Algeria

1 Bilateral trade relations

According to China Customs, the bilateral trade volume between China and Algeria reached US＄2.09 billion in 2006, up by 18.2%, among which China s export to Algeria was US＄1.95 billion, up by 38.7%, while China s import from Algeria was US＄140 million, down by 60.7%. China had a surplus of US＄1.81 billion. China mainly exported mechanical appliances and accessories thereof, machinery and electronic products, vehicles and parts and accessories thereof, iron and steel products, clothing and accessories thereof, rubber and articles thereof, footwear, ceramic products, plastic and products thereof. China mainly imported from Algeria mineral fuels, plastic and products thereof, cork and articles of cork, copper and articles thereof, raw hides and skins(other than furskins) and leather.

According to the Ministry of Commerce(MOFCOM), by the end of 2006, the accumulated turnover of engineering contracts completed by Chinese companies in Algeria had reached US＄5.13 billion and the volume of completed labor service cooperation contracts was US＄150 million.

According to MOFCOM, Chinese non financial direct investment in Algeria, approved by or put on record in MOFCOM, was US＄62.48 million in 2006. Algeria investors invested in 3 projects in China in 2006, with a contractual investment of US＄10.31 million and an actual utilization of US＄6.58 million.

2 Trade and investment regime

The administration system of trade and investment in Algeria is mainly regulated by the Customs Law, the Investment Law, the Trade Law, the Business Law, the Trademark Law, the Phytosanitary and Sanitary Control Regulations, the 2005 Supplementary Finance Act, and the Capital Investment Company Act. In Algeria, the main authorities governing trade include the Ministry of Trade, the Algerian Customs, the Algerian National Tax Bureau and its subordinate agencies and the Algerian Business Registration Center. The main authorities governing investment in Algeria include the National Investment Development Agency(ANDI), the National Investment Council(CNI) and the Ministry for Participation and Investment Promotion(MPPI).

2.1Trade administration and its development

2.1.1Tariff system

In 2006, the Algerian Customs continued to apply three levels of basic tariff rates: 5%, 15% and 30%. The 5% rate is levied on all raw materials, pharmaceuticals and equipment for investment approved by ANDI, while the 15% rate is imposed on semi finished products, dried vegetables and low emission cars, and the 30% rate on finished products.

According to the 2001 Complementary Finance Act, a temporary additional duty(DAP) has been imposed on nearly 500 import items since 2001 for the purpose of protecting domestic industry. The measure was removed completely in January 2006 through gradual rate decrease over 5 years.

In 2006, the Algerian government made some adjustments to tariffs on certain products: the tariffs on computer hardware and software products were lowered to 5%; the tariffs on imported petrol, lubricate and other refined oil were imposed at a level of 12.5 thousand dinar(about US＄209) per ton.

2.1.2Import administration

Algeria pursues a free trade policy in import administration, but not in areas involving security order, human and animal health, environmental protection, protection of animals and plants, and cultural heritage. In addition, Algeria prohibits the importation of pork, and plants genetically modified for reproduction.

Algeria opened its pharmaceutical market in 2005. However, to encourage investment in pharmaceutical industry, the Algerian Ministry of Health stipulates that the import and sales permit of pharmaceutical products obtained by either local or foreign registered importers will be revoked if the importers don t invest in the production of pharmaceutical products within the two years after acquiring the permit.

In order to regulate the import of gold products, the Algeria government fully liberalized its restrictions on the import of gold in 2005, allowing private corporations to deal in gold. In the same year, to accelerate Algeria s entry into the WTO, the Algerian government passed a resolution of lifting the ban on the import of wine products, expressing that it is to carry out laws which meet with the international commitments and requirements for the import and export of wine products.

In a move against fraudulent operators, the Algerian government now requires all importers to pay a fee of 10,000 DA(about US＄167) for each importing transaction. Specifically, the importer is required to pay this amount to the tax authorities in order to obtain banking facilities. This procedure will allow the tax authorities to monitor and identify all importers and ensure that their dealings are open and legal.

In 2006, the Algeria government promulgated a new act which requires that importers should specify in Arabic in their import declarations the origin of the product, name and address of the manufacturer, expiry date and ingredients, otherwise their products will be considered as counterfeit or smuggled ones.

