Attracting investments and achieving local development - international and national experiences

BELADJINE Khaldia

[1] Lecturer A, Tiaret University (Algeria), kali14@live.fr

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Abstract:

The investment climate is linked to a range of factors that shape the opportunities and incentives that enable companies to invest productively, create jobs and expand their business. The investment relates to several aspects, some of which are related to the availability of infrastructure, legal systems and political conditions, and others linked to institutions and policies. It is a dynamic concept that is constantly evolving to cope with political, technical and organizational changes. Therefore, our study aims to show how many countries in the world are working hard to promote investments offering many incentives and privileges and improving their economic, social and even political conditions, such as Malaysia and China, which have been able to attract enough projects through economic recovery programs as well as supporting growth and local development, that's what we had shown in this study through two axis, the first axis is about investments in general and the second, about investment experiences of international countries (Malaysia and China) and national experience (Algeria). That's why; Algeria is trying to benefit from several foreign experiences of these countries, to gain the advantages and achieve a leap in attracting foreign direct investment and development and that is done by following appropriate economic and foreign policies to advance development.

Keywords: FDI, Investment climate, Malaysian investments, China investment grants, FDI in Algeria.

I- Introduction:

In order to attract investments in general and foreign investments in particular, the infrastructure and investment laws have been updated, financial legislations have been put in place and international agreements have been activated to create an investment climate and attract investments in order to enhance efforts aimed at achieving local development.

Accordingly, the interest in investment and the creation of the appropriate climate for it has increased, as a result of the wealth and capabilities enjoyed by countries, whether they are oil wealth, human resources..., and the subsequent financial surpluses that are employed to ensure the return. There are many mechanisms for attracting investments to countries. Increasing investment increases productivity, improves quality, leads to growth, creates employment opportunities and raises the level of economic performance, and this is reflected in the dynamics of economic activity.

Based on the foregoing, the problem of this study crystallizes in the following question:

What are the factors that helped countries to attract investments and achieve local development?

To answer this question, we put the following **hypothesis**:
- Smooth environment and systems had permit flowing investments in these countries.

- These countries have the ability to attract global FDI.

The Malaysian and Chinese experiences are among the pioneering experiences worthy of attention and study due to the great achievements they have achieved that can benefit the developing countries in general and the Arab countries (including Algeria) in particular. It has also made huge leaps in local and economic development, and was able to establish a sophisticated infrastructure as well as diversify its sources of income and mobilize its savings in order to advance its economy.

This topic methodology will be addressed through two axes. The first axis deals with generalities about investments, and the second axis deals with the leading international and national experiences in the field of attracting investments and achieving local development by using the analytical method to analyze the data of the countries under study.

1. Generalities about investments

Economists differed regarding the introduction of a unified economic definition or concept of investment.

While others defined it as: a productive employment of capital or directing money towards uses that lead to the satisfaction of economic needs.

It is also defined as: the activity that entails creating new energy for the organization by adding new production units or replacing existing assets with more efficient and energy assets (Capital Market Authority, 2015, pp10-21).

It is also defined as: The use of savings in the formation of new production capacities necessary for the production of goods and services and the maintenance or renewal of existing production capacity.

From an accounting point of view, investment is the sum of the property and financial or non-material values acquired or created by the institution in order to use them as permanent means of exploitation and to maintain their shape for a long period.

On the other hand, the investment may be internal (national) when capital is formed inside the country or externally (foreign), and it is an investment outside the national borders of the investors, and thus it is considered a foreign investment for the country in which it is invested.

The investment may be direct when one of the institutions or investors buys and owns capital assets (machines, equipment...) or participates in establishing capital investments such as joint stock companies or partnership companies, and in this case the investor has a share that qualifies him to participate in the management or influence its management decisions (Capital Market Authority, 2015, pp 30-32).

As for indirect investment, it is related to investors buying shares, bonds and securities for the purpose of speculation. As for the relationship of this category of investors with the companies whose shares or bonds they buy, it is an indirect relationship where the investor does not have an influential role in the company's decisions. If the investor's intention is to buy shares in order to resell them and achieve additional profits, then this investor's relationship with the company does not interest him, but if the investor's intention is to buy shares with the intention of controlling the company or participating in its management, then this purchase becomes a direct investment (Capital Market Authority, 2015, p25).

2. Leading international and national experiences in attracting investments

Malaysia, Singapore and China are the most successful developing countries in using incentives to target and direct foreign direct investment and multinational corporations to specific industries and sectors.

