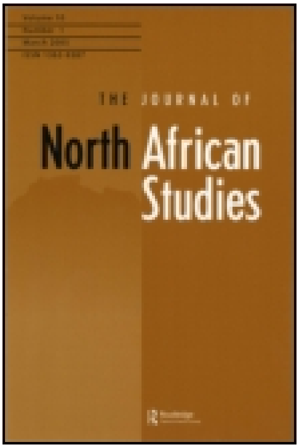

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Rolling either way? Algerian entrepreneurs as both agents of change and means of preservation of the system

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Rolling either way? Algerian entrepreneurs as both agents of change and means of preservation of the system

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In Algeria, the last two decades were marked by the increasingly visible political influence of private-sector actors. Considered as potential agents of change, they have often been expected to contribute to democratisation in their country, particularly after the introduction of a multiparty system and the transition from a socialist model to a market economy in the late 1980s. The analysis of economic actors' political involvement in Algeria raises questions concerning modes of renewal of political leadership. The Algerian case demonstrates that the inclusion of new private-sector actors in the political arena does not mean that the system has opened itself to competition for the management of the country's wealth, even less its democratisation. However, the increased presence of the figure of the 'businessman' in the Algerian political arena reveals the authorities' strategy of diversifying alliances in order to preserve their monopoly.

Keywords: Algeria; entrepreneurs; rent; authoritarianism; democratisation

In Algeria, the last two decades were marked by the increasingly visible political influence of private-sector actors.[1] Emerging as new political players, major and successful entrepreneurs have generated much hope within the European Union (EU) as well as among Algerian commentators. Considered as potential agents of change, they have often been expected to contribute to democratisation in their country, particularly after the introduction of a multiparty system and the transition from a socialist model to a market economy in the late 1980s. Business elites' involvement in politics was supposed to validate a formula dear to the Euromed partnership, one of whose founding members was Algeria: political liberalisation inescapably follows economic development. Yet despite good economic conditions[2] (IMF 2007) and the emergence of numerous influential businessmen, political and governance-related reforms are hardly advancing at all, as illustrated by the third term President Abdelaziz Bouteflika won in April 2009. There has been no confirmation that politicised economic actors will embrace reform and

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then gradually replace a monopolistic regime. To understand entrepreneurs' potential to catalyse change in today's Algeria, one must look beyond their direct involvement in regular party-politics, and analyse the networks and channels through which they become politicised. These conditions have important implications on the nature of their resulting relations with the political elite.

Unlike neighbouring Morocco and Tunisia, Algeria has never opted for a model of what Camau (2006) calls 'open market authoritarianism', in which political stalemate does not preclude economic reforms that bolster the country's growth and productivity.[3] Algerian authorities' inability to let the market regulate the emergence of autonomous entrepreneurs primarily reflects their fear that influential business elites might come forward and compete for oil rents and other public resources. The circles of political power in Algeria, mostly composed of members of the security services, the army and the Front de Liberation Nationale (FLN) – the ruling party since independence – have narrowed the role of entrepreneurs, creating a sense of economic restructuring and redistribution of power whilst concurrently perpetuating their political control. Defining the 'economic elite' is thus an emphatically political exercise. Official discourse on this economic elite has evolved over the decades of FLN rule. Until the early 1980s, it concentrated on promoting managers of public enterprises and the state bourgeoisie (Raffinot and Jacquemot 1977); in the 1990s on talking about entrepreneurs, businessmen and private-sector actors; and through the late 2000s, on the encouragement of 'national champions' serving the national economy and creating jobs and income. The political instrumentalisation of economic actors since the independence of the country in 1962 is demonstrated by the reconfiguration of the state monopoly on rents from being public and centralised to being privatised and clientelist, while invariably relying on loyalist economic actors. The question is then not how entrepreneurs can reform or democratise the political system as outsiders but rather how they adapt their relationship with the ruling political elite. The aim of this relationship is both to preserve the system which is co-opting them and, simultaneously, to present themselves as agents of change in order to survive changes in the framework of the Algerian economy.

