Reda El Baki – President, French-Algerian Chamber of Commerce and Industry (CCIAF)



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Reda El Baki, president of the French-Algerian Chamber of Commerce and Industry (CCIAF), wishes to build on the link that for long has united France and Algeria. He underlines recent improvements in regulation and expresses his hope that more French SMEs will come south of the Mediterranean, while also highlighting the importance of the pharmaceutical sector to the country.

Can you tell us about the main milestones the CCIAF has been going through since last we interviewed you four years ago?

The first milestone was the important expansion of the chamber by increase of its members from about 1,100 four years ago to 1,800 member companies today. Henceforth, we are the second largest chamber of commerce within the union of French chambers of commerce globally in terms of members.

In parallel, there has also been an evolution of our presence in the Algerian regions. Algeria is not Alger alone, and we have opened five regional offices including in Oran, Annaba, Sétif, Béjaïa and Constantine. For the chamber, this held quite a revolutionary character as we now discover great companies that are exporting and growing and come from all sectors combined on a daily basis in those regions.

Finally, the CCIAF took the digital road, and we have much expanded our presence on social networks and since this year promote an application on which our members and non-members can

find information about our activity. Algeria in general has very much opened itself for digitalisation and we strive to keep up with the trend.

How have you seen the regulatory framework evolve these last years?

Algeria is a country of many regulations. It is, in fact, a highly regulated market, the challenge lies in the interpretation of the text applicants have. Often, those carrying out the regulation have a very strict interpretation and companies dealing with them feel they are overwhelmed and slowed down by the amount of bureaucracy. These last years, we have observed a much better response to enquiries from tax and custom centres and seen a real will to work towards a more comprehensive solution offering.

What are the main challenges your member companies point out when doing business in Algeria?

I think the difficulty often lies in that companies upon first coming to Algeria try to replicate a “one size fits all” model here. They do not take the time to understand the inherent components of the Algerian market place, especially in terms of regulation. The result is a feeling of wasted time when that time ought to have been spent on better understanding once and for all. Often foreign companies would run head first into an investment, building up capacity and starting their operations, to then realise they do not sufficiently understand the mechanisms of the market. And the Algerian market is a complex one, striking a balance between maturity and immaturity, with a large importance given to the informal. Any company that wishes to succeed has to adapt its strategy to the local environment.

The lack of understanding of the local market is linked to another challenge. Many companies come to Algeria following a base of false promises. They think they can save time and money by using a back door and end up being worse off.

The final challenge companies regularly meet revolves around human resources and the difficulty to hire and retain talent. Because of governmental efforts on education, young Algerians attend good universities. However, they leave those without any practical knowledge about the world of business. It is quite appalling how very unrealistic expectations they carry to their first workplace. Those expectations never being met, they tend to produce high turnover, hoping the grass might be greener elsewhere.

We aim to assist our members by improving work connections between French and Algerian companies. Our efforts are also focused on education and encouraging our members to share their

experiences and solutions. Obviously, we also have an important role in assisting with the regulatory side of business.

What is positive about Algeria as an investment environment in 2018?

The perception foreign companies have of the Algerian market is often one that is far away from the truth. There is a big gap between what is being said about Algeria and facts people discover when coming here. I am convinced that the opportunities are here today, and facts such as Algeria's 40 million inhabitants corroborate this. Moreover, Algeria has been opening itself up for industrialisation and is very willing to enter partnerships to enhance its production. We are a growing consumer market and will further expand.

On another dimension, we position ourselves as an entry door to Africa, entertaining excellent relations with many African countries. There are not many such ports at merely 800 kilometres from Marseille (French port city). Amongst those that are, Italy, Spain, Tunisia, Morocco or Libya, we are certainly one of those presenting most opportunities. Morocco is past its golden age, Tunisia remains a small market with only ten million inhabitants, Libya is going through a very difficult political situation. Our potential has been recognised, but only recently were we able to announce major investments by Sanofi and Ipsen to the country.

It is important we did not render things attractive beyond realism, our goal is to paint as true as possible an image of Algeria, with all its advantages and drawbacks. We have long battled with a negative connotation regarding regulatory requirements, with laws such as the "49:51" (ed.: a law requiring any foreign company investing in Algeria to find a local partner matching the investment with at least 51 percent of the total sum invested). We are quite alone amongst our neighbours with such a regulation and understand it can be off putting for potential investors. Nonetheless, we also see it as bringing advantages to first comers, as they gain local insight early on, an invaluable asset in Algeria.

I think that when it comes down to it, in any country the important factor is to strike a balance between risk and return on investment. In the 1980ies we were faced with huge security challenges, attacks as those in France would hit us every week. But today this risk is significantly reduced.

How have you seen French-Algerian relations evolve?

The two countries have long entertained good relations, especially under President François Hollande. There were quite a few investments and communication between our political leaders

have improved tremendously. I am happy to say that this trend has been continued since President Emmanuel Macron has been in office. In the past, we have gone through much darker periods.

Today, France is Algeria's second largest supplier and the largest investor to the country when energy is taken out. French businesses that invest heavily come from the banking industry, the agroindustry, services, construction and as a matter of fact, the pharmaceutical sector. All of these form a strong base on which the French-Algerian relationship is built. We are very proud of our long-standing good commercial relations and we see further room for them to grow. They help develop our country, employing many Algerians.

A few examples include Sanofi building its second largest plant in Africa here, Danone, the four largest French banks, all have important presence here. Our current focus is on attracting more SMEs. Only very few have come to Algeria, and we would like to see that number increase. There is little industry left in France, and French companies in general struggle to export and internationalise. Algeria is willing to favour the development of investment, and we want to relay this message to France.

90 to 95 percent of our members are private and very dynamic companies and have moved away from old business trading models. Today, Algeria is not just an exporting country, we develop here our investment and need French businesses to help achieve our goals. And if they do not seize the opportunity, others will take their space.

What strategy do you pursue to attract more investment?

We are very active abroad, building up networks. We tell the story as it is: yes, there are challenges in Algeria, but they are far outmatched by the opportunities. Many companies gain one to two percent return on investment in a safe environment in many countries nowadays. We can offer 11, 12 or 13 percent return on investment, a figure that is far preferred by many, despite the higher risk associated.

In the end, the first step is the biggest obstacle to take. We invite companies to visit us, and they almost always find that the representation of Algeria they had before coming and the one they leave with are entirely different. Our responsibility is to make Algeria understandable.

What is the importance of the pharmaceutical industry for Algeria as a whole today?

There are two big industries leading the way in Algeria today, energy and pharmaceuticals. The pharmaceutical industry brings high return on investment and can easily scale up while fulfilling an important social role. Our state needs to take care of its people and ensure access to medication is

readily available. This underlines the importance of the sector for Algeria. It is time we took the next step, as pharmaceuticals today are no longer just about packaging pills in a blister.

Where do you see the synergies between France and Algeria?

The markets in France and Algeria do not move at the same speed, and as a company, you ought to start at the right level if you want to succeed. There is no point in overexerting the market with something it is not ready for. However, we do observe countless synergies. Today, France is a country of service and engineering companies, and Algeria a country of production. We require the expertise to build a machine and have the skills to build it.

We look to Europe and see the French-German couple leading the way, thinking we have to revive the French-Algerian couple, because it will help both sides prosper. To us, France is not a aim market, but we aim for Europe through France. Likewise, France can access Africa through us. Not only do we have good routes connecting us to Sub-Saharan countries France trades with, we are currently building a new deep port on our shore.

I think it always comes down to people in the end. When they meet and build a relationship based on trust, this will help their union flourish.

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