



UNIVERSITI PUTRA MALAYSIA

**ECONOMIC DEPENDENCE AND POLITICAL CHANGE IN ALGERIA
1962-1992**

YOUCEF NACER.

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**ECONOMIC DEPENDENCE AND POLITICAL CHANGE IN ALGERIA
1962-1992**

By

YOUCEF NACER

**Thesis submitted to the School of Graduate Studies, Universti Putra Malaysia, in
Fulfilment of the Requirements for the Degree of Master of Science**

June 2004



DEDICATION

This thesis is dedicated with gratitude to:

My father al- Haj Kaddour, who has encouraged my work and provided generous financial support;

My mother Hansalia, who has always remembered me in her daily prayers;

My Brothers and Sisters, especially Prof. Dr. Youcef Ahmed, who Has constantly encouraged me;

**My wife Zalika Bt Adam, who provides essential love and support,
And to my son Ahmad Adnan, who has now entered our life.**

Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Master of Science.

**ECONOMIC DEPENDENCE AND POLITICAL CHANGE IN ALGERIA
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June 2004

Chairman: Professor Jayum Anak Jawan, Ph.D

Faculty: Human Ecology

This study introduces the theory of economic dependence and applies the standard indicators, developed by economists in the past five decades, to the Algerian economic situation since its independence from France in 1962. It shows how the economic dependence in Algeria contributes to its political dependence, and to political changes that deviate from historical national norms. This is especially demonstrated in the case of the recent Algerian crisis, in which over 100,000 lives have been lost. This analytical perspective argues that Algeria's current economic problems are primarily caused by Algeria's economic dependence on France and other Western capitalist countries. The internal political instability that has subsequently occurred is a direct result of the imbalance that exists in its foreign trade and international relations. A factual basis is presented to show how Algeria's political malaise is intimately associated with its external economic dependence.



The Algerian dependence, characterised by foreign asset accumulation and foreign dominance in the major industries, has accelerated in recent years. This status of subordination in Algeria and the methods used to achieve and maintain it illustrate a common pattern. This pattern is found in other developing countries, and is seen to be the result of intentional policies and activities of the major countries.

Economic dependence has, as its main feature, a basis of inequality and imbalance in foreign trade that is unfair to the smaller, economically weaker countries. The outcome of this long historical process, in which different means and tools were used; is demolition of the national will of the dependent country. The local population is weakened of most of its control and power by imposing conditions that punish those who advocate reformation and progress toward economic and political independence.

The status of economic dependence has led to negative political change, one that is very inimical to the civilisational and historical legacy of the Algerian people. The developed countries exploit the weak economic situation of developing countries such as Algeria, exerting unfair pressure on these countries to implement a warped and unrealistic version of Western democracy. Where subtle methods of political control fail, military means are used, to destroy the democratic process, and install military dictatorships. Unfortunately, this effort has significant negative implications, for the military governments installed escalate the economic problems and invite conditions that bring tense social and political stress. The military regime change approach leads to civil war, such as the one that took place in Algeria in 1992. This is our area of concern.



Abstrak tesis yang dikemukakan kepada pihak Senat Universiti Putra Malaysia
sebagai memenuhi keperluan untuk ijazah Master Sains

**PERGANTUNGAN EKONOMI DAN PERUBAHAN POLITIK DI ALJAZAIR
1962-1992**

Oleh

YOUCEF NACER

Jun 2004

Pengerusi: Professor Jayum Anak Jawan, Ph.D.

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Kajian ini memperkenalkan teori pergantungan ekonomi dan penunjuk standard yang dibangunkan oleh ahli ekonomi sejak lima dekad yang lalu, terhadap situasi ekonomi rakyat Algeria semenjak ia mendapat kemerdekaan daripada negara Perancis pada 1962. Ini menunjukkan bagaimana pergantungan ekonomi Algeria memberi sumbangan kepada pergantungan politik, serta perubahan politik yang berbeza daripada norma-norma sejarah kebangsaan. Perubahan politik ini terserlah semasa krisis rakyat Algeria, dimana sebanyak 100,000 nyawa terkorban. Perspektif analitikal ini menyatakan masalah ekonomi Algeria disebabkan ekonominya bergantung kepada Perancis dan negara-negara barat yang kaya. Ketidakstabilan politik dalaman diakibatkan oleh wujudnya ketidakseimbangan perniagaan asing dan hubungan antarabangsa. Prinsip ini menunjukkan bagaimana negara Algeria menghadapi politik yang lesu kerana pergantungan ekonomi luarannya.

