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NEA FOR K.HARRINGTON AND M.POPAL

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TAGS PREL, PGOV, AG

SUBJECT: SCENE SETTER FOR A/S WELCH VISIT TO ALGERIA
REF: A. ALGIERS 111 B. ALGIERS 110 AND ALGIERS 140 C. 07 ALGIERS 1806 D. 07 ALGIERS
1807 AND 08 ALGIERS 0075 E. ALGIERS 141

Classified By: Ambassador Robert Ford, reason 1.4 (b) and (d)

1. (C) We and the Algerians are looking forward to your visit next week. There was a prominent article about your visit, generated with help from our PAO, in best-selling el-Khabar newspaper on February 21. You will be visiting just as the government machine is gearing up to amend the Algerian constitution to enable President Bouteflika to run for a third term in 2009. There is no strong, influential voice criticizing this effort; only small parties and a few notable individuals have spoken against the building momentum (ref A). The only issue that appears unresolved inside the top civilian and military leadership is whether or not there should be a change to the constitution that establishes a vice president as well. This vice president would be the obvious successor to Bouteflika, especially if his health prevents him from serving out a third term that would expire in 2014. We are arranging for you to meet with former Prime Minister Ouyahia, the man most frequently thought to be tapped for vice president.

AN UNHAPPY COUNTRY

2. (C) There is much discussion among political circles about the constitution, the third term and the succession issue, but precious little discussion about how to address long-standing political alienation and social discontent throughout the country. Housing is woefully short, while unemployment and underemployment are endemic (at least 50 percent among young people).

In a relatively new phenomenon, many young people are trying to flee the country, by small boat if necessary. The average age at which Algerians marry is now into the mid 30s - a vivid indicator of how unhappy the twenty-somethings are. Meanwhile, most world food price hikes are being passed to consumers, resulting in strikes by different labor groups almost weekly (see ref B for example. Notably, while you are here we expect school teachers nationwide to strike; on the positive side, school closures may ease traffic during your visit, inshallah.) Almost daily there are isolated demonstrations with the occasional government office in some distant town attacked. Meanwhile, voter turnout for the 2007 legislative and local elections was lower than ever before because Algeria's young people do not see the political system as having any relevance to addressing their problems. This is not the quaking state of the early 1990s. The government is firmly entrenched. However, much of political and social elite sense that Algeria is drifting (see also ref C).

THE VISION THING

3. (C) These political, economic and social problems notwithstanding, Algeria is richer than ever. The oil and gas sector is running up record export revenues - USD 70 billion likely in 2007, while imports will only be about USD 45 billion, according to the IMF. As a result, the GoA is piling up record foreign exchange reserves, now around USD 110 billion. The public knows about the riches and the GoA's inability to relieve problems like housing and unemployment hits at the GoA's credibility. Bouteflika and his team have only one approach to energize the economy: spend tens of billions of dollars on infrastructure as well as some grandiose projects to generate jobs and also create a Bouteflika legacy. The construction industry is growing but not as fast as in other oil-boom states. Red tape, burdensome regulations and centralization slow project implementation and impede new private investment. The GoA seems incapable of addressing these systemic problems. This inability stems from a lack of vision at the top. Bouteflika and his team have yet to make a choice on whether Algeria will be a market-driven economy where Algerians must integrate into the world economy or an economy whose government still provides the old social contract of the 1960s and 1970s. We have small technical assistance projects to help the GoA reform its financial and education sectors, but bureaucratic ineptitude and a lack of Algerian urgency slow progress. We therefore extract small, new reforms where we can get them. (Treasury DAS McDonald will be here at the same time as you to look at Treasury-funded assistance programming.)