In the 1960s and 1970s, a centralised and interventionist system shaped a reliance on the control of executive managers (cadres) in public enterprises and lead to the creation of a 'socialist' state bourgeoisie (Gellner and Waterbury 1977). In the late 1980s, the failure to restructure Algeria's planned economy, the establishment of multiparty politics, decreasing oil reserves and the national debt weakened the state's economic monopoly. To check criticism from the opposition, state representatives, the secret services and the army were forced to open more space for the private sector and make their control less visible. However, the co-optation of the opposition (Islamists included) through elections and the privatisation of public enterprises in the 1990s did not favour the emergence of autonomous forces. Rather, it only allowed the authorities to extend their monopolistic hold on power. The political establishment recast alliances by legally incorporating competing political and economic elites within the system. The Algerian regime has become a model of what the literature calls competitive authoritarian[4] or semi-authoritarianism.[5] (By the early 2000s, the disastrous economic effects of the civil war even allowed the FLN and the military to re-legitimise their authority to steer the national economy). The appointment of President Bouteflika in 1999 was indeed accepted by the majority of Algerians as the only way to extricate the country from the crisis of the 1990s and regain economic stability.

The relationship between economics and politics in Algeria has evolved from visibly exclusive state control over the economic elite to a system of opaque alliances between entrepreneurs, political elites and army officers. Even if co-optation has inhibited democratic changes since the early 1990s, it has also widened the circle of actors redistributing national resources. Despite its clientelist features, the empowerment of entrepreneurs through political alliances reflects the Algerian regime's need to diversify its shareholding structure to ensure survival. Diversification does not imply the emergence of pluralistic politics in the short term. However, clientelism and proximity to power has been much more effective in politicising private-sector networks. These relationships have enabled economic elites to understand mechanisms of controlling rents that had long been monopolised by the military and the FLN. One should therefore analyse the extent of entrepreneurs' current political influence within clientelist networks which arose from the restructuring of political legitimacy in Algeria through co-optation and rent distribution in the 1990s.

While Algerian entrepreneurs reveal much about the changing political configurations of their regime, the fact that they themselves profit from the current system makes it hard for them to become agents for reform. This article, then, does not look at the question of whether major players in the Algerian economy do or do not desire to advance reforms and political changes. Rather it asks what underlying interest they might have in doing so. The majority of democracy-support initiatives in the Arab world, including those of the EU and the USA, have long sought to identify and support 'reformist actors' and place them at the head of a new political configuration (Byman 2005). However, the case of Algerian private-sector networks and their relationships with the political elite suggests that in the context of restructuring authoritarianism, it is not so much the change of players but the change of practices that makes a difference (O'Donnell, Schmitter, and Whitehead 1986; Huntington 1991; Camau 2002; Carothers 2002). It is the instrumental motives of this 'embedded elite' of entrepreneurs which must be taken into account, not their supposedly reformist, democratic or undemocratic orientation.[6]

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1962–1979: The monopolisation of economic interest by the State and the creation of a national economic elite

Algerian authorities' investment in the economic sphere, both formal and informal, can be traced back to the creation of the state in 1962. Before that, the French colonial system had prevented the existence of local economic elites, particularly in agriculture and industry (Dillman 2000, 9) Entrepreneurial 'natives' would have threatened not only the monopoly of the settlers, but also the very colonial project that denied colonised people's representation and agency. In response to this trauma, the leaders of independent Algeria promoted a socialist economic model insisting on the dissolution of social class and the absence of 'bosses'. Businesses left by the colonisers became public companies aimed at employing Algerian citizens en masse, often in a superficial way. The nationalisation of public companies allowed the FLN and the army to create their own technocratic economic elite. By the late 1970s, large national companies, such as the all-powerful Sonatrach (National Society for Research, Production, Transport, Transformation and Marketing of Hydrocarbons, created in 1963), heralded the birth of a state bourgeoisie and Jacquemont 1977) rooted in alliances (often familial and/or regional) between political and military leaders (Tlemcani 1999, 38). Chief executives received official low 'socialist' wages, to which were added various forms of unofficial privileges. Enjoying rentier compensations but running 'self-managed' (autogérées), unproductive and profitless enterprises, managers were far from being a class of competitive and creative entrepreneurs, and were in effect neutralised by the political elite. One example of this strategy of the economic elite's domestication was found in what happened to private importers' lobbies, such as the *Groupement Professionels* *d'Achats*. Becoming too powerful, this group was abolished by President Boumediene, who then placed each of its former members at the head of public enterprises (Dillman 2000, 42).