Sifat pergantungan rakyat Algeria dengan penimbunan aset asing dan pengaruh asing dalam industri utamanya, telah meningkat baru-baru ini. Status pergantungan dan cara-cara yang digunakan untuk mencapai dan mengekalkannya menunjukkan satu corak. Corak ini telah ditemui pada negara-negara maju yang lain dan ia dilihat sebagai hasil pelaksana polisi dan aktiviti di negara-negara utama.

Pergantungan ekonomi memainkan peranan utama dalam menjadi asas kepada ketidakseimbangan pada perniagaan asing dan berlaku juga ketidakadilan kepada negara-negara yang lemah. Proses yang berpanjangan ini, dimana cara-cara alat-alat yang berlainan digunakan telah mengakibatkan kemusnahan semangat kebangsaan sesebuah negara merdeka. Rakyat tempatan menjadi lemah dan hilang kawalan serta kuasa dengan adanya hukuman kepada mereka yang menganjurkan reformasi dan kemajuan terhadap kebebasan ekonomi dan politik.

Status pergantungan ekonomi membawa kepada perubahan politik yang negatif di mana tekanan ke atas negara-negara ini untuk mengimplementasikan demokrasi barat yang terpesong. Apabila gagal, cara ketenteraan digunakan untuk memusnahkan proses demokratik dan mewujudkan pemerintahan bersifat diktator. Malangnya, usaha ini, membawa implikasi yang negatif kerana tentera kerajaan yang dilantik untuk meningkatkan masalah ekonomi, akan merubah panduan kepada peperangan sivil. Sepertimana yang berlaku di salah sebuah tempat di Algeria pada tahun 1992. Perkara inilah yang menjadi perhatian kajian kami.

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Finally, my thanks and gratitude go to the Discussion Committee represented by the kind professors who, with the Grace of Allah, may be satisfied with this work.



I certify that an Examination Committee met on 11th June 2004 to conduct the final examination of Youcef Nacer on his Master of Science thesis entitled "Economic Dependence and Political Change in Algeria: 1962-1992" in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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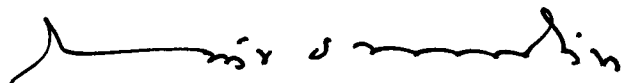
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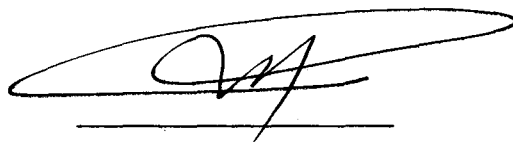
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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citation which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at **UPM** or other institutions.

A handwritten signature in black ink, consisting of a large, stylized 'Y' and 'N' followed by a horizontal line, all enclosed within a large, thin oval shape.

YOUCEF NACER

Date: 8 AUG 2004

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LIST OF ABBREVIATIONS

DA	Dinar Algérien
ECLA	Economic Commission for Latin America
FIS	Front Islamique De Salut
FLN	Front De Libération Nationale
GDP	Gross Domestic Product
HCE	Haut comité d'Etat
IMF	International Monetary Fund
ISI	Import Substitution Initiative
NGO	Non- Government Organization
MAJD	Movement Algérien pour la Justice et le Develloppement.
MNC	Multinational Corporations
OPEC	Organization of the Petroleum Exporting Countries.
SAP	Structural Adjustment Programs
SONATRACH	Societe Nationale pour la Recherche, la Production, leTransport, le Transformation et la Commercialition des Hydrocarbures.
TNC	Transnational Corporations
UDC	Underdeveloped Country
UGTA	Union Générale des Travailleurs Algériens.
UN	United Nations
UK	United Kingdom
USA	United States of America
USD	United States Dollar

CHAPTER 1

INTRODUCTION

1.1 Preface

Algeria began to attract world attention during the 1970s and the early 1980s, owing to its magnificent achievements both locally and internationally. During this period Algeria became a productive industrial country, outstanding among the countries of Africa, as well as throughout the Arab world. By virtue of its own success in its struggle for liberation from colonialism, Algeria was able to make a strong contribution in the forum of international politics, where the discussion focused on the issue of liberation for those third world countries still groaning under a colonial domination.