2.1. Investing in Malaysia

Malaysia has become an important investment destination for the most important investors today in light of a Western world still suffering from a prolonged economic crisis and a turbulent Middle East whose features change from day to day. In this context, the Malaysian government enacted and initiated several measures to attract investments and make Malaysia an attractive investment environment. Achieving this goal is important steps as it has become an important center of world trade.

- **Reasons for choosing to invest in Malaysia**

There are several reasons why the investor chooses Malaysia as a first destination, among which we mention, for example (Coh Peck Chen, 2008, pp 53-60):

- Flexible and smooth financial system and ease of movement of capital.

- A safe country far from international turmoil and crises.

- Encouraging laws and procedures for investors and permanent residence for them, especially for Arabs.

- A strategic geographical location in the center of the most important global economic powers such as Japan, Korea, Taiwan and China.

- A tourist country of the most important international tourist destinations, which opens up several destinations for investment.

- An Islamic country, suitable for those looking for residency and stability and raising their children in an Islamic environment.

- **Investment Methods and Procedures in Malaysia**

There are several types of investment in Malaysia. The nature of the investment is mainly related to the amount invested, and each category has its own advantages, which are three categories as follows: (Coh Peck Chen, 2008, pp 68-70)

- Joint investment between a foreigner and a Malaysian citizen: the foreigner has the right to own 49% of the shares of the project, and the foreigner has the right to obtain a work residence in Malaysia and for his family under the sponsorship of the Malaysian partner.

- Foreign investment without a Malaysian partnership: a foreigner has the right to own 100% of the investment shares, and the foreigner has the right to obtain an investor residence in Malaysia without a sponsor.

- A branch of a company or a factory outside Malaysia: a foreigner has the right to own 100% of the investment shares, and the foreigner is entitled to obtain an annual residency in Malaysia without a sponsor.

- **Incentives to attract investments in Malaysia**

The Malaysian government has adopted policies in order to attract foreign companies by establishing offices in Malaysia, to deal with the local and regional market, and the state separates companies with presence in the local market, when bids are held for large projects as companies that invest in Malaysia will have priority in the implementation of these projects As for companies whose offices are outside Malaysia, their chances of competing for large projects will be lower. (Coh Peck Chen, 2008, pp 53-60)

Any foreign company that wants to open an office in Malaysia, it must provide the services of a local agent, which makes it easier for the foreign investor to work in Malaysia because the Malaysian system is derived from the English common law which is transparent.

By linking broad incentives and providing specialized facilities for skills development and technology upgrade, the Malaysian government has been able to exploit the strategies of multinational companies to improve Malaysia's competitive capabilities.

The evolution of the incentive structure in Malaysia reflects the gradual transition from general encouragement of foreign direct investment to a specific focus in directing investment to high-tech sectors and industrial clusters:

- In 1958, the incentives granted included tax exemptions for a period of 2 to 5 years for investment in import-substitution industries such as food, beverages, plastics, chemicals, and the printing and publishing industry.

In 1968, incentives were introduced to encourage employment and capital-intensive industries, including profit tax exemptions ranging from 2 to 10 years and investment tax deductions ranging from 25% to 40% of the cost of capital.

In the 1970s promotion focused on labor-intensive and export-oriented industries. This included the establishment of 10 free zones to attract foreign direct investment in the electronics and textile sector. Incentives and facilities for these areas included:

- ✓ Supported infrastructure services.
- ✓ Exemptions from customs fees.
- ✓ Exemptions from customs duties and export taxes.
- ✓ Exempting free zones from property laws.

- In 1986, all restrictions on property rights in companies were liberated, under the umbrella of the "Investment Promotion Law" as follows:

a). The percentage of foreign shares in the capital of local companies

- Allow foreigners to acquire 100% of the ownership rights in their companies when they export 80% or more of the products of those companies.

- Allow companies that export between 51% - 79% of their products with a corresponding share of 51% - 79% of the foreign ownership rights of those companies.

- Allow companies to export 20% to 50% of their products by owning up to 51% of the foreign ownership rights of those companies.

