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Abstract

The investment law in Algeria has undergone a significant transformation in its relationship with foreign investments. Initially, the system relied on strict oversight of investments to protect the country's economic sovereignty; however, over time, the policy shifted towards a more flexible system to meet global and local economic challenges. This shift has helped attract foreign investments, particularly in new sectors such as manufacturing and renewable energy, contributing to economic diversification and reducing dependence on oil. Recent reforms in investment laws aim to improve the business environment in Algeria by streamlining procedures and providing incentives for investors. Algeria also seeks to enhance its position as a global investment destination while maintaining its economic stability in the face of ongoing challenges. These reforms are a fundamental step towards achieving sustainable economic development and creating job opportunities for citizens.

In this context, the study recommended several steps to improve the investment environment, including simplifying administrative procedures, enhancing education and training to prepare national workforce, supporting innovation and technology, and achieving a balance between protecting economic sovereignty and openness to global investments. It also emphasized the importance of strengthening regional and international cooperation to support the national economy and achieve long-term stability.

Keywords

Investment Law ;
Foreign Investments ;
Economic Diversification ;
Economic Reforms;

الكلمات المفتاحية

قانون الاستثمار؛
الاستثمارات الأجنبية؛
التنوع الاقتصادي؛
الإصلاحات الاقتصادية؛

النهج الجديد للاستثمار في الجزائر ملخص

شهد قانون الاستثمار في الجزائر تحولاً كبيراً في علاقاتها مع الاستثمارات الأجنبية. في البداية، كان النظام يعتمد على رقابة مشددة على الاستثمارات لحماية السيادة الاقتصادية للبلاد، ولكن مع مرور الوقت، تحولت السياسة نحو نظام أكثر مرونة لتلبية التحديات الاقتصادية العالمية والمحلية. هذا التحول ساعد في جذب الاستثمارات الأجنبية، خاصة في قطاعات جديدة مثل الصناعات التحويلية والطاقة المتجددة، مما ساهم في تحقيق التنوع الاقتصادي وتقليل الاعتماد على النفط. الإصلاحات الأخيرة في قوانين الاستثمار تهدف إلى تحسين بيئة الأعمال في الجزائر، من خلال تبسيط الإجراءات وتقديم حوافز للمستثمرين. كما تسعى الجزائر إلى تعزيز مكانتها كوجهة استثمارية عالمية، مع الحفاظ على استقرارها الاقتصادي في مواجهة التحديات المستمرة. هذه الإصلاحات تعد خطوة أساسية نحو تحقيق التنمية الاقتصادية المستدامة وتوفير فرص العمل للمواطنين. في هذا السياق، أوصت الدراسة بعدة خطوات لتحسين بيئة الاستثمار، منها تبسيط الإجراءات الإدارية، تعزيز التعليم والتدريب لتأهيل الكوادر الوطنية، دعم الابتكار والتكنولوجيا، وتحقيق التوازن بين حماية السيادة الاقتصادية والانفتاح على الاستثمارات العالمية. كما أكدت على أهمية تعزيز التعاون الإقليمي والدولي لدعم الاقتصاد الوطني وتحقيق الاستقرار على المدى الطويل.

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I- Introduction :

Foreign investments are a vital element in the development of the national economy, as they significantly contribute to technology transfer, job creation, and enhancing economic growth through the injection of foreign capital into key sectors. However, every country seeks to achieve a balance between attracting these investments and protecting its economic and sovereign interests. In Algeria, this matter holds particular importance due to its long economic history reliant on oil and gas resources, accompanied by nationalization policies and strict oversight of foreign investments during various periods of its history.

After independence, Algeria adopted an economic policy aimed at reducing foreign influence, imposing strict control over foreign investments. Over time, the Algerian economy faced numerous challenges, such as fluctuating oil prices, prompting the government to reevaluate its foreign investment policy. Investment legislation was amended with the goal of attracting more foreign investments, which are essential for diversifying the national economy.

