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Italy wary of France's economic push in Algeria

On 6th February representatives of more than 60 French companies arrived in Algiers as part of France's new offensive to regain positions in the Algerian market. The delegation, representing the *Mouvement des Entreprises de France* (MEDEF, the French employers' organisation) was the most numerous to arrive in Algeria since 2011. It took part in a business conference organised by the Algerian counterpart *Forum des Chefs d'Entreprises* (FCE). At the end of the conference, the MEDEF President Pierre Gattaz and the head of the FCE Ali Haddad signed a protocol, establishing the *Conseil d'Affaires Algéro-Français* (CAAF), a forum providing private companies of both countries with opportunities to meet and discuss business.

France's grand strategy in Algeria

The event was only the last of a long series of initiatives showing France's renewed attention to its former colony. In November, Algeria and France had already signed three economic partnerships during the *Comité mixte algéro-français* (Comefa) that includes officials of the economic and financial ministers of both countries. President Emmanuel Macron's visits in Algiers, where on 6th December met with his counterpart President Abdelaziz Bouteflika, was symbolic and warmed relations between Paris and its former colony. Furthermore, Macron's visit was followed the next day by the fourth meeting of the *Comité Intergouvernemental de Haut Niveau*, co-chaired by the French Prime Minister Edouard Philippe and his Algerian counterpart Ahmed Ouyahia, in which several economic agreements were signed [*Ouyahia aujourd'hui à Paris pour la 4e session du Comité intergouvernemental de haut niveau algéro-français*, Huffington Post Maghreb, 7 December 2017].

With 500 companies present in Algeria, France is the top foreign employer in the country and the leading investor outside the oil and gas sector. However, French companies find increasing difficulties in operating in this market. On the occasion of the launch of CAAF, the Algerian Minister of Industry and Mines Youcef Yusfi stressed the need for the French companies to be patient and to adopt a long-term vision while operating in Algeria [Malick Diawara, *Algérie – Le gouvernement au patronat français: "Il faut être patient"*, Le Point, 9 February 2018]. While admitting the need to reform the business climate and diversify

the Algerian economy, Yusfi also said that many foreign companies have invested in Algeria, overcoming difficulties and making considerable profits. Yusfi also warned French representatives that their main competitors have been particularly aggressive, increasing their markets share. And indeed, the latest figures released by the Algerian Customs in January confirmed once again Italy's leading role. In 2017 Rome was once again Algeria's main client, followed by France and Spain; while China remained the first exporter to Algeria, followed by France and Italy [*Commerce extérieur: les principaux chiffres de 2017*, Tout sur l'Algérie, 21 January 2017].

Italy's peculiar position

Considering that oil represent 94,54% of Algeria's total exports, it comes as no surprise that Italy holds in high regard trade relations with Algeria. Despite the fact that the Italian Minister for Economic Development Carlo Calenda expressed last year his preference for the Trans-Adriatic Pipeline (TAP) project over imports from Algeria and Libya, raising doubts and causing misunderstandings in Algiers [*Gaz: et si l'Italie ne renouvelait pas ses contrats avec l'Algérie?*, Tout sur l'Algérie, 11 April 2017], the economic partnership between Rome and Algiers is still solid. At the end of January ENI's Chief Executive Officer Claudio Descalzi expressed the Italian national oil company's intention to strengthen its presence in Algeria, revealing that an offshore exploration agreement had recently been signed with the Algerian counterpart Sonatrach [Hocine Lamriben, *Hydrocarbures: ENI veut investir dans l'offshore algérien*, el-Watan, 30 January 2018]. Furthermore, the agreements signed on 14th February between Sonatrach and the Italian contractor Saipem to resolve a long-term dispute over four contracts was hailed as 'historic' by both parts. Indeed, Saipem agreed to give the Algerian oil company US\$150-200 million, restoring an important partnership and raising expectations of further agreements in Algeria's offshore [Zhor Hadjam, *Sonatrach met fin à ses litiges avec Saipem*, el-Watan, 15 February 2018].

Moreover, on 7th February the Italian ambassador to Algiers Pasquale Ferrara expressed the desire to establish a long-lasting relation in the energy sector, confirming Rome's views of Algiers as a strategic partner. [Ali Titouche, *L'Italie veut des relations durables*, el-Watan, 7 February 2018]. The timing of ambassador Ferrara's interview (released on the same days of MEDEF's visit) and the new deals in the energy industry suggests that Rome is wary of the French economic offensive in Algeria and is willing to defend its market shares in crucial sectors such as oil and gas.

A case of 'coopetition'?

More in general, France's economic push in Algeria is in line with the new administration's major focus on North Africa [Stephen Quillen, *As US disengages in North Africa, France's Macron looks to boost his profile*, al-Monitor, 2 February 2018]. In doing so, French policymakers are filling the void left by US' new

administration partial disinterest towards this region and thwarting any attempt by rival powers such as Russia interested in expanding their influence. However, this policy is also resulting detrimental to traditional allies, forcing them opt between defending their positions and adjusting their policies. In Libya for example, the Paris meeting in July 2017 between General Khalifa Haftar and the Government of National Accord Prime Minister Fayez al-Sarraj forced Italy to review its strategy, opening to Haftar and trying to find a balance between the two rival factions. Considering Algeria's peculiar position in Italy's energetic mix and France's intention to regain the economic leadership in this country, it is highly likely that Rome and Paris will continue to face each other in another important Maghreb country, engaging in a sort of regulated 'cooperation' (cooperative competition) at best. Nevertheless, any major change in an already complex and volatile context will make bilateral relations between France and Italy tense, with unpredictable consequences for their main interests in the region.

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