In 1978, the state awarded itself monopoly over foreign trade. Rather than dealing directly as a corporation with western Europe, businessmen were instead made responsible for carrying out parallel diplomacy, for example in order to facilitate international deals leading to very significant commission to political elites (Liabès 1984). In Boumediene's perception, corruption neither harmed the state directly nor enriched him personally. It only allowed him to hold the economic elite under control. What must be understood here is that the state would not foster a dynamic business class capable of developing productive and competitive enterprises; it will only train managers in order to extend its control and legitimacy (Addi, *Le Quotidien d'Oran*, June 24, 26, 27, 2004). Public enterprises, in turn, kept Algeria's growth rates at artificially high levels while providing employment to buy support for the regime. The state became *de facto* the sole market regulator, picking winners and losers among the economic elite (Entelis 1999). The engineering of the state managers of public companies in the service of the socialist state 'of the people and for the people' is decisive in the culture of Algerian economic networks. The interweaving of informal practices by state officials and the public framework guiding and confining economic actors introduced the following paradox: 'the public essence of the state was privatized in 1962, yet commercial activity, of a private nature, was made public' (Byrd 2003). This culture of state monopoly partly explains the difficulties faced even today by the private sector in gaining independence from political pressure. Having risen through the state education system, and able to invest only in public companies, economic elites long relied on the state apparatus for sustenance, recognition and privileges. The state's predatory nature prevented the development of private companies regulating, controlling and distributing wealth, and nourished a clientelist system where economic power is not the consequence of the productivity level but reflects the degree of inclusion into a rentier network.

1980–1994: Chadli's reshaping of the rent and the relaunch of the private sector

President Chadli Bendjedid's ascension to power coincided with a significant rise in oil prices between 1979 and 1981. A policy of restructuring public companies was undertaken. Breaking socialist enterprises into smaller units restructured the leadership of these public companies and above all created numerous positions of responsibility that were predominantly assigned to Chadli's allies and his family (Grim 2004). To the president, this presented an opportunity to marginalise the old guard in the FLN as well as their national managers. One of the most high-profile actions was the establishment of a Court of Auditors in 1980 which convicted Abdelaziz Bouteflika, then foreign minister and close collaborator of Boumediene, for embezzlement.

By contrast, Bendjedid's second term starting in 1984 was marked by a decline in oil revenues and increased external debt. The costs of the stagnant public enterprises, soaring corruption and Algerians' disillusionment with the egalitarian promise of a socialist economy which had instead enriched a nepotistic elite, led to the major crisis of the 1988 riots. Faced with these problems, the government opted for creating a more official private sector. In 1989, Chadli designated a new prime minister, Mouloud Hamrouche, who embarked upon a programme of economic liberalisation and the transition to a market economy. This new government of 'reformers' clearly announced its intention to fight corruption and hidden sources of wealth. Through a new constitution, they established the freedom of association and private ownership, enabling many employers' organisations, such as the *Confédération Générale des Opérateurs Economiques*, to resurface, reduced state control over the economy and granted national companies private

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status under the law. Foreign companies were encouraged to invest through new credit facilities. In order to stem clientelist enrichment, domestic companies' monopoly on foreign trade was abolished and all companies under private law were allowed to import.

Rent-seeking and reform obstruction must always be justified within a certain ideological framework (socialism, planned economies etc.). The political situation in the early 1990s and the rise of the Islamist party *Front Islamique du Salut* (FIS) played this role and gave new life to the clientelist networks threatened by the private-sector reforms. Multiparty elections were announced but were then cancelled after the FIS achieved strong results in the 1991 parliamentary elections. Hamrouche's government as well as that of President Chadli were dismissed in 1991 and were thus unable to continue their reforms. A state of emergency was declared in 1992 and a new president, Mohamed Boudiaf, was assassinated after warning that he wanted to get rid of the 'politico-financial mafia' that was a parasite on the economic development of the country. Two subsequent governments between 1992 and 1994 attempted to return to a planned economy, but the excessive debt burden forced Algeria to opt for an adjustment programme under the tutelage of the IMF.[7] Debt rescheduling sanctioned by the Fund helped political elites survive while oil rents were decreasing. It derailed the liberalisation efforts of the 1980s. Rent-seeking tendencies within political and economic elites grew stronger. The new business associations that emerged, such as the *Confédération Algérienne du Patronat* (CAP), were obliged to maintain close allegiances with the authorities and the *Confédération Générale des Opérateurs Economiques* was even led by members of the economic class that had already been incorporated into state-centred networks in the 1980s. Often these included former directors of public companies. The competition between business organisations over privileged access to the state, in addition to their low organisational capacity, further frustrated the emergence of a real economic force to lobby for the effective implementation of governance reforms. Despite the new freedom to do business outside the state's perimeter, the poor quality or sheer absence of rule of law – a result of the civil war and the austerity imposed by the debt rescheduling programme – provided strong incentives for businessmen to resort to clientelist strategies in dealing with the bureaucracy (e.g. in obtaining land, bank credit, import licenses, resolving tax issues etc.).