- Allow companies that can export only 20% or less of their products to own a maximum of 30% of the foreign ownership rights of that company. (Simon Gilchrist and Charles Himmelberg, 1999, pp 223-230).

b). Tax Exemptions and Incentives

Under the Investment Promotion Law, companies can also enjoy some tax exemptions if they produce some of the products stipulated in that law. It also allows dropping part of the taxes due on income for companies operating in specific industrial areas such as export-oriented, as well as small in size, and adherence to the guidelines for sharing ownership, as well as the obligation to participate in the labor force of different races and the use of local raw materials, and enjoy the advantage of discounting both Expenses related to export promotion as well as export credit insurance premiums when calculating taxes (Hubbard, R. G, 1998, pp193-196)

Financial incentives for all investors to undertake research and development operations as well as training of local workers are also estimated. As well as five-year tax exemption to encourage these companies to settle in Malaysia (Kaplan, S. N, and L. Zingales, 1997, pp 170-200).

c). Sources of foreign investment in Malaysia

There are many multinational companies that invest in Malaysia, and the following table shows the sources of foreign investment in Malaysia:

Table (1): Sources of foreign investment in Malaysia

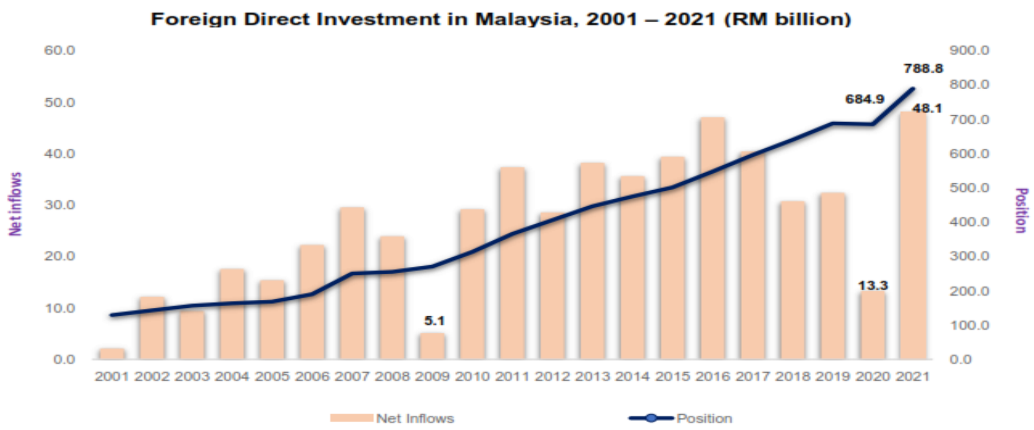
Country	Last	Year	Currency
Australia	60499.00	Dec/17	AUD Million
Brazil	2978.50	May/18	USD Million
Canada	17792.00	Mar/18	CAD Million
China	683.20	Jun/18	USD HML
France	3062.00	May/18	EUR Million
Germany	3707.00	May/18	EUR Million
India	3971.00	May/18	USD Million
Indonesia	108.90	Mar/18	IDR Trillion
Italy	2099.00	Apr/18	EUR Million
Japan	5651.00	May/18	JPY Hundreds Million
Mexico	9502.40	Mar/18	USD Million
Netherlands	59966.00	Dec/17	EUR Million
Russia	4300.00	Mar/18	USD Million
South Korea	10820000.00	Jun/18	USD Thousand
Spain	1434.00	Apr/18	EUR Million
Swissland	965478.00	Dec/16	CHF Million
Turkey	10900.00	Dec/17	USD Million
United Kingdom	-3896.00	Mar/18	GBP Million
USA	45701.00	Mar/18	USD Million

source : https://tradingeconomics.com/malaysia/foreign-direct-investment

Foreign Direct Investment (FDI) in Malaysia registered higher net inflow of RM48.1 billion in 2021 as compared to RM13.3 billion in the previous year following a gradual recovery in the global economy from the after effects of the COVID-19 pandemic. The increase was mainly driven by higher flows in equity and investment fund shares. In terms of position, FDI climbed to RM788.8 billion as at end of 2021 (2020: RM684.9 billion). Meanwhile, investment income rose to RM101.0 billion from RM43.8 billion in 2020. Manufacturing sectors were the main contributors for FDI flows in 2021, followed by Services and Mining & quarrying sector. The investment in Manufacturing sector was particularly in Electrical, transport equipment and other manufacturing subsector, while Services was largely in Financial & insurance/takaful activities. Main country for FDI flows were the United States of America (USA), Singapore and the United Kingdom (Cummins, J. G., K. A. Hassett, and S. Oliner, 1998, p 152).

The FDI position stood at RM788.8 billion as at end of 2021, whereby Services was the largest contributor precisely in Financial & insurance/takaful and Wholesale & retail trade activities. This was followed Manufacturing sector with Electrical, transport equipment and other manufacturing as the main subsector. Singapore, Hong Kong and Japan remained as the largest investor country for FDI position. Investment income increased to RM101.0 billion from RM43.8 billion in previous year, due to higher income earned by foreign companies in Malaysia. Manufacturing and Services were the main sectors, while investors from the USA, Singapore and the Netherlands gained the highest earnings in 2021.