Algeria emerged as a role model for those countries still fighting for their own national freedom. Algeria's long period of continuous struggle against its oppressive French colonial rule made it an ideal example of successful resistance against European imperialism.

Algeria was able, in 1962, only three years after political independence, to start rebuilding its national economy. The significant economic development it achieved gave meaning to the independence it had achieved from France. Its independence also led to the beginning of a strategic re-positioning in the Arab world. In the United Nations, Algeria quickly assumed a position of representing colonised countries, strongly defending their right to self-determination.



Algeria held a central role in the international political arena, because it was comparatively much richer than many other African and Arab countries. It gained leverage when it displayed to the world its rapid post-independence progress in all areas of economic development.

Algeria's impressive accomplishments and the rate of change in its drive toward modern industrial development slowed in 1986, due to the sharp decline in the oil price. The resultant period of economic crisis also affected its domestic development, resulting in a trend of disintegration in the social and cultural system.

The problems that Algeria faced in the period following 1986 provided an opportunity for the French to re-establish and re-arrange its historical accounts in the country. In the ensuing economic weakness, French interests disclosed a lurking intent to control the internal affairs of Algeria.

Prior to independence, France had prepared various groups of Algerians (training them in France) to fill the administrative vacuum caused by their departure. This effort, where successful, provided an opportunity to manipulate the new government's economic and political decisions in line with the new colonial aims and interests of France.

The same influence occurred in the military administration, one that led to a bloody Algerian crisis in October 1988. France also secretly manoeuvred this crisis, through Algerian generals in the French army who were graduates of French military



schools. These generals joined the new Algerian army immediately after independence. Thus, Algeria's military independence from France was not complete.

After independence in 1962 France exploited the economic weakness of Algeria, contributing much to weaken and reduce its industrial productivity. This deceitful practice was especially seen after the economic crisis caused by the reduction of the oil price in 1986.

Two years later (in 1988, and after), people went into the streets to demonstrate their dissatisfaction with the now faltering economic and social conditions. The government was forced to allow a greater political pluralism. General elections were scheduled for 1992. In this election the Islamic Salvation Front (FIS) came into power. France was disappointed, because the victory of the FIS meant they were certain to suffer a setback to their historical administrative and military ambitions in Algeria.

After the election, various episodes of political violence began to take place. France took advantage of the consequent period of economic instability, and the resultant politically dangerous environment, to instigate governmental policy changes that favoured its long-term strategic objectives in the region.

Algerians, seeing such interlaced and complicated policies being implemented, began to relate foreign policy and politics. In order to gain a better understanding, they examined more closely the various political events that were adversely affecting the economy. It was soon discovered that a return to the prior



period of economic dependence was being brought by an invisible, but effective, French influence on Algerian internal affairs. Beginning in the middle 1980's, Algeria headed (and is still heading), toward colonialism in a new form, one that is being secretly supported by the major capitalist countries that promote the existing system of world capitalism.

It is possible to describe the sequence of events that allows the major capitalist countries to invade, politically and economically, a targeted country, using the Algerian experience as an example. First comes a period of wide-sweeping economic crisis, one that significantly threatens national economic stability and adversely affects an existing program of historically significant achievement. Subsequently, political problems begin to occur, bringing about a period of political instability that gives fresh opportunity for foreign intervention. This pattern occurred in Algeria, a relevant and interesting post-colonial country, which is used as an example illustrating the theme: (Economic Dependence, and how it affects Political Change).

The central subject of the thesis is thus the inter-related dependence phenomenon that presently exists in Algeria between politics and economics. Its present governmental system is complex, related in various ways to both the prior capitalist and communist systems. This result from the constantly changing and evolving international relationship exists between the weak developing countries and the dominant developed countries.



This thesis is specifically focused to illustrate, in considerable detail, the present dependence of Algeria on one or more other countries. These major countries are known to constitute the core of a politically and economically aggressive global capitalist system. Multinational business firms are deeply involved in the foreign policy of these major countries, influencing the political decision-making and foreign policy of the major capitalist countries. The multinational corporations (MNCs) formulate economic strategies in the various regions of the world that are based on purely profit incentives. Their goal, in order to enhance profit, is to achieve political supremacy in the regions of their active economic interest, in order to successfully control all legislation and administration tangential to their business interests.