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1994–1999: The bazaar economy's entrepreneurs

The country's descent into violence, with clashes between Islamists and the security forces, precluded the possibility of a real and democratic debate on economic governance. While the military was taken up with saving the country from the Islamist threat, the opposition parties would not discuss the army's monopoly of the economy. With the privatisation of public companies, the traditional economic role of officers who usually ended their careers at the head of state enterprises in the 1970s and the 1980s came to be replaced by a new lobby of importers often made up of retreated generals and their children. These companies often gain exclusive licenses to operate activities of imports, transportation and safe investments to exclusive markets of that nature, favouring the enrichment of new entrepreneurs in a bazaar economy who acted as intermediaries for militaries involved in importation activities. At the same time, racketeering and the risk of assassination resulted in an exodus of private-sector entrepreneurs who tried to maintain independence from the patronage of army members.

In this security-dominated environment, the IMF's tutelage of the Algerian economy – which was not accompanied by demands to open up the political arena or to make the privatisation of public enterprises more transparent – implied support by the international community, and

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especially Europe, for the army's continued hold over the economy. It was motivated by (1) the fear of a growing Islamist danger in Europe, (2) the security of gas and oil supplies from Algeria and (3) direct gains by European firms catering to the import-hungry local market. Without strengthening democratic institutions, the adjustment programme was used to 'settle the financial problems of the state without settling those of the country' (Addi, *Le Quotidien d'Oran*, June 24, 26, 27, 2004). A first wave of public enterprises was privatised, with the security situation limiting the transparency of the process. 'To the previous "capture" by withholding (on the entre-preneurs's activities), the system added or substituted enrichment by speculating on exchange, pricing and credit by controlling the mechanisms put in place by the adjustment for its own ends' (Bendarra 2002).

Privatisations carried out in the early 1990s by the Hamrouche government were transformed into an informal 'bazaar economy' during the civil war; this involved a preference for trade liberalisation over growth and ensured the transfer of public monopolies into the hands of large groups of private businessmen who represented the political interests of various clans in power. Numerous public managers also used their former connections with the administration to launch their own businesses and benefit from public contracts (Madoui 2008). With no political consensus amongst the different decision-making circles on how to manage the process, notably the proceeds from the sales,[8] this privatisation did not introduce true competition into the market. Indeed attempts at regulation (such as the anti-corruption campaign of prime minister Ahmed Ouyahia in 1996) were primarily used to fragment the clientelist networks of rival political clans in order to tackle them one by one (Byrd 2003). With each change of government, new laws were introduced to serve the interests of the current ruling clan. This constant change of conditions for obtaining approvals and credit or for paying taxes effectively ruined the idea of a real private sector which, as it was not protected politically,[9] could not resist.

This botched privatisation through clientelist liquidation of public enterprises cost the state more than $20bn between 1990 and 2003 (Bendarra 2002). The rescheduling of debt, meanwhile, involved $21bn worth of resources being directly or indirectly transferred to the authorities. Privatisation thus benefited a limited group of 'patrons and clients'. With no strategy for reinvesting proceeds into the productive sector, this left civil society no choice but to participate in the informal economy, known as *trabendo* (contraband). While grey-sector profits were beyond the state's reach they depended on the latter's informal power. The authorities' laissez-faire attitude was also intended to buy a relative social peace[10] and allowed unstructured redistribution within civil society, in the absence of an institutionalised link between the state and its citizens (elections will no longer be really free) and productive economic policies capable of creating jobs (Boubekeur 2008).