TERRORISM PROBLEM NOT A THREAT TO STABILITY

4. (S/NF) The social discontent enables al-Qaida in the Lands of the Islamic Maghreb (AQIM) to find a steady supply of recruits but not enough to threaten stability. There are terror-related attacks almost daily now, usually in the mountains east of Algiers. (There are occasional attacks in southern and western Algeria now too.) AQIM and other Islamist extremists usually hit Algerian security forces, but there are regular threats against Western interests, especially French and American. The terrorists' tactics have not much changed except in one important manner: nine suicide car bomb attacks since April 2007. AQIM can't threaten the government's stability but it has hurt the credibility of Bouteflika's national amnesty program; it likely weakened him in internal debates with the Algerian hard-liners inside the security force leadership. It has hurt the credibility of the Algerian security forces among the Algerian public and the Western community here. In particular, the December 2007 attack that destroyed the UN headquarters here deeply embarrassed the Algerian government. When the UN said it would conduct its own investigation into the security shortcomings before the attack, the

hypersensitive Algerian authorities reacted vehemently and forced the UN to back down. Watching this brittle response, Western companies and embassies now are jittery. Many say that they are watching us for signals on when to send out expatriates. Algiers has seen no incidents since December 11 but there are constant threat reports in sensitive channels.

COUNTER-TERROR COOPERATION VERY GOOD

5. (S/NF) As the AQIM threat has ratcheted up, we have increased our collaboration with Algerian military intelligence. They are prickly, paranoid group to work with, but with them we have rolled up several networks that sent Algerian jihadis to Iraq. According to information from an al-Qaida in Iraq cell, 64 Algerian fighters reached Iraq between August 2006 and August 2007. Thus, our collective work is not perfect, but the number of Algerians fighting in Iraq likely would have been far higher were we not working closely together. We have also helped the GoA roll up AQIM networks that were planning attacks inside Algeria. Notably, the Algerian authorities do not like to discuss our cooperation against AQIM publicly. Instead, they limit themselves to saying that they cooperate with the U.S. and other nations against international terror networks. We have a new FBI office at the embassy that we hope will establish collaborative programs with the Interior Ministry, but the Algerians are not rushing to cooperate.

MILITARY TO MILITARY: WE MUST BE PATIENT

6. (S/NF) While the Algerians are not rushing to expand our mil-mil relationship. it is slowly growing. For the first time in early 2007 the Algerians themselves proposed some joint activities, and we undertook training exercises here involving the navy and air force. AFRICOM has offered much more, but the Algerians purposely keep a foot on the brake. They want to avoid dependence in their military relations, so they spread out activities among foreign partners. They have limited administrative capacity, and the officers who work on bilateral activities with France or Germany or Russia are the same ones who work with us. They are not good at multi-tasking. Part of the Algerian caution also results from bureaucratic gamesmanship and paranoia. In contrast to programming with some other countries, Algerian military intelligence clears all our bilateral military activities. (They likely seek to enhance their own position within the Algerian power structure by controlling the security relationship with the U.S.) In addition, GoA security personnel are exceptionally careful in their contacts with foreigners due to their CI concerns. Probably because Algerian military intelligence was not ready, the Algerians lost their chance to have a high-level bilateral military committee meeting at the Pentagon in April 2008 that would have drawn up plans for expanded activities into 2009. Their failure to reserve the April dates probably will push that meeting into the autumn or even to the next administration. We warned them clearly but their own system was too sclerotic to respond.

REGIONAL POLICIES: FAR APART FROM US

7. (C) Bouteflika is very much his own foreign minister and his thinking about regional politics has evolved little from the 1970s. He loyally attends all the NAM and African Union summits, and he places huge weight on the United Nations, liberation ideology and negotiation over use of force (especially Western armed forces). The Algerians are surprisingly ill informed when events are moving in the region; they also lack a good grounding in underlying trends in areas like the Middle East. Arab satellite TV seems to be a big source of their information. Hence, you will find that the Algerians take nettlesome positions on the regional questions of import to us:

-- Peace Process: They line up behind the Arab League consensus, arguing in private that it is hopeless to try to exclude Syria and Hamas from the efforts to reach a settlement (ref D). They appreciate our pledge to work for a viable Palestinian state and to achieve short-term, concrete improvements for the Palestinians. So far, we have seen little enthusiasm in response to our demarches for more aid to the Palestinian Authority, but they likely would respond to a strong request from the Arab League. The Algerian public, particularly the Islamists, is now less preoccupied with violence in Algeria and vehemently anti-Israeli. The GoA, therefore, is unlikely to make any unilateral gestures to Israel.