2.1.3Export administration

In 2006, Algeria took a series of measures to encourage the exportation of non petroleum and non gas products in order to change the current situation of sole reliance on exports of petroleum and natural gas products. At the same time, Algeria simplified registration procedure for business enterprises, with a view to encouraging exportation. In 2006, the Algeria government strengthened efforts to better serve business enterprises, crack down on informal markets and protect the rights and interests of consumers, which are considered as the major tasks in foreign trade. Through the promulgation of the Consumption Law, the Food Trademark Law and the Customs Supervision Law, the government has reinforced efforts to combat behaviors which endanger the safety of trade and business or the rights and interests of consumers.

2.2Investment administration and its development

Foreign investment is encouraged in Algeria. During the Rehabilitation Program of 2005—2009, a series of reforms have been or will be carried out by the government to attract foreign investment for the purpose of promoting its national economic recovery.

2.2.1The 2006 Supplementary Finance Act

The Algeria government promulgated the 2006 Supplementary Finance Act on July 15, 2006, which serves as an amendment to the Finance Act. Major changes affecting investment include:(1) taxation: corporate profit tax is lowered from 30% to 25%, reinvestment profit tax from 15% to 12.5%, and value added tax return cycle is advanced to the same month;(2) Industrial Land: at present, the main way adopted by the government is Franchised Management i.e.first, transferring land use rights to investors in the form of franchised management, and then, allowing investors to purchase land ownership on the completion of the project. Specific implementation measures are still under discussion.

2.2.2Amendments to the Investment Law

In 2006, Algeria published amendments to the Investment Law, making amendment and supplement to the Investment Law of 2001.The new act provides several preferential policies to investment and divides the preferential policies into three categories, whose main points are as follows:

(1) Providing preferential policies to all legitimate investment projects

It is applicable to all legitimate investment projects. After applying with and getting approved by ANDI, any investment project during the implementation period can enjoy tax favors such as duty exemption on imported goods directly involved in the investment implementation, VAT exemption on goods and services directly inputted in the investment, whether imported or purchased on the domestic market, transfer tax exemption for all real estate purchases made for the specific purpose of the investment. In the 3 years after the official start of operation(which needs the proof of tax department), investment projects can be exempt from taxation on Corporate Profits(IBS) and Tax on Professional Activity(TAP).

(2) Preferential policies for investment projects in zones under special state support

Such kind of investment projects are eligible for the following favors during the implementation period: transfer tax exemption for all real estate purchases made for the specific purpose of the investment; customs duties exemption on imported goods directly involved in the investment implementation; application of the fixed registration fee at the reduced rate of 0.2% for corporations and capital increases; After an evaluation made by the Agency the expenditure related to the infrastructure works required for the investment shall be partially or totally covered by the government; After the official start of operation(which needs the proof of tax department), investment projects are eligible for the following favors: Exemption for a period of ten years of effective activity from taxation on Corporate Profits(IBS) and Tax on Professional Activity(TAP); Exemption for ten(10) years, from the date of purchase, from land tax on real estate which is directly involved in investment; Granting additional incentives intended to improve and/or facilitate investment, such as the carry forward of losses and depreciation.

(3) Preferential policies for investments with a particular interest for the development of the national economy

After representatives of ANDI and investors have negotiated and signed relevant agreements, the preferential policies approved by CNI for investment projects of this category are as follows: At the implementation period(5 years at most), investment projects can be exempt from all taxes on goods and services directly inputted in the investment, whether imported or purchased on the domestic market, from the fixed registration fee on transferring real estate involved in investment and on publishing legal notice for it, from fixed registration fee for corporations and capital increases, and from land tax on real estate which is directly involved in investment. After the official start of operation(which needs the proof of tax department), investment projects can be exempt for a period of ten(10) years from taxation on Corporate Profits(IBS).

In addition, the new act has also shortened the time of response which ANDI makes to investors who apply for preference. Except investments with a particular interest for the development of the national economy, ANDI makes response within 72 hours to preferential applications at the implementation stage of the investment and within 10 days to those at the operation stage. According to the resolution of CNI, additional incentives can be granted to such investment.

