
II. ECONOMIC ENVIRONMENT AND THE FIVE-YEAR PLAN

Companies looking for export opportunities around the world today have to come to terms with a different way of doing business from what they have been used to in the past. This pragmatism is essential in Algeria and can make the difference between winning or losing a client's trust and hence a valuable opportunity. Essential, in understanding the behavior of the Algerian buyers, is a short explanation of Algerian socio-economic priorities and business life.

The economy is highly socialized. The public sector controls the key industries and monopolizes imports. The private sector is limited to specific industries, but even its import requirements pass through the state agencies or companies. Local agents are not permitted. Furthermore, Algerian state organizations prefer to deal directly with manufacturers rather than through distributors.

These state firms answer to a minister responsible for policy and co-ordination of a given economic sector. A five-year development plan establishes over-all investment priorities. The first five-year plan terminates in 1984 and the second plan covers the period 1985-1990. Past plans have stressed the development of the hydrocarbons sector and heavy industry. The current and future plans emphasize agriculture, irrigation, education, social services, transport and housing. Important initiatives can also be expected to rationalize industrial efficiency.

Rapid population growth, the age of the population, and their growing incomes will shape economic policy and planning in the next several years. Algeria has one of the highest population growth rates in the world and what is so very striking about the population is its youthfulness. Well over half the population is under 20. The population exodus from rural areas, spurred by rapid industrialisation, has resulted in a serious shortage of the industrial and social infrastructure necessary to handle the demand. Housing,