Figure (1): Foreign Direct Investment in Malaysia (2001-2021)



source : Prime Minister’s Department: Statistics of Foreign Direct Investment in Malaysia, 2021, Embargo, June 2022, p2, website: https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=322&bul_id=enJVb2NyWUlaNmtaRFdCR3N1WkJSUT09&menu_id=azJjRWpYL0VBYU90TVhpclByWjdMQT09

d). The influx of foreign investment in Malaysia

All sectors of the Malaysian industry are open to foreign investments, provided that the export achievement criterion is applied and the joint venture formula predominates on these investments, and it can also be foreign ownership in high-tech industries. The following table shows the flow of foreign investments in Malaysia:

Table (2): Foreign Investment Inflow in Malaysia (2013-2018)

Years	2013	2014	2015	2016	2017	2018
FDI	11 296 278 696	10 619 431 770	10 962 721 673	10 225 154 321	9 919 046 373	9 612 938 425

source:
http://perspective.usherbrooke.ca/bilan/servlet/BMTendanceStatPays ?langue=fr&codePays=MYS&codeTheme=7&codeStat=BX.KLT.DINV.CD.WD

It is noted from the above table a continuous decrease in the value of foreign direct investments in Malaysia, and this is due, on the one hand, to the crisis that the world witnessed during this period.

Everyone agrees that the issues of productivity, quality, perfection in hard work and accountability, avoiding corruption and scrutiny of issues that concern the country, not imposing large taxes and impossible conditions towards local and foreign investments, and the need to provide incentives and facilities for foreign and local investment and other matters related to the quality of education, training and qualification, In addition to being open to the opposition and consulting with them on national issues and important matters to address any contradictions that frustrate the continuation of issues of economic diversification, and the economic growth that the state targets annually.

The weakening impact of the COVID-19 pandemic outbreak on global economies continued throughout 2021.The emergence of new virus variants led to the prolonging of tumultuous economic conditions, supply chain disruptions and labour issues.

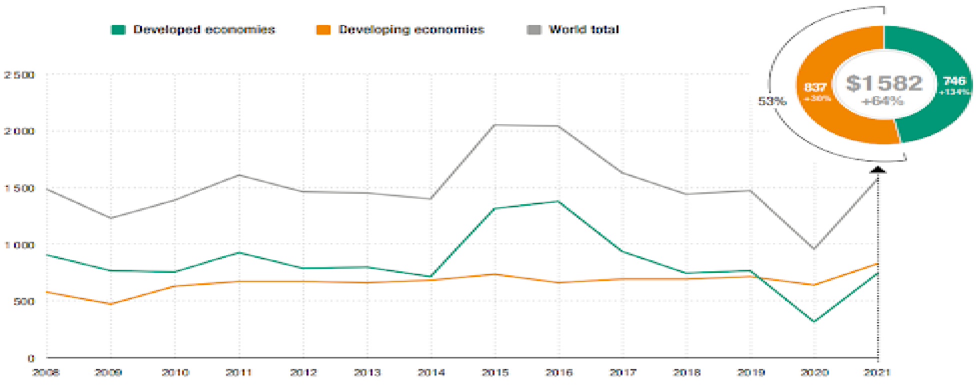
Despite this, the United Nation Conference on Trade and Development (UNCTAD)'s World Investment Report 2022 shows that global FDI inflows has increased by 64% to USD1.58 trillion in 2021, spurred by the growth in mergers and acquisitions (M&A) favourable financing conditions and increased infrastructure-related fiscal stimulus packages. This exceeds the pre-pandemic levels of FDI inflows by 6.9% (2019: USD1.48 trillion).

In Southeast Asia alone, FDI inflows rebounded in 2021, skyrocketing by 43.6% to USD175.3 billion after dropping 30.2% in 2020. This was an indication of the region's continuous ability to attract global FDI, even in the face of challenging economic conditions. While developing countries like Malaysia were among the hardest hit, these nations' foreign direct investment (FDI) inflows accounted for more than half of global FDI.

Particularly in Malaysia, higher FDI inflows were recorded in greenfield or new projects, with a massive rise (240%) in terms of investment value in 2021 contributed by large-scale investments in semiconductor projects.

