

The European and American Multinational Corporations and Economic Development in Algeria: The Impacts of Falling Oil Prices and Destabilization in North Africa

YAMANAKA Tatsuya*

This paper attempts to draw the current economic development in Algeria and to analyze its structural problems by focusing on the Free Trade Agreement with EU and Foreign Direct Investments in hydrocarbons sector and car manufacturing industry.

Algeria has the world's ninth highest proved gas reserves and it is the third largest gas supplier to the EU, behind Russia and Norway. Its economy is heavily dependent on the hydrocarbon sector and thus the investments by international oil companies [IOCs], mainly from Europe and the United States. In Algeria, an adequate amount of export revenues is required to secure subsidies for the people's necessities like bread and Gasoline. However, the balance of trade and fiscal situation in the country have deteriorated because of the attacks on In Amenas' gas processing facility in January 2013 and of the sharp decline in crude oil prices in the second half of 2014.

Algeria is estimated by the U.S. Energy Information Administration to hold the world's third-largest unconventional gas resources. The state-owned oil and gas company Sonatrach launched on the shale gas exploitation in the south region to boost its upstream sector. The Algerian government also attracted many European car manufacturers to coastal areas with the long-term aim to diversify its economy and to develop its non-oil industry. Although some of the plants are already constructed and began their operations, the economic disparity and the high rate of youth unemployment have fueled political and social tension in Algeria. Thousands of demonstrators have protested in the south against the shale gas development projects which use hundreds of chemicals, pollute the country's already fragile water resources. They also claimed that the projects would not be profitable for the local economy. In December 2015, the Algerian parliament approved the government's 2016 budget that allows for retail fuel and electricity prices to rise. It may put pressure on people's lives.

*AAIJ Member; Part-time Lecturer, School of Commerce, Meiji University