Algeria and the European Union: Political Tensions Beneath the Banner of Anti-Money Laundering

The European Parliament has placed Algeria on its list of high-risk countries for money laundering and terrorist financing, despite the country's ongoing legislative efforts in this domain.

This designation has become a new point of contention between the two parties, who are currently preparing to revisit the Association Agreement signed over 20 years ago—a pact that, for much of its duration, has overwhelmingly favored the European side.

While Algeria has demonstrated cooperation with European institutions responsible for such assessments and is actively working to update its laws accordingly, its inclusion on this high-risk list raises significant doubts about the motives behind the move.

The timing, amid a period of heightened tension between Algiers and Paris, and the potential role of French right-wing influence, has only added to the suspicions.

Political Context and French Involvement

Last week, the European Parliament approved a decision classifying Algeria as a high-risk country for money laundering and terrorist financing. This measure will subject Algeria's financial transactions to stricter scrutiny and heightened vigilance within EU institutions. The aim, according to the report, is to mitigate "illicit financing risks" and ensure greater transparency in tracking capital flows.

The European Parliament claims the decision—which will come into effect in the coming weeks—is based on reports identifying "serious deficiencies" in Algeria's preventive framework, particularly regarding the tracing of funds, monitoring of NGOs, and international judicial cooperation.

As a result, European banks and financial institutions will now be required to implement additional oversight when dealing with their Algerian counterparts.

The decision did not come as a complete surprise. It follows a similar classification issued in early June by the European Commission after the Financial Action Task Force (FATF) placed Algeria on its blacklist. Other countries on this list include Angola, Ivory Coast, Kenya, Laos, Lebanon, Monaco, Namibia, Nepal, and Venezuela—all deemed in need of enhanced oversight for their anti-money laundering regimes.

Headquartered in Paris, the FATF conducts periodic reviews of more than 200 countries' efforts to combat money laundering and terrorist financing.

While the EU's designation does not entail formal sanctions or restrictions on trade with Algeria, it nonetheless casts a negative light on the country's efforts to combat illicit financial activity.

As a consequence, EU banks will now apply tighter controls on payments involving Algerian individuals and institutions, in a bid to more effectively monitor suspicious financial flows.

A Politically Motivated Move?

Although the Algerian government has yet to issue a response to the EU's designation—consistent with its typical approach to European Parliament resolutions—many observers view the move with skepticism. The decision is based on a report by the FATF, whose headquarters are in France, and it comes at a time when Algerian-French relations are at their lowest point in decades.

French fingerprints on the decision are evident, particularly in statements by French right-wing MEPs. Laurence Trochu, a member of the European Conservatives and Reformists group, described the Algeria designation as "good news" in a post on X (formerly Twitter).

Algerian-French ties have been fraught with tension, leading to the recall of ambassadors amid an aggressive far-right campaign calling for sanctions against Algeria, the cancellation of the 1968 immigration accord, and increased security restrictions targeting Algerian residents in France.

The timing of the EU decision has also raised eyebrows, coinciding with preparations to revise the 2003 Association Agreement—a deal Algeria argues has disproportionately benefited the EU by turning the country into a market for European goods through tariff dismantling. In response, Algeria has introduced protective measures to curb imports.

Over a year ago, in June 2024, the European Union announced it would initiate procedures to resolve disputes with Algeria. At the time, the European Commission issued a statement saying, "The EU has launched a dispute settlement procedure with Algeria," aiming to "start a constructive dialogue to lift restrictions across several sectors, from agricultural products to automobiles."

The EU specifically criticized Algeria's import licensing system—likening it to a de facto import ban—conditional subsidies favoring locally manufactured components for carmakers, and a cap on foreign ownership in companies importing goods to Algeria.

Algeria, for its part, insists that foreign vehicle imports must include at least 30% local integration in manufacturing. It has also retained the 51/49 ownership rule in strategic sectors such as energy, mining, and ports. The EU views these measures as backtracking on the trade liberalization terms of the agreement.

In a cabinet meeting on January 26, President Abdelmadjid Tebboune stated that Algeria's call to review the Association Agreement with the EU is not driven by disputes, but by a desire to strengthen economic ties based on a "win-win" principle.

He emphasized that the shift toward revisiting the deal is driven by "real economic considerations." Since the agreement took effect in 2005, Algeria's exports were mainly hydrocarbons. Today, however, its non-hydrocarbon exports have diversified, particularly in agriculture, mining, cement, and food industries.

Some Algerian economists believe the EU's money laundering designation may be little more than a pressure tactic ahead of renegotiations—an attempt to preserve the advantages Europe secured when the agreement was first signed. This theory is supported by Algeria's continued willingness to comply with FATF recommendations.

Algeria's Legal and Legislative Reforms

Rather than directly responding to the EU's criticism, Algeria has opted to stay the course on its legislative reforms. The country passed its first anti-money laundering and terrorist financing law in 2005, amending it periodically to stay aligned with international standards. A new version of the law is currently being reviewed by Parliament.

Justice Minister Lotfi Boujemaa presented the draft law on the prevention and combat of money laundering and terrorist financing, stressing the need to "continuously adapt the legal framework to meet international standards, particularly the 40 recommendations of the FATF."

He added that the updated law reflects "President Abdelmadjid Tebboune's directives to implement the FATF's recommendations in order to lift their reservations."

The Minister's remarks suggest that Algeria prefers alignment over confrontation—especially given the $22 billion in trade with the EU.

The revised bill includes provisions to ban the activities of individuals and entities listed on Algeria's national terrorism register. It also introduces measures to freeze or seize their assets and prohibit dealings with them, in line with the UN Security Council's consolidated sanctions list.

To address external criticisms, the law requires national authorities to cooperate and exchange information with foreign counterparts—either automatically or upon request—in accordance with bilateral and multilateral agreements, thus reaffirming Algeria's international commitments.

This file has been a top priority for the Algerian government in recent years. The National Committee for the Assessment of Risks Related to Money Laundering, Terrorist Financing, and the Proliferation of Weapons of Mass Destruction held its regular session on March 6.

According to the Ministry of Finance, the meeting aimed to monitor progress across all sectors involved in implementing the FATF-approved action plan, which includes 13 recommended measures designed to enhance Algeria’s national framework and expedite its removal from enhanced monitoring lists.

Despite its cooperation since the mutual evaluation report of 2023, Algeria was still added to the EU’s “grey list” in October 2024, and subsequently to the blacklist. This sequence of events suggests that the issue extends beyond legal reforms, touching on broader political and economic matters that must be resolved before any meaningful renegotiation of the Association Agreement can take place—an agreement that will ultimately shape Algeria’s future partnership with the European Union.

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