Figure (2): FDI Inflows, Global and economic grouping in Malaysia (2008-2021)

Figure I.1. FDI inflows, global and by economic grouping, 2008–2021 (Billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database (https://unctad.org/fdistatistics).

source: https://www.mida.gov.my/malaysias-foreign-direct-investment-inflows-rebounds-above-the-pre-/pandemic-levels

2.2. Investment Climate in China

Foreign direct investment and investment grants in China will be dealt with as follows:

a). Determinants of Foreign Direct Investment in China

China has sought to attract foreign direct investment flows, hoping for the accompanying advantages such as technology transfer, management knowledge, facilitating access to international markets, improving productivity and competitiveness.

The local institutions and this is after they have for a long time taken a cautious stance on everything that is foreign (Zoey Zhang, 2021, p 62).

China has actually managed to achieve a very advanced level in this field, as it is considered the first developing country that is most attractive to foreign investments. At the global level, China ranked third after the United States and England in receiving investments in 2007, and the total amount invested in it this year was $74.7 billion. During the period from 1980 to 2006, more than 514,385 companies invested with foreign capital exceeding $600 billion.

China began its policy to attract foreign investment with a cautious openness through Special Economic Zones (ZES) that grant attractive tax advantages to foreign investors in addition to its strategic geographical location, where reforms began by opening four zones: three of them are in Guangdong Province, namely: Shantou-Zhu hai- Shen Zhen and one in Fujion Province, Xiamen, and in 1984 the areas were doubled to 14 coastal cities, and from the mid-1990s preference was given to capital and technology-intensive investment (Zoey Zhang, 2021, p 70).

Foreign investments were characterized by acceleration, beginning in 1992, to reach $46 billion in 1998, and then decreased due to the Asian crisis, to rebound thereafter to reach

$53 billion in 2003, exceeding the United States' share in this year, and making China the first future in the world (Zoey Zhang, 2021, pp 53-56).

However, China saw record high FDI inflows topping RMB 1 trillion last year, driven by strong services FDI. The robust double-digit growth is considered remarkable amid the ongoing global pandemic and heightened geopolitical tensions, reflecting foreign companies’ growing confidence in China’s sound economic fundamentals and constantly improving business environment. China’s FDI inflows from RCEP member countries are expected to jump this year as the agreement takes effect from January 1, 2022.

In 2021, China’s **actual use of FDI** hit RMB 1.149 trillion, representing a 14.9 percent surge from the previous year. In US dollar terms, the FDI inflows came in at US$173.48 billion, up 20.2 percent year on year, according to the Ministry of Commerce (MOFCOM).

For comparison, in the COVID-ravaged year of 2020, FDI into Chinese mainland stood at RMB 1.034 trillion, up 7.4 percent year-on-year. In US dollar terms, it totaled US$149.34 billion, up by 5.7 percent, according to the Statistical Bulletin of FDI in China released by MOFCOM in November 2021.

The robust double-digit growth last year is considered remarkable on a relatively high base in 2020 – China registered positive growth of 5.7 percent at a time when global FDI plunged 34.7 percent.

Figure (3): FDI Inflows, Global and economic grouping in Malaysia (2008-2021)

source: https://www.china-briefing.com/news/chinas-fdi-record-high-2021-global-fdi-rebound-services-high-tech-industry/

As to the number of foreign-invested enterprises (FIEs), about 48,000 were registered in 2021, up 23.5 percent year on year. This continues the recovery from a slump in 2019 that saw the figure drop to 40,910 from 60,560 in 2018.

Accordingly, the determinants of the Chinese economy's attraction to foreign investment can be summarized as follows :

- The large internal market with increasing demand with the rise in per capita income of China.

- Low labor cost with its skill.

- China's openness to the outside and the tempting privileges it granted to the special economic zones.

- The effects of the previous gathering of foreign investments, which creates the economies of peace and the associated benefits, associated with it, such as the dissemination of knowledge, the specialization of labor, the development of infrastructure.....

- Financing obstacles faced by Chinese private institutions. A recent study in 2007 by researchers Havryechyk et Poncet demonstrated that the weakness of the banking system in providing the necessary financing to private institutions, with the state’s intervention in the management of public institutions, results in two results:

- Private institutions will be strongly motivated to seek a foreign investor to overcome the financing obstacle imposed on them by the state-dominated banking system.

b). Characteristics of FDI in China

Foreign investment into China is characterized by a number of characteristics that can be summarized as follows (Zoey Zhang, 2021, p 80):

- Asian hegemony (particularly Hong Kong and Macao) on the assets of foreign investments entering into China, where Hong Kong is the first investor in China with 42% of the cumulative flows between 1985 and 2005, and Japan directs 5% of its investments abroad to China, and South Korea directs 15%, while the United States and the European Union direct less than 1% of their investments abroad to China.