However, the challenge facing Algeria lies in finding a balance between opening its doors to foreign investments and enhancing the independence of the national economy, especially in light of current global developments characterized by rapid changes in major economies. Consequently, this situation presents the issue of: how can Algeria balance its foreign investment market while maintaining its economic sovereignty? This issue requires a comprehensive study of the legal and regulatory frameworks related to foreign investment in Algeria and an evaluation of the effectiveness of oversight on these investments in the context of global and local economic transformations.

This study aims to address this issue by analyzing the development of the system of control over foreign investments in Algeria, focusing on the recent legislations intended to enhance these investments on one hand, while simultaneously safeguarding the country's economic and sovereign interests on the other.

II – System of Control over Foreign Investments:

Post-independence in 1962, Algeria witnessed significant transformations on the economic front, as the state faced the challenge of building a sustainable and independent economy free from previous colonial influences. Consequently, one of the strategies of the new Algerian government was to impose strict controls on foreign investments. The aim of this control was to curb the dominance of foreign companies over national economic sectors, which had been prevalent during the colonial era, as well as to ensure the achievement of economic development that meets the needs of the independent country.

In this context, numerous laws were issued to regulate and constrain foreign investments, among which the most notable were the legislations enacted in 1963 and 1966, where the Algerian government adopted a clear nationalization policy that encompassed vital sectors such as oil and gas, industry, and natural resources. Despite these measures aimed at strengthening economic sovereignty, these policies have undergone notable changes over time in response to local and global economic challenges.

II.1. Defining the Allowed Investment Areas for Foreign Investors:

The law in many countries clearly defined the sectors in which foreign investors were permitted to invest, with these sectors often limited to light industries such as the manufacture of consumer goods and simple products, in addition to some commercial activities that do not directly impact the economic sovereignty of the state. Strategic and vital sectors, such as oil, gas, minerals, and natural resources, were completely excluded from foreign investments or heavily restricted.

The aim of these restrictions was to protect the independence of the national economy and ensure local control over the sectors that are fundamental to the country's economy, allowing the state to maintain its ability to make sovereign decisions regarding the management of these resources. In some cases, foreign investors were allowed to enter these sectors but under strict conditions, such as the necessity of partnerships with local investors or imposing restrictions on foreign ownership ratios in projects related to these sectors. It was also sometimes required for foreign companies to invest in projects that provide direct economic benefits to the state, such as creating job opportunities or transferring technology.

These policies are part of a strategy aimed at protecting the state's long-term interests and reducing reliance on foreign investments in sensitive sectors that represent the backbone of the national economy¹.

II.2. Establishing Government Bodies Responsible for Oversight:

To accurately and effectively organize and manage foreign investments, the "National Investment Committee" was established. This is an independent administrative body affiliated with the Algerian government, aimed at monitoring and evaluating all investment projects conducted by foreign capital within the Algerian market. This committee was founded as part of a strategic vision aimed at enhancing transparency and regulating external financial flows in line with the interests of the national state, while ensuring the protection of the local economy.

The committee has a comprehensive responsibility for examining foreign investment projects from all economic, political, and social aspects. It is tasked with ensuring that these investments do not conflict with Algeria's developmental goals, do not negatively impact local industries or the labor market, and do not harm the political or social stability of the country. This vital oversight role reflects the state's commitment to protecting its national sovereignty and economic security in light of increasing global challenges arising from globalization and international economic integration.²

One of the main points the committee has focused on is imposing strict controls on the entry of foreign investors into the Algerian market. No foreign investor is allowed to enter the market without obtaining prior authorization from the committee, ensuring that all investment projects are thoroughly analyzed by specialists in economics, law, and security. These procedures include ensuring that foreign investments align with national development plans and contribute to enhancing the local economy through technology transfer, job creation, and expanding the production base.