In this respect, former Islamists from the FIS and Islamic Armed Groups (GIA) have been allowed to reintegrate rent channels and negotiate with the army by creating their own businesses. Former FIS-elected representatives and leaders have been associated with flourishing private companies (sometimes in direct partnership with generals). One example is Benazouz Zebda, the former leader of the FIS newspaper El Mounquid who has set up an important import–export company in partnership with the son of Abassi Madani, the former leader of the FIS. Madani Mezrag, the former leader of the GIA, has created his own water company named Texanna, after the name of the bush where he was established (Boltanski, *Le Monde*, September 28, 2005). Money collected for years from the racket GIA were conducting (which they call *ghaneema*, i.e. war's treasure) has never been redistributed or restituted by the state to victims. Instead, boutiques that imprisoned militants owned have been restituted and repentants terrorists have benefited commercial lands and loans in order to build new factories.

As mentioned above, the bazaar economy also permitted the enrichment of a new class of private entrepreneurs who assumed the role of intermediaries, as the increased economic monopolies led to the withdrawal of the state (Werenfels 2002, 13). This new group does not come from the planned economy or from the rents generated by reform. Its resources were accumulated in the informal economy, especially that connected to the important lobby, which is not controlled institutionally. It is this generation that has come to play an important role in current politics.

1999–2009: The post-crisis networks of entrepreneurs

When elected for the first time in 1999, President Abdelaziz Bouteflika declared the end of the economic and political crisis in Algeria. Bouteflika wanted to distance himself from the established power trio, the FLN – the army – the secret services, whose role in the 1990s crisis had been strongly criticised by the public and international opinion. He sought to build his own support network, relying on entrepreneurs who had made their fortunes in the bazaar economy of the mid-1990s. Bouteflika supported his allies by awarding them large public construction projects (Boubekeur 2009b). Thanks to an increase in energy prices in 1999–2009, Bouteflika was able to launch an economic recovery plan from 1999 to 2003, then a programme to support economic recovery from 2001 to 2004, and finally a complementary growth support programme worth $55bn from 2005 to 2009 (International Labour Organisation 2008). Algeria's new economic framework was strongly linked to Bouteflika's political project to officially end terrorism and promote a new era in which Algeria must find some form of financial stability and restore international investors' confidence. The rest of the political and army leaders understood quickly that maintaining their legitimacy was also conditional upon their ability to ensure rapid recovery.[11] This consensus over the need to relaunch the economy allowed broader segments of civil society, political parties and some private entrepreneurs to be brought into the rentier circle of the new leadership, albeit without questioning its political monopoly.

As an example, Bouteflika allowed the creation of a business union, the Forum of Business Leaders (FCE), in 2001. Today it is the most important union in Algeria. Given its size and the economic importance of its members, it wields significant clout. Its members represent over 500 companies, including many of the largest in Algeria, with a total turnover of 5bn Euros. It is made of a mix of old reconverted public managers and new 1990s entrepreneurs who have accumulated resources. The union is led by Reda Hamiani, former minister for small and medium enterprises in the early 1990s. The FCE's supposed rival is the National Union of Investors (UNI), set up in 2008 by dissident members of the FCE under the leadership of Abdelouahad Rahim. The UNI opposes the FCE's policies towards the government, and accuses it of being a government puppet. The official picture is that more established and entrenched figures tend to be members of the FCE, while up-and-coming figures looking for new opportunities and pushing for reform tend to join the UNI.

Adding to the emergence of new business associations, the government's privatisation policies and the informal connections between political leaders and new business figures had two major consequences. First, the dominance of the private sector in the productive sector (excluding oil) and second a broadening of the political influence of private operators connected to circles of power. One indication of the increased prominence and instrumentalisation of economic actors in the political field is the increase in high-profile corruption cases pursued by the authorities since the beginning of the 2000s. When multiple client networks come into conflict with each other, rival political clans offering protection use corruption cases as a way to

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weaken competitors. The Khalifa affair is a perfect example. Rafik Khalifa, the young billionaire son of a former political leader of the FLN, was set up by the military intelligence in the early 2000s in order to renew Algeria's image and play down international accusations of the army's complicity in atrocities against civilians during the 1990s. Khalifa owned a TV station, as well as a bank and an airline; he sponsored a major football club and invited the French 'jet-set' for sumptuous parties paid for by the Algerian state. The message was clear: Algeria was now free of terrorism and its neoliberal policy could pave the way to political aspirations of democracy. However, the story was cut short due to various political clans' appetites for Khalifa's lucrative businesses. Khalifa was attacked by the most important Algerian army generals who orchestrated an extensive campaign denouncing his corrupt dealings.