- The arrival of 80% of foreign funds to China from areas that China considers a part of it (Hong Kong, Taiwan, Macao) has political and economic significance, as it suggests the deep connection of overseas Chinese to the motherland on the one hand, and on the other hand, it opens the way for great influence of China. At the international level, given the economic power of the diaspora Chinese, their assets were estimated at 1.5 to 2 trillion dollars, which is equivalent to half of China's gross domestic product.

- Foreign investments are considered the largest form of China's access to global capital compared to portfolio investments or bank loans, and between 1979 and 2000 China obtained $500 billion from abroad, two-thirds of which were in the form of foreign direct investment.

- Foreign investments in China are implemented according to the specifications and conditions imposed by China, foremost among which is the localization of high technology and management expertise and the selection of the site in accordance with the Chinese development strategy. The major international companies have accepted this despite the high degree of risk, which Economist estimated at 40%, driven by the abundance of labor and its low cost. The expansion of the Chinese market...

The largest share of foreign investments is invested in the industrial sector (63% of the stock of foreign investments) at the expense of services and the strategic sector. Investments destined for the developing world, while the services sector in China receives only a small proportion of the stock of foreign direct investment.

c). Benefits and Exemptions

Foreign enterprises investing in China are subject to corporate income tax (30%), individual income tax (5-45%), value-added tax (17%), consumption tax (3-45%), and business income tax (3-20%). Land value tax, license plate tax (5-45%), real estate tax (12%) and value-added tax on imports (12%).

The Chinese government also provides foreign enterprises with investment with preferential treatment, including the adoption of preferential tax rates, reduction or exemption from income tax, exemption from customs duties and value-added tax on imported equipment.

Under the preferential treatment, the first and second years after the profitable year for the foreign company are exempt from tax, then this company pays half of the tax from the third year until the end of the fifth year after the profit year. Then the company benefits from tax reductions for 6-8 years and permanently for companies whose exports value exceeds 70% of sales value.

The Chinese government provides foreign investors with the necessary facilities to engage in investment activity (Zoey Zhang, 2021, p 63).

- **As for administrative procedures**

The administrative procedures are rather easy, as the investor can submit an application to establish a project with a feasibility study to the Ministry of Commerce to obtain approval, and the ministry must give approval within 90 days and after approval is granted a license certificate to establish the project. Then the institution is registered with the concerned authorities within 30 days from the date of delivery of the license. The procedures include opening an account in hard currency and an account in local currency and registration with tax authorities, customs administration, hard currency management bodies, the Goods Inspection Department, and the Department of Goods Inspection. Work in relation to the employment of locals and the recruitment of foreigners.

The size of the amount of investments and the types of projects are the basis for indicating the authority of approval by the central government and local governments. The State Development and Reform Commission and the Ministry of Commerce supervise the approval of projects whose total value exceeds 30 million US dollars and other projects that, by their nature, need to be audited and approved by the competent organs of the State Council.

The provinces and autonomous regions supervise the approval of projects with an investment value of less than 30 million US dollars.

d). China **Global FDI rebounds in 2021**

China had remained as the world's second biggest FDI recipient for four years in a row, from 2017 to 2020, only after the US, according to MOFCOM. It even narrowed the gap that year when the US saw a sharp drop from US$261 billion to US$156 billion in FDI inflows due to the pandemic.

In 2020 when global FDI saw a deep decline, China's actual use of FDI accounted for about 15 percent of the global total, up from the 6.7 percent recorded in 2015.

In 2021, overall global FDI flows showed a strong rebound, up 77 percent to reach an estimated US$1.65 trillion, and surpassing pre-pandemic levels, according to the United Nations Conference on Trade and Development (UNCTAD). China's share of global FDI flows is expected to fall back somewhat, as FDI in most economies rebounded, among which FDI flows into the US more than doubled and into ASEAN countries increased 35 percent. FDI jump into the service industry and high-tech sectors China's robust FDI growth in 2021 was powered by strong investment in services and high-tech sectors.

The total FDI inflow into the service sector increased 16.7 percent, year-on-year, to RMB 906.49 billion (US$142.77 billion).

