



Submission No 1

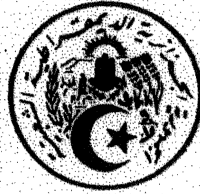
Inquiry into Australia's Trade and Investment Relations with North Africa (Algeria, Egypt, Libya, Morocco, and Tunisia)

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**EMBASSY
OF THE PEOPLE'S DEMOCRATIC
REPUBLIC OF ALGERIA
CANBERRA**



سفارة
الجمهورية الجزائرية
الديمقراطية الشعبية
كانبيرا

No/ 352 /05/AMB/CANB.

The 11th of July 2005,

Mrs. Kate BURTON
Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Canberra

Dear Mrs. Burton,

On the 17th of June 2005, you wrote to the Embassy of the People's Democratic Republic of Algeria inviting the Embassy to make a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade's inquiry into Australia's trade and investment relations with North Africa (Algeria – Egypt – Libya – Morocco and Tunisia).

I am pleased to forward herewith the Embassy's submission to the inquiry.

Yours sincerely,

The Ambassador
His Excellency, Mr. Kamerzermane Belramoul

**SUBMISSION TO THE JOINT STANDING
COMMITTEE ON FOREIGN AFFAIRS,
DEFENCE AND TRADE**

Inquiry into Australia's trade and Investment Relations with
North Africa (Algeria – Egypt – Libya – Tunisia and Morocco)

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TERMS OF REFERENCE

The Joint Standing Committee on Foreign Affairs, Defence and Trade will examine and report on expanding Australia's trade and investment relations with the countries of NORTH AFRICA (Algeria – Egypt – Libya – Tunisia and Morocco); with particular reference to :

- The nature of Australia's existing trade and investment relations with the region.
- Likely future trends in these relations
- The role of the Government, particularly DFAT and Austrade, identifying and assisting Australian companies to maximise opportunities in NORTH AFRICA as they emerge.

INTRODUCTION

The Embassy of the People's Democratic Republic of Algeria would like first of all to express its gratitude to the Joint Standing Committee on Foreign Affairs, Defence and Trade for the initiative it has taken to organise the 'Inquiry into Australia's trade and investment relations with North Africa (ALGERIA – EGYPT – LIBYA – MOROCCO – TUNISIA)' and hopes that this process would contribute to the development and reinforcement of the relations between Australia and the countries mentioned above in the trade and investment fields.

The Embassy of the People's Democratic Republic of Algeria furthermore would like to point out the list of countries aimed by this inquiry and indicates that it would have been appropriate to add MAURITANIA in order to approach the five countries of the Arab Maghreb Union (AMU), obviously in a bilateral way but also as an institutionalist group and a future integrated economic market.

Since it has been done in 2003, in the course of the inquiry with the gulf states, the relations between Australia and these countries have been examined in a global and bilateral way. The objective for the construction of a Arab Maghreb Union, is in fact a strategic objective for the whole of the 5 countries making up this region. The actual difficulties linked to the case of the Western Sahara are circumstantial and do not affect the individual determination of each country to build the AMU, in accordance with the aspirations of the nations of the region. Therefore, the Embassy of Algeria suggests that, during the inquiry this omission is repaired and the desire of Australia to consider the cooperation between the 5 countries of the Maghreb as AMU is underlined.

In Algeria, the political situation and the security are totally stabilised:

After his election in 1999, the President of the Republic, Mr. Abdelaziz BOUTEFLIKA has launched in a systematic and organised way the policy of reconciliation and civil tally, the only guarantee for the reestablishment of the security and the return to dialogue.

Once peace has returned, the new government has set as objective the reinforcement of the social cohesion. Once the social stability is regained, the new government targeted the stability

of the big macro-economic balance and the development of the economic activities and investment.

The macro-economic situation is actually excellent. There is a sound economic stability : a balanced budget since 2000, an exceeding balance of payments, the foreign currency reserve has exceeded 43 billion USD at the end of 2004, the debt which was over 40 billion USD has been reduced to 21 billion in 2004 and at last the service of the debt which represented 30% of our exportations only represents 12,6% at the end of 2004.

Algeria disposes today of a sound frame for the development of the commercial activities and for investment.

