



# Special Economic Zones: Promoting Growth and Mitigating Algerian Instability

David Renich Newbrander

# 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?

P | I | P | S 

