Since the upheavals that swept across North Africa in 2011 Algeria has been an immovable anchor in a region trying to find stability in the face of wave after wave of change in the neighbourhood: Tunisia, Libya, Egypt and somehow also in Morocco, writes Ambassador Garcia Munoz

Algeria has kept a steady course in the two decades since its civil war ended. After six parliamentary elections since the country adopted in 1989 a multiparty political system, there is no effective challenge to the long-time leader and his entourage other than the President's poor health. However, change is in the horizon because a lack of economic diversification and lagging growth.

The economy needs an overhaul, mainly the energy sector, since the country depends on oil and gas for 94% of its total exports (most of which go to Europe) and for 60% of its budgeted revenues. Algeria's imports are financed by the money from energy exports. But declining prices of oil and gas have forced the government to use the financial reserves of Fond de Regulation des Recettes (Revenue Regulation Fund) to pay for them, bringing reserves down to 112 billions of dollars. They were 143 billion in 2015 and 172 billion in 2014. The estimates of the International Monetary Fund (IMF) are that this amount will decrease to 91 billion by the end of this year and to 76 billion in 2018.

Despite its wealth, high levels of income inequality exist in the country and if the government has to revamp an energy sector that is becoming obsolete, Algiers fears that changing the economy may aggravate social unrest. Over the past two years Algerian leaders have shown their willingness to implement unpopular reforms, especially those that target fuel and taxes and to reduce subsidy payments that reach 45 billions of dollars a year. But the country cannot protect the status quo much longer no matter who will replace Bouteflika,.

Up to now the reshaping of the Algerian economy and solving the difficult political and social situation has seen two approaches. The first one was the plan of former Prime Minister Abdelmadjid Tebboune who tried to address the crisis in two ways: by tightening import restrictions and quotas to reduce the current account deficit and by targeting the Algerian "nomenklatura" and their interference in the government's austerity policies. The Tebboune experiment lasted only three months. He was dismissed by the President because his policies caused a strong wave of social and political unrest. But the reason behind was that President Bouteflika and his entourage could not accept Tebboune's policies because they meant a fight against some entrenched groups with vested interests in the status quo based in a system of patronage and smuggling that has characterized the country's economic liberalisation since 1980.

The second approach was the appointment last August of a Prime Minister, Ouyahia, who knows that reforms should be carried out, but he relies on what the country knows best: isolation. On September 17 he outlined his five year plan to avoid dependence of international financial markets and of the IMF: the Central Bank is going to finance the fiscal and the current account deficits. This policy means debt monetisation and officially ended the internal debate around how to finance the country's economic adjustments. This has the support of the President who in a recent speech, delivered through an interlocutor due to his poor health, stressed the need for "economic sovereignty".

The continuity of the isolation and the strong presence of the state in all sectors of the economy as a way to confront Algeria's problems can be explained by:

(1) intra-elite struggles and violent conflicts between state elites and armed groups over the distribution of rents, rendering decision making and coherent reform strategies impossible;

(2) military and bureaucratic elite clans that profit from import monopoly and oligopoly rents and display little interest in increased domestic production;

(3) the role of industrial enterprises in creating their own social networks;

(4) the strong remnants of a nationalist, state oriented, socialist and collectivist ideology.

Nevertheless, the big question mark over Algeria's future is the succession of Bouteflika because it may affect all layers of the country and also its power structure. As this issue dominates the public debate the stakes are increasing. One is that the brother of Bouteflika, SaÃ¯d, could replace him. Other names have been floated.. But the ruling factions, (the presidential entourage, the Army and the pro-regime businessmen) are working on a smooth transition that will minimize any risk to their vested interests now that the powerful military intelligence apparatus has been tamed.

The regime is also working to prepare the population for the transition. It knows that caution should be deployed to deal with some of the issues that have historically restricted Algeria's political and economic evolution.

More importantly, though, this new course is meant to avoid overlap between the country's twin political and economic transitions. In this race against the clock, the authorities are trying secure the support of the key pro-regime constituenciesâ€"public sector employees, economy workers, oligarchs, and importersâ€"ahead of the replacement of the President, which continues to be shrouded in a thick layer of secrecy and uneasiness. Whether President Abdelaziz Bouteflika will run for a fifth term in the 2019 presidential ballot or be replaced by a hand-picked successor, the authorities cannot afford to deal with the political and social consequences of austerity measures in the meantime.

All this can be complicated if the relations with Morocco, its rival to the West, deteriorate in the near future. Distrust is the mood between Algiers and Rabat because the modern states of Morocco and Algeria were defined by mutual mistrust. Shortly after gaining independence from France, the absence of demarcated lines along certain sections of the Algeria-Morocco border brought about territorial disputes, which eventually led to the Sand War in October 1963. The border was finally demarcated in 1972, but hostilities between the two countries persisted.

Tensions between Rabat and Algiers were further inflamed during the 1975-1991 Western Sahara War. Algeria actively backed the Polisario Front â€" a Sahrawi rebel national liberation movement that sought to gain independence from Morocco in the Western Sahara â€" to check Morocco's expansion and regional influence. Algeria provided critical support for the Polisario Front, supplying the rebels with heavy weapons and equipment as well as sanctuary in Algerian territory. Algerian forces even clashed directly with Moroccan forces during the 1976 Battle of Amgala, almost leading to a full-scale war.

The Western Sahara War eventually ended in September 1991 with a cease-fire that left Morocco with 80 percent of the territory of the Western Sahara and the Polisario Front with the rest. However, subsequent negotiations to fully resolve the conflict have failed to make much headway, and the simmering conflict continues to poison relations between the two countries.

To avoid any setbacks Algeria is going on with defence spending despite its delicate financial situation. Algeria spends approximately 10.5 million dollars on defence, more than three times as much as Morocco. In 2016 it made large purchases of arms to reinforce its military superiority over Morocco.

To counter that move, Rabat has sought new alliances by returning to the Organisation of African States; by building a new military infrastructure and by selected military procurements. Algiers cannot forget that Morocco benefits from close ties with the United States and with France, both major arms suppliers to the kingdom that is a major non-NATO ally since 2004 when the United States placed it in that position. But even Morocco's alliances are no assurance against potential clashes with Algeria, especially while disputes remain over Western Sahara