2.3Administrative measures related to trade and investment and their development

To promote the reforming of the financial system, the Algerian government has promulgated a series of laws and regulations since 2005, such as the Regulations on Real time and Emergency Capital Trading System, the Regulations on Checks and Other Means of Payment, and the Regulations on Secure Payment. According to these regulations, in 2006, the Algeria government further accelerated the reform of its financial system. Large value payment systems and real time capital trading systems in the charge of ministerial level representatives of Algerian financial reforms and the Central Bank of Algeria respectively were fully launched. With the support of the World Bank, the real time and emergency capital trading system of the Algerian Central Bank was officially opened in 2006. National People s Assembly of Algeria considered and passed the Insurance Law in 2006, with a view to protecting the interests and rights of the insured, strengthening the supervision over insurance companies and maintaining a normal financial order.

In a move against tax evasion and money laundering and in order to further regulate financial operation, the Algerian government requires that, since September 1, 2006, large commercial transactions equal to or more than 50,000 dinar(about ＄835) shall be paid by checks or credit cards. Offenders will be fined 50,000 to 500,000 dinar.

2.4Measures against specific products

2.4.1Prohibition of exporting scrap metals

According to the Algerian government, the smuggling in the export of such products is serious, so are the thefts of railway tracks, electrical copper wires and cables. Most of the exported scrap metals after an offshore processing are reimported at a higher price. Considering the adverse effects of the scrap metal trade on Algeria s national economy, the Algerian Ministry of Commerce put an official ban on the export of scrap metal in 2006.

2.4.2Petroleum and natural gas

According to the Hydrocarbons Law which was promulgated in 2005, Algeria further opened such sectors as oil and gas exploration, exploitation, refining, transportation, storage and distribution to foreigners in 2006. Meanwhile, Algeria abolished the provisions of sales restrictions in oil and gas supply contracts to encourage foreign enterprises to invest and participate in the exploitation of oil and gas recourses in Algeria.

3Barriers to trade

3.1Tariff and tariff administrative measures

The average tariff rate of Algeria is 18.7%. High rates, at a level of 30%, are applied to food, beverages, tobacco, and consumer goods. Since 2002, Algeria has applied three levels of basic tariff rates, i.e. a 5% rate is levied on raw materials, while a 15% rate is imposed on semi finished products and a 30% rate is on finished products. As a result, tariff escalation is common in Algeria.

3.2Import restrictions

The Algerian Ministry of Health stipulates that the import and sales permit of pharmaceutical products obtained by either local or foreign registered importers of pharmaceutical products will be revoked if the importers don t invest in the production of pharmaceutical products within the two years after acquiring the permit. Although this policy is to encourage investment in pharmaceutical products, the action of tying trade and investment together compulsorily has actually restricted the export and sales of pharmaceutical products to Algeria. The Chinese side expresses concern over this issue.

3.3Barriers to customs procedures

3.3.1Time consuming customs clearance

According to a survey on 51 countries conducted by the World Bank, which has ranked these countries on the basis of the length of time needed for customs clearance, Algeria ranked No.1, with the longest 23 days. The delay of customs clearance can affect the exportation of seasonable and perishable goods to Algeria. The Chinese side expresses concerns over this matter.

3.3.2Unreasonable regulations on return or transshipment of port stranded goods

According to the regulations of the Algerian customs, to return or transfer goods originally intended for exportation to Algeria, a certificate of rejection from the consignee needs to be presented, without which no person(neither the owner nor the exporter) is entitled to return or transfer the goods. If an exporter makes delivery to an Algerian importer after receiving a certain amount of down payment or advance payment and the importer rejects the goods or is unable to pay the rest of the amount in a timely manner when the goods arrive at port, and refuses to write a certificate of rejection, neither the owner nor the exporter of the goods is entitled to return or transfer the goods. The imports will be confiscated and put on auction by the Algerian Customs after a period or sold to the importer at a lower price before confiscated. Such requirement is unfair to foreign exporters. Chinese enterprises have encountered this problem on several occasions and have suffered severe economic losses. The Chinese side expresses concern over this issue, and hopes that Algeria will soon remove the requirement so as to protect the justified interests of exporters.