She is, according to some financial institutions, the country which registers the best provisions in term of growth in the Mediterranean region.

Algeria which has reopened its Embassy in Canberra, closed since 1990, considers that Australia is an important partner with whom it can develop its multifaceted cooperation given the numerous complementarities existing between the economies of the two countries and the proven competencies of Australia in several sectors.

CHAPTER I

The nature of the commerce and investment existing between Australia and Algeria

I – The Current Trade

The economic relations between Algeria and Australia have developed in the course of the 1980's with a peak of 56 millions dollars for the years 1985-1986, representing the importations of coal, wool, meat and livestock, dairy products and seeds.

Apart from the coal, the portion of other products has fluctuated from one year to the other.

As for the Australian importations, they consist essentially of the petroleum products and some rather limited sale of iron products and steel (tubes); Algeria exports almost nothing towards Australia.

The evolution of the external commerce these five last years indicates a rise of the volume of exchange between the two countries specially the Australian exportations with a record figure of 133 millions dollars in 2002 due to an increase in Algerian importations of coal.

For the year 2004, the figure for external commerce was around 70 million AUD and it is made up exclusively of Australian exportations.

We find the same category of products – coal, milk and dairy products and meat whose amount has been multiplied by 5 in relation to 2003.

Some observations of the actual external commerce.

1. It is exclusively made up of Algerian importations.
2. Its amount is modest compared to the economic capacities of both countries.
3. It is concentrated on a limited range of products, coal, dairy products and meat.
4. It is governed by no bilateral trade agreement

II – The Investment

The first Australian investment in Algeria dates from 1987. It was made by the firm BHP within the framework of a typical contract of production shared with the national firm of hydrocarbon (SONATRACH).

The investments realized have been estimated to 748 millions USD allocated between the investments of research 267 millions USD and the investments of development 481 millions USD. Since that date, BHP has signed 5 contracts with Algeria whose one jointly with WOODSIDE.

The most important contract is the development project for the gas deposit of OHANET whose amount for the investment is estimated to 1 billion USD entirely financed by BHP (60%) and its associates (40%)

The firm BHP is also present in the mining sector.

It has signed an agreement with the National Research Centre for Mining (OGRM) and the SONATRACH aiming on the modernisation of the management of the geological and mining information.

Another australian firm, GOLD MINES OF ALGERIA PTY. LTD. (GMA) is present in the field of gold exploration.

This firm has been selectioned on the 29th of July 2002, within the framework of an invitation to bid organised by the national firm for exploitation of gold mines (ENOR) for the development and exploitation of the gold deposit of TIREK and AMESMESSA.

The australian consortium has subscribed for 9620 shares which has allowed it to acquire 52% of the capital of ENOR.

CHAPTER II

Likely future trends in the relationships between Algeria and Australia

Given the needs of Algeria with regards to food products : wheat – oil – milk – butter – meat (between 3 and 4 billion USD per annum), and manufactured goods, products that would be available for exportation in Australia, the australian sales to Algeria can widely exceed the actual amount of 70 million AUD in return for some actions of promotion for the australian products with the algerian importers.

The best place and moment for the promotion, as we will propose in the third part of our contribution, remains the international fair of Algiers which takes place each year in June.

The algerien government is also concerned to stabilize somehow its trade with Australia in developing the algerian exportations. Several contacts have been established with the australian importers in order to promote the exportation of some algerian products.

In the sphere of partnership and investment, the algerian economy actually offers some exceptional opportunities to australian firms wishing to develop their business relations with Algeria.

The algerian government has indeed set into place a program of support for the economic boosting (PSRE) for the next coming years of an amount of 55 billion USD which will affect all the sectors of the economy and generate one million jobs.

Within the framework of the PSRE, some main projects have been launched or are in the process of being completed. We will quote some examples further :

- a. Construction of a highway East-west of a length of 1,216 Km which will affect 24 departments.

This highway is a part of the big regional projects of the maghreb motorway (7,000 Km).

The 927 Km of motorway, 390 structures and 11 tunnels which remain to be realised will be launched soon with the state financing.

The construction of 5,000 Km of urban motorway is also planned (linking the motorway East-west to the departments) and the completion of the algerian section of the transaharian road (Algeria – Nigeria).