High-tech FDI continued to outperform, with the sector seeing FDI inflows jump 17.1 percent from a year earlier, measured in Chinese yuan. Of it, high-tech manufacturing rose 10.7 percent, and high-tech services grew 19.2 percent.

The MOFCOM didn't reveal data for manufacturing FDI in 2021. Manufacturing FDI trends are likely to remain flaccid, dampened by ongoing investment diversion into bolster supply-chain security, according to Fitch Ratings.

Figure (4): China FDI Growth in 2021

source: https://www.china-briefing.com/news/chinas-fdi-record-high-2021-global-fdi-rebound-services-high-tech-industry/

In other side, In 2021, the FDI actually used in China's eastern, central, and western regions climbed by 14.6 percent, 20.5 percent, and 14.2 percent year-on-year, respectively.

Figure (5): China FDI Growth in 2021

source: [**https://www.china-briefing.com/news/chinas-fdi-record-high-2021-global-fdi-rebound-services-high-tech-industry/**](https://www.china-briefing.com/news/chinas-fdi-record-high-2021-global-fdi-rebound-services-high-tech-industry/)

2.3. Investment in Algeria

In this part, we will try to know the reality of foreign investment in Algeria and its impact on development and economic growth.

a). Privileges granted to invest in Algeria

The general trend of the investment apparatus in Algeria is summarized in the following formula: The more profitable the investment is, the more significant incentives are given to it. These privileges vary according to the location and the nature of the investment. They are divided into three main systems:

- The public system is concerned with the ongoing investment projects, which are located outside the areas to be developed.

- The development (or exceptional) zones system is concerned with the ongoing investment projects, which are located in the areas to be developed.

The system of concluding investment agreements is concerned with investment projects that represent a special benefit to the national economy.

b). The development of foreign investment in Algeria

Foreign direct investment is a good indicator to know the extent to which foreign investors appreciate the economic institutions in the country. Therefore, the development and reality of foreign direct investment in Algeria can be exposed through the following:

Algeria put in place a new investment law in 1993 to stimulate foreign investment. To achieve this, it provided several financial advantages to investors without discrimination between residents and non-residents. The development of foreign investment in Algeria has known three periods:

- ✓ **The first period (1993-1995):**

This period was characterized by an almost complete absence of foreign investment (due to the economic, political and social situation that Algeria was experiencing during this period), as this period witnessed an exacerbation of the external debt crisis, which resulted in strict implementation of the structural adjustment conditions set by the International Monetary Fund, in addition to the deterioration of the situation Security and political instability, which negatively affected the arrival of foreign investments to the country, with high levels of risk, even with the provision of tax concessions and exemptions. The following table shows the development of foreign investment in Algeria during this period:

Table (3). The development of foreign direct investment in Algeria during the period (1993-1995)

Years	1993	1994	1995
FDI (USD)	0.01	0.01	0.01

source: www.unctad.org (1997)

The table above shows the weakness of direct investments in Algeria during the period (1993-1995), which amounted to 0.01 million US dollars, which is a very weak value.

- ✓ **The second period (1996-2000):**

The following table shows the development of foreign investments in Algeria during the period (1996-2000):

Table (4). The development of foreign direct investment in Algeria during the period (1993-1995)

Years	1996	1997	1998	1999	2000
FDI (USD)	270	260	501	507	438

source: www.unctad.org (2001)

During this period, foreign investments returned to Algeria, and their value ranged between 260 and 507 million US dollars, most of which were directed to the hydrocarbons sector, while other sectors remained unattractive to these investments compared to neighboring countries Morocco (1188 million dollars in 1997, for example) and Tunisia (365.3 million dollars in 1997).

- ✓ **The Third period (2001-2005)**

The following table shows the development of foreign investments in Algeria during the period (2001-2005):

Table (5): The development of foreign direct investment in Algeria during the period (2001-2005)

Years	2001	2002	2003	2004	2005
FDI (USD)	1196	1065	633.8	881.9	1081

source: www.unctad.org (2006)

This period witnessed a remarkable rise in foreign direct investment, which exceeded the value of a thousand dollars in 2001, 2002 and 2005, and according to the CNUCED report on investment in the world, Algeria ranked third in Africa in attracting foreign direct investment in 2002, due to several reasons, the most important of which (1)):

- The large investment recorded in the hydrocarbon sector (a sector dominated by American, French and British companies).

- Privatization of the Stone Industries Company to the Spanish company Espat.