Through this mechanism, the committee's role extended beyond merely monitoring investment activities; it also began to participate in the formulation of economic policies related to investment and provide necessary guidance to both the public and private sectors to ensure a balance between attracting foreign investments and protecting national interests. This regulatory system has given the state a central role in ensuring the sustainability of economic development in Algeria and made it the primary overseer of all matters related to investment in the local market, emphasizing the necessity for any foreign investments to align with the state's long-term strategies.

In conclusion, these procedures and strict controls have positioned the state as the largest and most influential monitor in determining the shape of economic relations with foreign entities while maintaining the independence of national economic decision-making.³

II.3. Guarantees and Advantages for Foreign Investors within Regulation:

Despite the strict restrictions imposed on foreign investments in Algeria during various periods of its economic history, the Algerian government did not settle for a complete ban on foreign investments. Instead, it sought to strike a delicate balance between maintaining economic sovereignty and enabling the attraction of foreign investments that could contribute to the development of the national economy. At a time when many countries relied on full openness to global markets to encourage investments, Algeria chose to adopt a cautious strategy by imposing certain conditions to ensure that the economic security of the country was not threatened.

One of the policies adopted is the provision of tax incentives for a limited period to foreign investors, allowing them the opportunity to benefit from tax facilities that reduce their operational costs at the beginning of their projects. The aim of these exemptions was to attract foreign direct investment that would contribute to improving infrastructure, developing local industries, and transferring modern technology to Algeria. These incentives were specifically focused on sectors that could help diversify the national economy away from excessive reliance on oil and gas.

In addition to tax exemptions, foreign investors were allowed to transfer their profits abroad, but under specific conditions aimed at ensuring that these transfers do not negatively impact the national economy. For example, it was necessary for this transfer to occur after obtaining the approval of the competent authorities, with adherence to certain standards related to transparency and ensuring companies comply with local laws. This procedure allowed investors to retain their profits and encouraged them to continue investing without the concern of losing the ability to recoup their capital.⁴

However, strategic sectors such as oil and gas, as well as some heavy industries, remained subject to strict restrictions, with laws imposed to prevent foreign investments from directly interfering in these areas. This was part of the state's strategy to maintain full control over vital sectors that constitute the foundation of the national economy. Additionally, stringent conditions were established to ensure that these investments align with national policies focusing on developing local resources and ensuring the sustainable utilization of national wealth.

In summary, despite the restrictions imposed on certain sectors, Algeria has been striving to create an attractive environment for foreign investment under a well-defined legal framework that balances attracting foreign capital and protecting national interests. This has contributed to gradually and methodically improving the ability of the Algerian economy to interact with the global economy.

III- Changes in Investment Policies Over the Years:

Over time, particularly during the 1980s and 1990s, Algeria experienced significant economic transformations that greatly affected the course of the national economy. These transformations were the result of a combination of local and global factors that compelled the government to reassess its economic strategies. During that period, Algeria faced a challenging phase due to falling oil prices, which were the main source of national revenue, along with the economic crisis that plagued the country and impacted its financial stability.

In light of these challenges, it became essential for the Algerian government to take bold steps to adapt to the new situation and develop an economic environment capable of adjusting to global changes. Among these measures was the opening up to foreign investments, which was one of the solutions adopted to boost economic growth and achieve diversification in income sources.

In this context, Algeria began to modify its economic policies and regulations to create a more attractive and flexible investment environment. These adjustments included offering incentives for foreign investors, such as streamlining administrative procedures and providing tax facilities, with the aim of stimulating the flow of investments from abroad. However, this policy adjustment did not imply a retreat from the state's role in the economy; on the contrary, government oversight of economic activities continued to ensure that investments serve national interests and promote sustainable development.

In this way, Algeria sought to find a balance between being open to foreign investments and preserving economic sovereignty, which was a strategic step to bolster the national economy in the face of internal and external challenges.