-- Lebanon: The Algerians back Arab League efforts and hope for consensus to develop among the Lebanese factions. Their senior MFA official working Middle East issues has repeatedly cautioned us against trying to isolate Syria on Lebanese issues (ref E). Underlining how our efforts complement Arab League efforts will make the most headway with the Algerians.

-- Iraq: President Bouteflika told Senator Nelson last summer that the U.S. should not withdraw too quickly from Iraq lest security deteriorate further. The MFA and Algerian military intelligence have made the same point to us more recently, although publicly the GoA says little. There is an Iraqi embassy in Algiers, but relations with the Iraqi Government are cool. The Algerians have no intention of reopening an embassy in Baghdad. In part, they are still angry about the murder of two of their diplomats in Baghdad in 2005. Despite their repeated inquiries, they have received no information on who was responsible. In addition, public and government distrust of the Iraqi Shia makes the GoA unwilling to take any risks on Iraq policy. Their military intelligence likely would work discretely with Iraqi intelligence to disrupt al-Qaida activities, but we doubt Algerian officers would actually go to Iraq.

-- Iran: Algerian officials remember Iranian support for Algerian Islamists in the early 1990s and are suspicious of Iran's regional intent. President Bouteflika in private has told the Iranian President to cooperate with the UN on the nuclear issue. The GoA is also adamant that we should continue on the diplomatic track and recognize even small Iranian steps when we see them; they were reluctant to endorse more pressure on Iran during Ambassador Schulte's visit here in late November. The Algerian leadership has a bit of sympathy for Hizballah and Hamas as liberation fighters, but their heads tell them to be wary. Thus, you will hear understanding from them when we warn them of the dangers of these terror groups, but the Algerians will immediately insist that Israel and the U.S. have to resolve the Palestinian and Lebanese problems. Underlining how Hizballah and Hamas threaten the very progress on the Lebanese and Palestinian issues that the GoA wants will be the most effective arguments.

-- Western Sahara: This is the issue that the GoA cares the most about and you will likely receive an earful. The GoA still lingers over the hope that the Baker Plan will come back despite our telling them repeatedly that it is finished. The top Algerian leadership stress that they view a Saharan referendum on independence as a matter of national liberation as a matter of principle. They don't want to destabilize Morocco, and they doubt the Western Sahara is so important to the throne's hold on power. They do not want to start armed hostilities, although we are less sure they would - or could - stop every possible Polisario provocation. The Algerians likely will try to wait for the end of this American administration hoping that the next one will be less supportive of the Moroccan autonomy proposal. Explaining the exhaustion of broad American patience with the long-standing dispute will be the best way of shaking loose the Algerian fixation on Baker.

AND THE GUANTANAMO PROBLEM

8. (S) For the past two years we have sought GoA approval for the repatriation of some of the two dozen Algerians held at the facility. During the April 2007 visit of S/WCI Williamson we all agreed on principles to govern the return of Algerians, but since then the GoA has refused to agree to accept even a single detainee back despite our repeated attempts. We think that President Bouteflika and military intelligence chief LTG Medienne agree that it would be harmful to Algeria to take any detainees back, and that consensus at the very top makes any movement by lower officials impossible. The GoA has told us we can send detainees back to the countries where we detained them, such as Pakistan and Afghanistan. This is a non-starter. We need you to explain firmly that the Guantanamo detainee issue will not go away and probably will become more important in the next year as we move closer to shutting down the detention center at Guantanamo.

FORD