These unstable forms of patronage of major entrepreneurs by the Algerian political authorities illustrate strategies designed to reconsolidate political power while opposing clans compete for rent. These examples relate to the large private groups whose connections and interests obviously differ from those of small private-sector entrepreneurs.

Another sign of the *de facto* politicisation of economic actors relates to party funding and involvement in times of elections. Since 1999, we have witnessed major business figures officially supporting the activities of politicians in return for patronage. President Bouteflika's re-election campaigns in 2004 and 2009 were supported by various high-profile business leaders. These included Issad Rebrab, who openly denounced Bouteflika in the 2004 election campaign by backing his rival, Ali Benflis, but nonetheless supported Bouteflika again in 2009. The proliferation of complex clientelist networks in Algeria even meant that some business figures were supporting both Bouteflika and Benflis at the same time in the 2004 elections.

Politicians can also attack the business networks of their rivals. In 2004, a major private company, Tonic Enterprises, was accused by Bouteflika's supporters of acting as Benflis' private piggy-bank. In the following years, huge corruption charges were brought against the company and it was ordered to pay back debts of 65bn dinars as a punishment for supporting the wrong candidate (*El Watan*, May 13, 2007). Businessmen can also offer logistical support. Many major companies competed to offer their services to Bouteflika's 2009 campaign. His campaign headquarters, including the private security company, telephones, transportation, campaign website and marketing support, were paid for by Reda Kouninef, a 36-year-old entrepreneur and son of the late Ahmed Kouninef, a prominent businessman who financed Bouteflika's first two presidential campaigns (Medi, *El Watan*, February 21, 2009). This is clearly another example of Algerian politicised entrepreneurship, with a young, emerging entrepreneur connected to networks inherited from older family members and family capitalism. Other private companies paid for the room in which Bouteflika made his official nomination announcement, his campaign posters and banners, and food for campaign workers.

Elections campaigns have become a real market, with fierce competition raging between all the various companies who want to show their support for the candidates. The 2009 campaign was thus supported by all the major trade unions, including the FCE and the CAP. Even the General Confederation of Algerian Entrepreneurs, which had previously criticised the regime, supported the reelection of Bouteflika in 2009 despite its avowed apolitical nature.

The message here is that the business community trusts Bouteflika as the right man to support business and allow Algeria to prosper. In the absence of any innovative social projects within the leadership, other than the vague 'end of terrorism', it is the distribution of economic power that governs political alliances. Other forms of revolutionary or partisan legitimacy are subsumed by the President's ability to 'award contracts'. Bouteflika's successful connections to business

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operators even allowed him to stand for president as an independent candidate in 2009, an unprecedented event in Algeria.

The reality for the small-scale employers who represent the 'true' private sector is another story. In 1999 Bouteflika assumed power as the head of a state whose institutions had been greatly weakened by the clientelist plundering of the 1990s. The deficit of good governance had indeed torpedoed significant initiatives such as the modernisation of loss-making public banks, tax reforms to tackle fraud, making public procurement transparent and immune to corruption, etc. Since then, numerous mechanisms to promote entrepreneurship and support young businessmen and women have been established, such as the *Agence nationale de soutien à l'emploi des jeunes* programme. Even if there are positive results visible in terms of the creation of numerous micro-enterprises, young entrepreneurs still face problems of corruption and cronyism in obtaining bank loans or having their offers selected by the government at local and regional levels. The impact of this economic recovery without gains in good governance also affects Algeria's foreign policy. The absence of institutional reform reduces the country's bargaining power in international affairs. An association agreement that governs trade relations between Algeria and the EU was signed in 2002 and became effective in 2005. It exemplifies the state's inability to conceive of economic policy outside energy resources (Boubekeur 2009a).

