

Chapter 11

The Locomotives of the Algerian Hydrocarbon Industry: Anti-Colonialism, Nationalism, and Rentierism

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ABSTRACT

The aim of this chapter is to shed light on the industry-politics nexus in resource-rich Algeria with emphasis on the connection between hydrocarbon processing industry and the economic-political goals of the Algerian state. The chapter involves a historical and political inquiry by focusing on the change in economic and technological capacity of the industry over the years, drawing attention to the relevant developments in domestic and foreign policy, as well as their reflections in Algeria's energy policy. The development of the Algerian hydrocarbon industry within a period of 70 years is investigated in terms of anti-colonialism, nationalism, and rentier relations between the state and interest groups (i.e., elites, foreign states, and international companies).

INTRODUCTION

Algeria ranks second in Africa and eleventh in the world with 4.5 trillion cubic meters of proven gas reserves. The North African country ranks third in Africa and sixteenth in the world with 12.2 billion barrels of proven oil reserves as well (CIA World Factbook, 2023). The income derived from this “gift of nature” accounts for 95% of the country's total exports and 30% of the GDP. The nationalist zeal to monopolize the rent derived from natural resources has culminated in growing state control over the

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hydrocarbon industry. Eventually, the hydrocarbon industry has been a guarantee for Algeria's economic independence and a crucial part of its national interests.

Algeria's construction of hydrocarbon industry on a nationalist and protectionist discourse is related not only to the strategic importance of oil, but also to a political reflex rooted in the colonial period. The oil reserves discovered in the Sahara in the 1950s laid the foundations of Algerian hydrocarbon industry, while aggravating the conditions of colonial rule and reinforcing the struggle for independence. France extended the colonization of Algerian territory despite local resistance and international pressure. Nationalist policies on hydrocarbon resources emerged as a consequence of the post-independence goal of building an industry free from foreign interference and completely under state control. What necessitated this nationalist zeal was France's continued dominance and power over the "independent Algerian" economy and oil resources. Besides economic investments and development, a political struggle was inevitable to build an independent hydrocarbon industry. Therefore, the first section of the chapter will elaborate the reasons behind and the political and economic repercussions of the decision by President Houari Boumédiène on 24 February 1971 to scale Algeria's share in the oil business up to 51% and to nationalize all the natural gas fields and pipelines within the national borders.

The political dynamics that shaped the development of Algerian hydrocarbon industry are not limited to the struggle against foreign presence and its nationalist implications. The strong orientation of economic and political representatives/elites involved in hydrocarbon activities towards predatory behaviors, regardless of the fact that revenues are derived from a non-renewable natural resource, is another factor that makes the industry the focus of political relations. This orientation ultimately led to the questions of how and by whom hydrocarbon revenues are allocated. Alvarez (2010), Martinez (2010), and Shabafrouz (2010) argue that the rent-elite relationship between the state and the national oil company Sonatrach contributed to the construction of a repressive political order, the consolidation of a military regime, and the emergence of a predatory mindset. In this framework, the last section of the chapter is about the rent politics that have shaped Algeria's political and economic life.

THE BIRTH OF THE ALGERIAN HYDROCARBON INDUSTRY AND THE TRANSFORMATION OF HYDROCARBON RESOURCES INTO A COMMODITY OF EXPLOITATION

Although the existence of hydrocarbon resources in Algeria was known centuries ago (Aissaoui, 2001: 40), the transformation of these resources into an industrial product was materialized within the framework of France's colonial goals and policies. In the nineteenth century, when oil production became an indicator of power for modern nation-states, France lacked an integrated oil industry with production and distribution activities and managed to join the international oil market following a delayed and painful process compared to the US, Britain and Russia. It was only after the World War I that France was able to come up with a rival company to compete with Standard Oil and Royal Dutch-Shell, which had established regional monopolies through shares in international oil production (Sassi, 2003). The position of France among the victorious states at the end of the war provided it with advantages in the field of energy as well as many other political issues. Two important developments in the post-war period marked a new beginning for the French oil industry: the granting of shares to the Turkish Petroleum Company (TPC) in Iraq in 1920 and the establishment of *Compagnie française des pétroles* (CFP) in 1924. Due

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