- b. The realization of 7 new ports and the restoration of 22 existing others.
- c. The upgrade of 17 aerodrome platforms.
- d. The realization of 33 stations of desalinisation of sea water by 2019, of average and small capacity (between 25,000 and 200,000 m³/day) of which 11 as per the formula 'BOT' and 'BOD'.
- e. The construction of 1 million accomodations allocated over the whole national territory.
- f. The realization from now until 2013 of 14 dams.

g. The privatisation of 1,200 firms.

The Algerian market of energy and mining conceals important investment possibilities and partnership for the Australian operators.

The investments for the five coming years are estimated to 25 billion US in the petroleum and gas industry (upstream and downstream), the production of electricity, the production and the commercialisation of helium, exploration and exploitation of the iron ore.

The year 2004 has been marked by the pursuit of the exploration effort which has allowed the realization of 8 new discoveries of petrol, of which 3 with the assistance of foreign partners.

The ambition of Algeria is to realize tens of new discoveries each year.

The amount of discoveries since 1986 is of 143 of which 74 in partnership.

The oil industry revenues for Algeria has reached – 31,5 billion USD in 2004 (24 billion USD in 2003). They have, at the end of May 2005, reached 17 billion USD and a record figure of 40 billion USD is expected at the end of 2005.

The projects which are planned in this sector are numerous and of great importance. We can mention some examples:

- Construction of a production plan of GTL (refined non polluting products extracted from the natural gas reserve).
- Construction of a refinery in Algiers and another one in ADRAR.
- Construction of a helium plant.

The actual refining capacity of Algeria is of 22 million tonnes per year divided between 5 refineries whose most important one has an ability of 15 million tonnes per year.

The major part of this production is exported.

A program of rehabilitation and adaptation is planned for the period of 2004-2009 of an amount of 1,2 billion USD.

In the mining field, Algeria has launched a call to manifest interest for the development and the valorisation of iron fields whose reserves are of the order of 3 billion tonnes of iron ore, the fields of calcium carbonate whose reserves are of several tens of millions of tonnes.

In the agricultural field, the large potentialities linked to agriculture in arid zone, the similarity of climatic conditions and the proved experience in Australia offer real perspective of cooperation in the field of valorisation and exploitation of steppes.

Algeria may also benefit from the technology and the experience of Australia in the field of cattle breeding, cereal-growing, dairy products, reforestation, protection and restoration of soils.

CHAPTER III

The role of the government, particularly DFAT and Austrade in identifying and assisting Australian companies to maximise opportunities in Algeria.

The Embassy suggests five actions whose establishment will definitely contribute to the development and reinforcement of the commercial and investment relations between the two countries :

1. The reopening of the Australian Embassy in Algeria, closed since the beginning of the 1990s.
2. The alteration indeed the cancellation of the restrictions contained in the Travel Advice concerning Algeria.

The content of this 'Travel Advice' is totally outdated and does not tally with what happens in reality.

Terrorism has now been politically and militarily defeated and has been sanctioned by the whole population.

It does not present a threat anymore. Algeria is now visited by official delegations and businessmen from all over the world including Australia. The destination 'Algeria' is again programmed by the tourist TOUR OPERATORS.

Our mission has delivered since March 2005 more than 60 visas of which more than half are for business and tourism for businessmen and Australian tourists.

Australia has to adapt his TRAVEL ADVICE to the new situation in Algeria which has been done by the United Nations and several other countries.

3. The participation of Australia to the International Fair of Algiers (IFA).

Algeria has invited AUSTRADE to participate to the international fair of Algiers which has been held in June 2005 and has even proposed to take charge of the location of a stand for Australia at the title of its first participation at this exceptional event which gathers each year tens of countries from all the continents and more than a thousand enterprises.

Austrade has not positively responded to the invitation and Algeria wishes that this organisation would seriously consider the participation of Australia in 2006.

4. The setting up of a legal framework

No agreement has been signed between the two countries since the independence of Algeria in 1962.

Therefore, the Algerian side suggests that the legal instruments are set into place between the two countries in order to develop and reinforce the relations of trust which are essential for the promotion of commercial and investment links.