3.3.3Unreasonable taxation

The Algerian government now requires all importers to pay a fee of 10,000 dinar(US ＄167) for each importing transaction. Specifically, the importer is required to pay this amount to the tax authorities in order to obtain banking facilities. This procedure is intended to ensure that each deal is under the supervision of the taxation bureau and is conducted in a legitimate way. In fact, the Algerian government does not have to use forced payment of fees in order to put import under supervision. Also, the setting of the fee rates lacks reasonable grounds. The Chinese side expresses concern over this issue.

3.4Technical barriers to trade

In September, 2006, the Algerian Ministry of Water Resources stipulated a sanitary technical guide to the new construction of water projects and national water network rehabilitation projects with a view to leading relevant governmental departments, project contractors and owners to carry out their construction in accordance with relevant domestic and international standards to avoid re work of pavements due to the misconnection of water pipe network. The sanitary technical guide stipulates the standards for project materials and parameter standards for water collecting pipes and their joints and soil. However, this guide fails to specify the parameters for relevant standards. It only indicates that suitable parameter standards will be provided in future project bids. China hopes that the Algerian side will, in the principle of transparency, make public at an early that the parameter standard cited in the technical guide and adopt relevant international standard to avoid unfair treatment to foreign corporations.

3.5Sanitary and phytosanitary measures

Algeria has further raised its tolerance of aflatoxin in imported peanuts since 2006, stipulating that the amount of aflatoxin in peanuts is limited to 4PPB and bellow. According to the standards of the Codex Alimentarius Commission, the tolerance of aflatoxin content in peanuts ready for human consumption should be not more than 15PPB. Algeria s new standard is higher than the international standard. China expresses concern over this issue.

3.6Barriers to trade in services

When inviting bidders for open tenders, especially for major equipment procurement tenders, the Algerian government usually requires that foreign bidders should provide financing plans or they should do business or make investment with their own money. In addition, the Algerian government gives local companies bid prices 15% lower than those of foreign companies, and foreign bidders are not granted national treatment.

According to the Central Bank of Algeria, in engineering projects, the contractor s performance bond to the owner must be issued by Algerian local banks. Therefore, foreign contractors, whose original banks do not have branches in Algeria, have to apply to local banks for bonds, which increase the cost of foreign corporations in Algeria.

3.7Visa

It is a very lengthy and complicated procedure for foreign workers to obtain a working visa of Algeria, which takes 2 or 3 months. The trouble in obtaining visa makes it hard for Chinese salesmen and after sales service technicians to make timely visits to Algeria, and therefore has affected China s export of equipment to Algeria. Besides, because of the shortage of local skilled workers, visa difficulties have created a shortage of skilled workers to foreign invested enterprises in Algeria. Chinese corporations have suffered procrastination of projects owing to the delayed arrival of technicians due to the lengthy visa procedures.

4Barriers to investment

4.1Applying for starting companies

Algerian commercial law is very complex. Many foreign investors are confused and can only rely on local lawyers or agents to ensure that all procedures and rules are followed. Besides, due to complicated procedure, starting a business in Algeria takes an average of 24 days.

4.2Controls on foreign exchanges

Algeria imposes controls on foreign exchanges, setting many restrictions to the payment and transference of foreign exchanges. Foreign investors are allowed to remit their profits through strict identification and repatriation procedures, and acquiring the permission of profit remitting needs a very long period. Thus, enterprises have to have a stronger cash flow capacity and this has increased burdens on required capital for investment. The Chinese side expresses concern over this.

It is required in Algeria that foreign enterprises which deal in petroleum engineering services or research projects have to pay 24% service tax when they transfer project funds overseas. This measure has increased operating cost of foreign enterprises.

4.3Long term residence permits

In the past, according to relevant Algerian laws, foreign shareholders who set up companies in Algeria and their spouses could apply for 2 year residence permits which can be renewed. While now, some police offices in Algeria claim that new regulations have been promulgated, which stipulate that only corporate representatives and their spouses can get 2 year residence permits and require that foreigners provide original materials submitted two years ago to get their permits renewed before they become invalid, otherwise no renewal shall be granted.

4.4 Others

Foreign workers in Algeria are required to pay a variety of fees in accordance with Algerian laws, such as social security, which amounts to 48% of the total salary. As Chinese workers usually return to China after working in Algeria for one or two years, they are unable to enjoy those benefits. Such required fees have increased costs to foreign enterprises and affected their competitiveness.