III.1. Opening the door to foreign investments in new sectors:

In the early 1990s, Algeria witnessed a significant economic transformation that involved encouraging foreign investments in sectors that were previously considered prohibited. This move was part of a national vision aimed at rejuvenating the national economy, which had relied heavily on oil and gas. Over time, Algeria began to recognize the importance of economic diversification to address future challenges. Therefore, the focus turned to vital sectors such as tourism, agriculture, and technology, which are new and promising areas.⁵

The primary goal of this transformation was to build a sustainable economy that does not rely solely on natural resources but also opens up new avenues for job opportunities and contributes to the overall development of society. These sectors were seen as opportunities for youth employment and the development of local skills, thereby improving the standard of living for individuals.

However, Algeria was not only seeking to attract foreign investments, but it was also keen to ensure that its economic sovereignty remained in the hands of its citizens. For this reason, it established flexible conditions that allowed foreign companies to collaborate with the Algerian private sector without completely controlling the projects. The aim of these conditions was to enhance cooperation between both parties, contributing to the transfer of technology and knowledge and assisting in the development of Algeria's capabilities in various fields.

Through these policies, Algeria was not only aiming for economic growth but was also striving to build a society capable of facing future challenges, a society that relies on its own potential while benefiting from foreign expertise to serve its public interest.

III.2. The Development of the Tax System and Incentives:

During this period, substantial amendments were made to the tax system in Algeria with the aim of creating a more attractive and conducive investment environment for foreign investors. These amendments included granting tax exemptions to foreign companies operating in strategic fields such as technology and projects that contribute to local development, reflecting the government's commitment to encouraging innovation and sustainable growth.

The changes did not stop there; legal frameworks and bureaucratic procedures were improved with the goal of facilitating and simplifying administrative processes. Routine complications, which had posed obstacles for many investors, were alleviated, making it easier for them to start their projects in Algeria.

In a move reflecting a commitment to support the local economy, certain companies have been granted tax exemptions for specific periods, aimed at encouraging them to invest in new projects that may contribute to job creation and achieve sustainable development. These adjustments are not merely economic measures but are a true expression of the desire to open doors to the future for individuals and companies that believe in Algeria's potential for growth and prosperity.⁶

IV- Recent Amendments to the Investment Law (2016 - 2024):

At the beginning of the twenty-first century, Algeria found itself facing new challenges that necessitated a change and development of its economy. There was an urgent need to diversify the national economy, which included overcoming the heavy reliance on the oil and gas sector. Moreover, there was a genuine effort to create an environment that would be more attractive for foreign investments, aligning with the country's aspirations for a more sustainable economic future.

In light of these challenges, thoughts began to emerge regarding deep economic reforms aimed at building a more diverse and robust economic base. In this context, the Algerian Investment Law was updated in 2016 through the adoption of a new law, numbered 16-09, which introduced significant changes aimed at reforming investment-related laws. These amendments were not merely superficial changes; they sincerely sought to provide a more transparent, easier, and more flexible investment environment, so that foreign investors would feel safe and assured in conducting their business in Algeria.

However, the goal was not solely to attract investments for economic growth; it also included improving the daily living conditions of Algerian citizens. Foreign investors, who would operate in a more flexible investment environment, would enhance job creation and open new sectors in the economy, which would positively reflect on improving the standard of living and reducing unemployment.

These reforms represent part of a larger effort to balance the interests of investors and citizens, amidst a challenging economic situation, especially after the decline in oil prices, which had been the primary source of revenue. Therefore, the aim was for these measures to place Algeria on the path of economic transformation, so that sustainable growth becomes the most obvious option

IV.1. Removal of Some Restrictions on Foreign Investment:

Laws in Algeria have been amended to allow foreign companies to establish their own projects without the need for a local partner, marking a radical shift in the economic policy that previously mandated partnerships with local firms. This transformation is not merely an administrative step but part of a broader vision aimed at attracting international investments and stimulating economic growth in the country. Thanks to these amendments, foreign companies are now able to expand into new areas that were previously closed to them, particularly in non-strategic sectors such as manufacturing, services, and technology.