After that, foreign investment witnessed a fluctuation in its value during the period (2006-2017), sometimes it increased as it is during the period (2006-2011), and sometimes it decreased during the period (2012-2017), as shown in the following table:

Table (6): The development of FDI in Algeria during the period (2006-2018)

Years	2006	2007	2008	2009	2010	2011
FDI (USD)	1 841 000 000	1 686 736 540	2 638 607 034	2 746 930 734	2 300 369 124	2 571 237 025
Years	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
FDI (USD)	1 500 402 453	1 691 886 708	1 503 453 102	-537 792 920,922	1 638 263 954	1 230 243 451
Years	**2018**					
FDI (USD)	1 466 116 068					

source : http://perspective.usherbrooke.ca/bilan/servlet/BMTendanceStatPays?langue=fr&codePays=DZA&codeTheme=7&codeStat=BX.KLT.DINV.CD.WD

The following table shows the most important sectors to which foreign investments were directed:

Table (7): The development of FDI in Algeria during the period (2019-2021)

Foreign Direct Investment	2019	2020	2021

Foreign Direct Investment	2019	2020	2021
FDI Inward Flow *(million USD)*	1,382	1,143	870
FDI Stock *(million USD)*	31,965	33,107	33,977
Number of Greenfield Investments*	24	6	10
Value of Greenfield Investments (million USD)	2,316	77	858

source : https://www.lloydsbanktrade.com/en/market-potential/algeria/investment

Note: * *Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

Rich in natural resources and economically stable, Algeria has historically attracted decent FDI flows. However, FDI flows were negatively impacted by the social unrest followed by the COVID-19 pandemic these last years. According to the data published by UNCTAD in the World Investment Report 2021, FDI in Algeria decreased by 19% to USD 1.1 billion in 2020 (down from USD 1.3 billion in 2019) with inflows directed primarily to the natural resources sector, in the wake of the global health and economic crisis triggered by the Covid-19 pandemic. On the other hand, the stock of FDI increased, reaching USD 33 billion in 2020.Over the last few years, it can be seen a reorientation of FDI towards the domestic market, thanks to the proliferation of development projects in transportation and infrastructure.

Until 2019, the participation of a foreign investor in an Algerian company was limited to 49% and foreign contractors are forced to find local partners for public tenders. However, in 2020, the government eliminated the so-called "51/49" restriction that required Algerian majority ownership of all new companies. The requirement will be maintained for "strategic sectors", identified as hydrocarbons, mining, defence and pharmaceutical production. The government has also approved a new hydrocarbons law, improving fiscal conditions and contract flexibility in order to attract new international investors. As a result of the promulgation of this law, major international oil companies signed memoranda of understanding with the national hydrocarbon company Sonatrach. Algeria was ranked 157th out of 190 countries in the Doing Business 2020 report published by the World Bank, same place as the year before.

Conclusion

Many countries seek to achieve economic development, and to achieve this, they set different programs and policies, and this goal is achieved only through improving production levels and high growth rates, and accordingly, investment, which creates wealth, is the main condition and the main and effective engine of the economic machine.

Where foreign direct investment flows play a major and prominent role in moving the wheel of the national economy forward and moving the country's foreign trade, and foreign direct investment has a major role in moving the wheel of economic development through several factors, and the prospects for foreign direct investment in many countries remain great, especially In the recent period, which witnessed a strong movement of foreign businessmen and money.

Hypothesis testing

- For the 1st Hypothesis:

Malaysia and China have a strategic and geographical location in the center of the most important global economic powers such as Japan, Korea, and Taiwan. Thus, they're a flexible and have an ease of movement of capitals and they also have encouraging laws and procedures for investors and permanent, same for Algeria, that has a very strategic position in the Medeterranean Ocean and is really near to the EU countries in one hand and the African countries in the other hand.

- For the 2nd Hypothesis:

The large internal market in these countries with increasing demand with the rise in per capita income, thus low labor cost with its skill. They also open to the outside and the tempting privileges it granted to the special economic zones.

As a result:

With trade volume registering more than US$10 billion in recent years, Malaysia and China have already been the big largest countries regarding FDI in and out their countries and even largest Association of Southeast Asian Nations (ASEAN) trading partner since 2008 and its third biggest Asian trading. For Algeria, it's becoming more and more attracting investments because of its location, resources, workforce ….

As a recommodation:

- The need to apply the policy of openness to foreign investments in order to create a dynamic income for the national economy.

- Implementing discriminatory policies in order to increase the volume of investments in sectors that provide added value.

- Expanding supply and demand by giving small and medium enterprises the opportunity to engage in production.

- Improving the business environment in Algeria in order to attract foreign investments as well as local investments.

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