We propose about that matter, the finalization of the agreement projects in the following fields:

- The non-double taxation.
- The protection and the promotion of investments.
- Memorandum of understanding in the fields of energy, mining, agriculture, technologies and education.
- Conventions on mutual legal assistance in criminal matters, civil and commercial.

These agreements will contribute in a significant way to the reinforcement of the economic relations between the two countries.

5. The organisation of official visits in Australia and in Algeria.

In order to launch the project for the creation of a legal framework which will govern the relations between the two countries and the research of new opportunities namely in the field of agriculture and education, the algerian counterpart suggests that official visits between Algeria and Australia are organised particularly those of the;

- Ministers of Foreign Affairs and Trade
- Ministers of Agriculture
- Ministers of Education
- Ministers of Energy and Mining

CONCLUSION

The performance registered by the Algerian economy has been highlighted by the organization for the cooperation and the development in Europe (OCDE) and the Africa Bank for Development (ABD) in their report jointly 2004-2005 called the 'Economic Perspective in Africa'.

The two organizations note that the results registered by the Algerian economy in 2003 and 2004 confirm the structural elements of a positive diagnosis and which allows prediction of a sustained growth in 2005-2006.

ALGERIA is not yet a WTO member but has been negotiating its accession to the WTO for a number of years. The negotiations on Algeria's accession are currently making a very good progress and may be concluded in 2005.

The ratification and the coming into force of the agreement of association between Algeria and the European Union which establishes a zone of free trade in conformity with the dispositions of general agreements of the World Organization of Commerce (WTO) and the next accession of Algeria to the latter will contribute to favor the exchange of goods, services and capital and to liberalize progressively not only with the European region but indeed with the rest of the world.

The setting up of these agreements and the exceptional effort devoted by Algeria for setting up a true Marshall plan in order to sustain the economy will make of Algeria the next emerging country in the region.

Algeria disposes of major geostrategic assets and a range of comparative advantages. She has an important industrial fabric entirely open for privatisation, an agricultural potential which is underexploited due to a lack of capital and contractors, a subsoil most of which remains to be discovered.

The geostrategic location of Algeria constitutes unquestionably another major asset namely in the angle of the globalization and free trade spreading progressively throughout the world.

The geostrategic position (african country – Mediterranean – Arab, Maghreb) constitutes by itself a determining comparative advantage.

Regarding the core infrastructure / industrial areas – roads – railways – ports – airports – telecommunication network ... It is indisputable that Algeria possesses considerable assets – 65,000 Kms of roads, 4,000 of railways, 33 airports of which 8 are of international standard, an automated network of telecommunication with 66 countries, an internet network in full expansion.

Australia, given its exceptional economic capacities and the future establishment of a market of over 100 million consumers in the Maghreb region (and if we add EGYPT, it will be a market of over 170 million consumers) should allocate more interest to this part of the world which is a true crossroad between Europe, Africa and the Arab world.

ECONOMIC INDICATORS (1999-2004)

	1999	2000	2001	2002	2003	2004
Goods & Services exports – Hydrocarbon (bn USD)	13.04 11.91	22.56 21.06	20.00 18.53	20.01 18.11	26.03 23.99	34.01 31.55
Goods & Services imports – Goods (bn USD)	11.52 8.96	11.71 9.35	11.92 9.48	14.49 12.01	16.24 13.32	22.12 17.95
Total Trade (bn USD)	24.56	34.27	31.92	34.50	42.27	56.13
Current Account balance (bn USD)	0.02	8.93	7.06	4.36	8.84	9.6
Reserves (International Liquidities / bn USD)	4.72	12.18	18.03	23.13	32.94	43.11
Reserves (Number of months of goods & services imports)	4.92	12.48	18.20	19.16	24.34	23.39
GDP (bn USD)	49.0	54.4	54.8	55.9	66.6	72
GDP per capita (bn USD)	1,590	1,750	1,730	1,730	1,990	2,620
Inflation (%)	2.1	- 0.6	3.5	2.3	2.6	3.6
Unemployment rate (%)	29.2	29.5	27.3	25.9	26.2	17.7
Real GDP Growth (%)	3.2	2.1	2.1	4.1	6.8	5.8
Debt Medium and long term (bn USD)	28.3	25.2	22.5	22.6	23.3	21.4