These changes bring significant opportunities for Algerian society, as they contribute to the creation of new job opportunities, enhance competitiveness, and open doors for knowledge and experience exchange with global companies. They may also lead to stimulating innovation and sustainable growth, benefiting the national economy as a whole and the individuals living in it.⁷

IV.2. Providing Greater Incentives for Foreign Investors:

Recent legal amendments in Algeria have played a role in creating a positive shift in the investment climate, focusing particularly on enhancing financial and tax incentives for foreign investors. These amendments came at a critical time, as Algeria seeks to diversify its economy away from reliance on oil and gas by attracting foreign investments in strategic sectors. Among the most notable of these incentives is the reduction of taxes imposed on foreign companies that choose to invest in remote areas or engage in fields that require reinforcement, such as renewable energy and manufacturing industries.

These steps served as a clear message to foreign investors that Algeria is opening its doors to them and is ready to provide an attractive investment environment that guarantees them ample opportunities for growth and profit. For instance, foreign companies that are committed to investing in less developed areas or that contribute to sustainable environmental projects find themselves in a stimulating environment, where they are offered tax advantages that help reduce operating costs and enhance competitiveness.

However, the most significant impact of these incentives has not only been economic but also social and humanitarian. With the influx of foreign investments, the Algerian community has been given new opportunities to engage in the labor market, as this collaboration between foreign companies and the local private sector has created numerous jobs in various fields, including technology, energy, and innovation. These opportunities have also opened the door for Algerian youth to develop their skills and gain new experiences, which helps prepare them to face the challenges of the global labor market.

The benefits did not stop there; these partnerships have begun to contribute to the creation of a strong and sustainable infrastructure, positively impacting the quality of life in Algeria. Investment in renewable energy and manufacturing industries directly supports the sectors that local communities rely on, such as providing clean energy, reducing pollution, and enhancing energy security.

In summary, the recent legal amendments were not merely economic reforms but a strategic step towards building a more sustainable future, ensuring comprehensive development that offers citizens better opportunities and contributes to the country's progress on both economic and social fronts.

IV.3. Investment Oversight Remains in Place but is Flexible:

Despite the significant incentives offered by the state to attract foreign investments, government oversight of these investments has not been abolished; rather, it has been adjusted to allow for greater flexibility that keeps pace with global economic challenges and changes. The government fully recognizes that attracting foreign investments is essential for enhancing the national economy, while simultaneously striving to ensure that these investments align with the public interest and protect citizens' rights.

Particular emphasis is placed on projects that have a significant strategic impact on the national economy and society, such as those related to the oil, gas, and natural resources sectors. These projects are not limited to economic dimensions; they are carefully evaluated from multiple perspectives, including social and environmental aspects. The government considers it necessary for these projects to contribute to improving the quality of life for people, whether by creating sustainable job opportunities or by supporting local development and providing resources that contribute to the well-being of future generations.

Through this oversight, the state aims to ensure that the projects carried out on its territory do not harm the environment or natural resources, but rather contribute to the development of environmentally friendly technologies and support the sustainability of resources for future generations. It is also emphasized that the economic benefits derived from these projects should be part of enhancing the daily lives of citizens, whether through improving infrastructure or providing job and educational opportunities.

Additionally, the government adopts an approach that ensures the involvement of the local community in these projects, so that they are not merely profit-driven investments, but part of a comprehensive vision aimed at enhancing the partnership between the public and private sectors, and building a strong and sustainable economy that benefits everyone.

IV.4. Strengthening Partnerships with National Companies:

The amended investment law seeks to enhance and deepen cooperation between foreign companies and local Algerian companies, by stimulating strategic partnerships that contribute to transferring modern technology to the Algerian market. This cooperation is not limited to just exchanging expertise; it also extends to training and developing the local workforce, thereby enhancing their skills and increasing their competitiveness across various sectors.