The period of economic dependence in Algeria discussed in this thesis refers to the conditions that have grown, since independence in 1962, of foreign asset accumulation and foreign dominance in the major industries. It will be shown how this status of subordination in Algeria (and extended to similar patterns in other developing countries) is the result of policies and activities of the major countries of the globe. Economic dependence has, as its main feature, a basis of inequality and imbalance that is unfair to the smaller, economically weaker countries. The outcome of this long historical process (in which different means and tools were used (one of the main ones is military colonisation), is demolition of the national will of the dependent country. The local population is weakened of most of its control and power by imposing conditions that punish those who advocate reformation and independent progress.

The capitalist countries and their monopolist firms dominate all aspects of the region, and subsequently control the destiny of the dependent country. The natural resources of dependent countries are thus competitive targets to be exploited and utilized in order to achieve the aims of developed countries. Economic dependence in this respect reflects the exploitative and opportunistic relationship that is described here in detail. Thus, a dependent country like Algeria will be deprived of any opportunity to adapt and crystallize a local productive system that corresponds to the needs and demands of its people.

Over time, mechanisms and social forces appear, that in turn support the continuation of increased dependence. To achieve this objective, the monopolist policies of the major capitalist countries require no direct military and political intervention. The dependence forces slowly transmute into a means to shackle and impose restraint on the national will and ambition.

As the potential choices for dependent countries shrink, the dependence increases. The prevalence of liberalism is a primary feature of a true democracy, and is one of the main reasons for its political popularity. A true democracy allows unlimited economic growth opportunities to successful entrepreneurs, and in foreign countries they expect a similar freedom. They have superior ability to borrow and utilize capital, and this subsequently gives them a competitive advantage, allowing market access via multiple avenues, and this activity acts to ultimately impose dependence in the developing countries.



This foreign economic imbalance leads to paralysis in the dependent country, decreasing development of local executives capable of reliable decision-making and able to plan and project policies in the national interest. The developed countries achieve foreign control over the internal decision-making processes of underdeveloped countries. They take especial interest where there are natural resources, because that is where the decisions are of a strategic nature. This foreign administrative power is not always made directly, and thus is usually invisible. It rather arises unseen in concert with global programs and positioning.

Algeria is one of the most important dependent countries affected by political decisions that are imposed by foreign interests. A devastating aspect of this political and economic dependence is the loss of more than a hundred thousand Algerian lives in the 1990-2000 periods. The particulars of this phenomenon are discussed in detail in Chapter Five.

Foreign economic influence is generally damaging to Algeria's future. Whenever there is any local initiative for a national dialogue among the political and civil non-political parties to put an end to the internal conflicts, the major capitalist countries try their best to undermine the effort, utilizing the weak economical situation in Algeria as an excuse. The economical dependence therefore influences the political decision-making process. It also hinders any plans, put forward internally, for formulating long-range programs for national improvement.

The situation becomes much more complex when there is a significant deterioration of internal security. This problem contributes to a weakening of overall



governmental authority, and the erosion of effectiveness in all-important national institutions. The subtle political intervention of foreign countries in the internal affairs of Algeria has created a suppressed terror within the Algerian society. There is widespread belief that the policies imposed on the people by local authorities are without sufficient regard for the civilisational and historical characteristics of the culture. This has created a feeling of governmental and political party distrust that fuels a continuing bloody conflict that is still active throughout the country.

The status of economical dependence has led to negative political change, one that is very inimical to the civilisational and historical legacy of the Algerian people. The developed countries exploit the weak economic situation of developing countries such as Algeria, exerting unfair pressure on these countries to implement a warped and unrealistic version of Western democracy. Unfortunately, this effort has significant negative implications, for the democracy advocated escalates the economic problem and invites conditions that bring tense social and political stress. This approach leads to civil war, such as the one that took place in Algeria in 1992. This is our area of concern.

1.2 Economic Dependence

Economic dependency makes a country weak, its economic capacity is low, and it cannot achieve self-growth, continuous development because capacity for productive capacity is less and any increase in productivity depends outside factors. It opens the door for big, powerful countries to exercise political influence over the less-developed country.