Many Algerian private business figures, particularly exporters, believe that the political elite failed to negotiate a favourable deal and are sceptical about the effects of trade liberalisation. According to Benslim Zouhir, president of the Association of Algerian Exporters (Anexal), 'the dismantling of tariffs will benefit Europe. Do not be fooled. Our non-oil exports are insignificant' (Guemache, *Le Quotidien d'Oran*, September 2, 2007). Dealings with Europe do not, therefore, favour the emergence of private operators able to accumulate capital through the productive sector. The few large groups, such as CEVITAL, directed by Issad Rebrab, that try to promote the vision of civil society within the public debate of investment in business (or 'corporate citizenship'), have seen their dependence on imports increase and their weight as creators of human resources decrease. They are also often limited by their forced loyalties to certain political clans (Achabou and Tozanli 2007). The European programme designed to support small and medium enterprises in the Algerian industrial sector has recorded positive results for registered companies (approximately 300). However, this programme's impact has been restricted by the lack of political will to improve the business climate. Even the then minister of small and medium enterprises, Mustapha Benbada, refers 'to the apprehension of operators to open their companies for evaluation, too much transparency required for the upgrading process'. Furthermore, the minister charaterises the business environment as 'not always healthy' and alludes to 'the informal and unfair competition that this leads to' (*Liberte*, May 8, 2008). Despite FDI prospects, Algeria's motivation to implement the Association Agreement remains very low due to the weak infrastructure and institutions, high transaction costs and the small size of the market (Hugon 2005). In addition to these problems, Algerian entrepreneurs face difficulties in obtaining visas for travel to Europe. For almost a decade, increasing numbers have been turning to trade with China or the Gulf. The relative marginalisation of Algerian economic actors in the Euro-Algerian partnership reveals the need for Algeria to supplement its policy of open markets by strengthening the industrial output and the quality of institutions and governance. The economic recovery which the political leadership desires in order to win the post-crisis support of private-sector actors cannot be achieved without the establishment of institutional mechanisms for monitoring their participation in managing the rent.

In a context of global economic crisis and the restriction of the rents, influencing economic policies in a more effective and less risky manner remains crucial. Is it possible for private

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actors to replace clientelism by lobbying the state? Would these actors gain by being involved in more transparent and healthy decision-making? Indeed, one must ask if they have an interest in doing so. After all, the political choice in support of the status quo with the candidacy of President Bouteflika for a third term also reflects a concern on the part of the clans in power when faced with the growing diversity of interests and business agents. The discrediting of the state, in part through its clientelist networks, creates uncertainty over the future of control of the rent, given the absence of a real political project for economic reform (Hellman and Kaufmann 2001). One can therefore see that increased competition will make the rent-seeking networks more politicised and more likely to choose their political allies rationally. Of course, this assumed participation depends on the return of an opposition capable of taking advantage of the rentier state's weaknesses and of wooing disaffected or marginalised economic actors.[12] They will only support a new political force that does not question their position. Their interests must therefore be answered with a real privatisation policy, an upgraded response to market liberalisation through maintaining transparency, the increase of productivity, the enhanced credibility on the international stage and capacity to attract foreign investment. Until the Bouteflika era, it was external upsets such as declining oil revenues or domestic social crisis, such as the 1988 riots, which provided opportunities for private sector and civic reforms. It is therefore still to be seen how the current global financial crisis will affect the political positioning of Algerian economic actors.

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Conclusion

The analysis of economic actors' political involvement in Algeria raises questions concerning modes of renewal of political leadership. The Algerian case demonstrates that the inclusion of new private-sector actors in the political arena does not mean that the system has opened itself to competition for the management of the country's wealth, even less its democratisation. However, the increased presence of the figure of the 'businessman' in the Algerian political arena reveals the authorities' strategy of diversifying alliances in order to preserve their monopoly. The emergence of new political agents is neutral concerning both the democratisation of politics (as the representatives of the state remain the main regulators) and the closing of political space (since economic actors may strive for power by inserting themselves into different clientelist networks). The presence of entrepreneurs in the conjoined fields of economics and politics is transformative regarding the monopoly over rents.

The merger between the economic and political sphere leads to redistribution through non-institutional channels and entrepreneurs are highly dependent on the shifts in the state's echelons of power. However, the formal or informal balancing of alliances, and their specific rules for rent accumulation, no longer seems to work as well as in the past. These alliances are dependent on sources of enrichment, such as hydrocarbons, and punishment, such as the anti-corruption affairs, the control of which has become rather uncertain during the current global financial and national leadership crises. If the political elites are no longer able to maintain their clients, one can predict the advent of economic actors who demand guaranteed access to politics without going through patronage networks as exclusive and monopolistic as the ones they are currently part of.