The law also aims to achieve sustainable development through activating joint investment projects that support the national economy in the long term. A set of regulatory mechanisms has been established to ensure that foreign companies investing in Algeria collaborate directly with local companies in implementing these projects. These mechanisms include encouraging partnerships in vital areas such as manufacturing, technology, and renewable energy, which enhances the national economy's ability to fully benefit from foreign investments, creates new job opportunities, and contributes to bolstering local economic growth.

In this context, the amended investment law emphasizes that these partnerships should not be limited to financial aspects only, but should also include infrastructure development, innovation, and the exchange of technical knowledge, leading to improved capacity for Algerian companies to face global challenges and achieve further integration in regional and international markets.

V- Conclusion:

In general, it can be said that the investment law in Algeria has undergone fundamental transformations in the trajectory of the country's relationship with foreign investments. The system initially implemented strict controls on investments to protect national economic sovereignty and ensure the realization of local economic interests. This oversight aimed to regulate the flow of investments in a way that preserves the country's economic independence and prevents external influences that could threaten the national economy.

Over time, Algeria recognized the necessity of adjusting its investment policies to keep pace with global economic changes and the internal challenges it faces. Consequently, a shift began towards a more flexible investment system that opens the door for a more open flow of foreign direct investment, while enhancing opportunities for economic diversification and sustainable development across various sectors. This transformation includes improving the business environment and providing incentives for local and foreign investors, such as easing administrative and tax procedures, alongside offering legal guarantees for investors.

Moreover, in parallel with this transformation, Algeria has undertaken significant legal reforms aimed at facilitating the investment environment. Recent amendments to investment laws have been introduced to encourage the establishment of joint ventures, strengthen economic infrastructure, and expand investment areas in technology, manufacturing, renewable energy, and other vital sectors.

Algeria aims to enhance its position as a global investment destination through these reforms, which help attract diverse foreign investments that contribute to improving the national economy, creating new job opportunities, and increasing national productivity. At the same time, Algeria is working to maintain its economic stability by ensuring optimal utilization of these investments to improve the standard of living for citizens and enhance the competitiveness of the national economy at both regional and international levels. These steps are essential in light of the ongoing economic challenges facing the country, especially amid global financial crises and declining oil prices, which necessitate achieving comprehensive and sustainable development.

Results:

1. Achieving a more flexible investment environment: Through the reforms implemented by Algeria, the country has managed to create a more flexible environment that encourages the flow of investments. This change helps facilitate the entry of both foreign and local investments and contributes to the development of various sectors.

2. Diversification of the national economy: These reforms have stimulated economic diversification, allowing Algeria to reduce its dependence on oil and enhance investment in new areas such as manufacturing and renewable energy, contributing to a more sustainable economy.

3. Strengthening economic stability: With the influx of investments, the Algerian economy has begun to stabilize more significantly, leading to the creation of more job opportunities and increased local production. All of this helps mitigate the negative impacts resulting from global financial crises.

4. Encouraging international cooperation: The reforms have attracted global companies to operate in Algeria, opening the way for ongoing cooperation and the transfer of technology and knowledge, and enhancing competitive capacity.

Recommendations:

1. Simplifying administrative procedures and increasing transparency: It is essential for Algeria to continue improving the procedures related to investment, making them clearer and smoother. This will contribute to creating a more attractive investment environment for international opportunities.

2. Focusing on education and training: Priority should be given to developing educational and training programs to equip Algerian youth with the necessary skills to keep up with developments in new sectors that attract investments.

3. Supporting innovation and the use of technology: It is recommended to direct more efforts towards developing technology and innovation sectors. By establishing an environment that encourages research and development, Algeria can open new horizons for progress.

4. Balancing economic sovereignty and openness to investments: It is important for Algeria to maintain a balance between protecting its economic and sovereign interests while maintaining a flexible policy that encourages global investments and contributes to building a strong and sustainable economy.

5. Enhancing regional and international cooperation: It is advisable to expand economic relations with neighboring countries and globally. This cooperation contributes to strengthening Algeria's position as a distinctive investment destination and helps in facing global economic challenges.

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