Special Economic Zones: Promoting Growth and Mitigating Algerian Instability

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Sources of Economic Instability

- Youth unemployment
- Unattractive business climate
- Reliance on hydrocarbon wealth
Regional Consequences of Instability

- Instability in already volatile region
- Migratory pressure
- Radicalization and terrorism
Models of Economic Liberalization

**Rapid**
- IMF approach
- Privatization

**Incremental**
- Chinese model
- SEZs
Implications of Economic Liberalization

Rapid
• Political crisis
• Regime change

Incremental
• Minimal instability
• Stable growth
SEZ in Algeria: Benefits of Hybrid EPZ

- Job creation
- Export diversification
- Domestic linkages
SEZ in Algeria: Location and Funding

- Located in Arzew
  - Market Access
  - Infrastructure
  - Local Labor

- Private Funding
SEZ in Algeria: Guidelines for SEZ Policy

- **Recommendation #1**: Local vs. foreign labor
- **Recommendation #2**: Amend local ownership law
- **Recommendation #3**: Streamlined bureaucracy
- **Recommendation #4**: Credibility mechanism
Potential Objections

- **Objection #1**: Why will the SEZ succeed when past attempts failed?

- **Objection #2**: Won’t job creation be concentrated geographically?

- **Objection #3**: How can we protect the SEZ from corrupt bureaucrats?