The phenomenon of co-opting actors historically located outside the circles of power since the 1990s raises questions about the relevance of the concept of reform in countries like Algeria. The means of governance, of accessing the political space and mobilising civil society are changing, and it is important to understand how this challenges the process of elite renewal. Indeed, it seems that states have an increased interest in promoting this renewal in a 'concerted' and non-authoritarian way, at the risk of seeing new incompetent elites emerge which would harm the country's prosperity and/or see the new elite go into exile. The political elites' relegitimation of their monopoly over rents through according new roles to economic actors may create new opportunities that should be better explored.

After nearly 20 years of co-optation strategies which block the political field, Algerian authorities are increasingly using rents to ensure political allegiances multiplied to excess patronage networks. Rents have enriched a wider circle of agents than the establishment could control, and thus paradoxically reintroduced forms of clan competition that threaten monopolistic practices of redistribution. Economic actors know that they currently have an interest in being co-opted into the regime to ensure their prosperity and protection, but they are also aware of the instability of authorities' capacity to compensate them, owing to the fluctuations of the rent in conditions during economic and political crises. Influencing economic policies may become a priority for Algerian entrepreneurs. Depending on whether they benefit more from change or the preservation of the status quo they could seek new political affiliations and formulate demands for reform, driven not by the abstract aspiration for democratic opening, but rather motivated by the concerns of their own group and of political partners interested in a shift towards more stable and efficient modes of participation in power structures.

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Notes

1. This article is based on several interviews conducted by the author with major Algerian entrepreneurs, Algerian business associations as well as Algerian State representatives in 2008 and 2009.
2. In 2007, Algeria registered a growth rate of 5%, a *per capita* GDP of $3,800, a daily petrol production of 1,450m barrels (which made up 2.2% of global production and 98% of the country's export earnings), reserve currency of more than 100bn dollars and an external debt of $5bn compared with $32bn in 1994. See IMF (2007).
3. On the links between economic reforms and political reforms, see among others (Heydemann 2004; Schlumberger 2006; Sufyan 2007).
4. Although incumbents in competitive authoritarian regimes may routinely manipulate formal democratic rules, they are unable to eliminate them or reduce them to a mere façade. Rather than openly violating democratic rules (for example, by banning or repressing the opposition and the media), incumbents are more likely to use bribery, co-optation and more subtle forms of persecution, such as the use of tax authorities, compliant judiciaries and other state agencies to "legally" harass, persecute or extort cooperative behaviour from critics. (Lewisky and Way 2002)
5. Semi-authoritarian regimes are political hybrids. They allow little real competition for power, thus reducing government accountability. However, they leave enough political space for political parties and organizations of civil society to form, for an independent press to function to some extent, and for some political debate to take place.(. . .) Such regimes often represent a significant improvement over their predecessors or appear to provide a measure of stability that is welcome in troubled regions. But the superficial stability of many semi-authoritarian regimes usually masks a host of severe problems and unsatisfied demands that need to be dealt with lest they lead to crises in the future. (Ottaway 2003)
6. Many western policy-makers are wondering if economic actors in the Arab world indeed belong to the category of 'new miracles actors for democratisation'. The potential for change of these actors must be considered in connection with the place they occupy in the political system and without believing that they are in essence a democratic alternative. The same type of arguments on hopes for reform raised by the Islamists has previously been analysed by the author (Boubekeur 2006).

7. Three ‘standby’ agreements covering the period 1989–95 were signed by the government and the IMF. These were negotiated without public debate, arousing the discontent of the opposition. They targeted the gradual payment of debt and consisted primarily of trade liberalisation, the depreciation of the dinar and the reform of customs and taxation.
8. Even in a clientelist framework, the ruling elites have to maintain a minimum consensus between them on the political orientations of the rent in order to achieve the successful implementation of selected reforms (see Grindle and Thomas 1991).
9. For example, this type of protection is illustrated by the fact that many loss-making public banks were obliged to lend to private companies with no real guaranties.
10. Armed Islamist groups as well as former members of the FIS and the Islamic Army of Salvation found in the trade of contraband a privileged position for rehabilitation and negotiation with the army over the distribution of the rent (see Boubekeur 2008).
11. This is notably one of the political configurations which have allowed a more or less transparent economic opening of South-East Asian countries (Wade 1992).
12. The capacity of the opposition to propose a real programme of economic reforms was determined by the changing allegiances of some major Ukranian businessmen during the Orange Revolution (Gould and Yaroslav 2008).

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