Journal of Economics and Sustainable Development
Volume: 07 / N°: 02 (2024), P:07-26
ISSN : 2661-7986 EISSN: 2773-2606

foreign investment Crises in Algeria and its circumstantial challenges

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Received:20/04/2024 ***Accepted:05/08/2024*** ***Published:01/09/2024***

Abstract:
Improving the investment climate is not only linked to physical dimensions such as infrastructure and qualified human resources, but also to other dimensions related to the level of security and legislative stability. The study aimed at the comparative analysis of competitive efficiency in attracting foreign investments to the Arab Maghreb countries, namely Algeria, Tunisia, and Morocco, relying on UNCTAD data. The study utilized two levels of analysis, descriptive and statistical, to assess common integration. It was found that foreign investments in Algeria are concentrated in the extractive sectors, accounting for 61% of the total investments. The industrial complexity index for Algeria was (-1.33), indicating the failure of investment policies to direct foreign investments towards more diversified sectors. On the other hand, Tunisia demonstrated greater capability in utilizing foreign investment inflows with an industrial complexity index of (+0.88), while Morocco exhibited lower capability compared to Tunisia due to the burden of public debt. This confirms the hypothesis that the investment climate is linked to factors related to legislative stability, as well as the level of trust associated with reducing levels of financial and administrative corruption.

Keywords: investment climate, legislative stability, foreign investments, Maghreb countries
JEL Classification: O20; K33; D22;F15

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Introduction

The fragility of Algeria's economic structure, primarily tied to the extractive sector despite recent signs of expansion towards agriculture, achieving high growth rates capable of supporting the increasing population density has become one of the country's major development challenges. Based on national accounting data from 2005 to 2017, achieving a growth rate of up to 8% is deemed necessary to meet urgent societal needs. Although public investment programs achieve growth rates of only 2.8%, this implies a need to increase the baseline growth rate by 5.2% for the national economy, intended to be financed through both local and foreign investments. Additionally, the potential mobilization of personal savings remains a challenging obstacle amidst declining levels of trust between citizens and administration. There are successful investment examples, such as the French investment Lafarge, which demonstrated qualitative stability compared to other investments and experiences. However, strategies for updating tools are being utilized to address the decline in foreign investment absorption. This study aims to examine the issue of foreign investment through a comparative study of Maghreb countries to highlight variations in the ability to attract investment by emphasizing the importance of regulatory approaches and legislation to enhance investment climate and revenue diversification .

1. Foreign investment climate:

The dilemma of adoption and apprehension the economic partnership climate in Algeria is characterized by the dominance of non-beneficial psychological considerations. It views anything foreign as an extension of domination and colonialism. However, this type of thinking is no longer acceptable in light of the declining economic performance, where Algeria has fallen behind in growth indicators and has become more dependent on oil revenues. This situation cannot be understood without considering the magnitude of administrative and bureaucratic corruption. In a statement by the former Minister of Tourism, it was mentioned that foreigners were fleeing due to the extent of corruption. An example was given of the Saudi billionaire Prince Alwaleed bin Talal, who offered to invest $12 billion but left Algeria after his first meeting and chose to invest the amount in Morocco instead. This opens up a wide debate about the synchronization between legislation and the reality of business operations (Bouhelas, 2009).

1.1. The (49/51) Rule Regulatory Legislation

The amendments to the foreign investment law in Algeria did not cease until the year 2023. However, before 2001, the (49/51) rule was one of its prominent features. The rule served as a legislative fortress that ensured both state dominance and sovereignty. The Algerian officials viewed the importance of local and foreign partnerships as secondary and even as an existential threat. The discussion about the significance of partnerships or foreign direct investment only seemed urgent during periods of negative shocks to petroleum revenues, as it was the sole source of financial resources on which the state relied in its general budgets. However, once oil and gas revenues returned to high levels, the Algerian officials felt that they no longer needed any form of partnership. Consequently, they automatically reverted to practicing their traditional tools: bureaucracy and administrative bias to hinder any form of local or foreign investment privileges.

1.2. Investment in Algeria: Between the Duality of Laws and Practice

The historical foundation of investment law in Algeria reflects its instability and its inability to create a space that allows for open partnerships with the world. The investment law issued in 1963 aimed to encourage the attraction of foreign capital, and the 1966 law supported the first law, whose failure was attributed to administrative and bureaucratic obstacles, as well as the ambiguity of provisions related to fund transfers and nationalization guarantees (Saïdi, 2007). The 1982 law stipulated that projects should only be implemented through partnerships with local investors, according to the 49/51 rule. The amendment that came in August 19, 1986, introduced another issue related to partnership in management and organization. On July 27, 1988, further amendments were made, acknowledging the inability to impose restrictions on foreign investments. The Monetary and Credit Law, known as the 90-10 Law, replaced the nationality criterion with the residency criterion, representing another phase of flexibility towards foreign investment. It is worth noting that the amendments did not cease but continued in 1993 and in 2001, which theoretically eliminated the distinction between local and foreign investors. Agencies were also established, known as "open windows" and investment promotion agencies (Qarbu', 1999).

2.Obstacles of Foreign Investment in Algeria

Investment Environment in Algeria: As mentioned earlier, the investment climate in Algeria lacks vision and strategy. General orientations are linked to inconsistent legislation that is determined based on periods of abundance and contraction. In 1968, following a decline in petroleum tax revenues, Algeria's exports decreased, leading to a budget deficit, a decline in foreign exchange reserves, and an unprecedented inflation rate of 31.7%. This forced the state to adopt structural corrections in the economy (Abdelsalam, 2002).

2.1. Political and Social Climate:

Several reports have indicated that China prefers to deal with Algeria as a market rather than a partner. The website TSA mentioned that China has not engaged in major projects in Algeria despite appearing as a promising investor (Mansouri, 2006). This abnormal situation regarding investment is evident in the absence of any indicators of facilitation or differentiation. The lack of political representation for various social groups, the level of political awareness among the ruling class, and the role of the military institution in managing the country's affairs all contribute to an uncertain discourse for foreign investors. This hinders the establishment of acceptable levels of trust among the various parties involved (Guediri & Ferahi, 2004).

2.2. Economic and Legislative Climate:

The dimensions of the economic and legislative climate are no less important than the security and political climate. The abundance of resources, the clarity and stability of investment laws, the realism of the taxation system, the efficiency of banks, credit facilities, and the efficiency of the domestic capital market are all factors that determine investment trends in any country. It can be observed that foreign direct investment in Algeria has declined from $1.5 billion in 2014 to $587 million in 2014, with a focus on sectors that cannot be considered vital when compared to the growing needs and trends of Algerian society. Foreign investment in the telecommunications sector accounts for 60%, while other sectors such as agriculture and industry remain weak and unorganized (Bouyacoub, 1998).

2.3. The Experience of Mobile Operator Djezzy

Algeria's handling of mobile operator Djezzy, owned by Orascom Telecom Algeria, has been tragically lacking the minimum conditions of investment intelligence, tarnishing the reputation of the state and creating a negative image. In addition to being among the countries with a complex and bureaucratic administrative system, other aspects have contributed to a darker accumulation, such as administrative and financial corruption, a lack of accurate data and information, a lack of transparency in customs services, and a lack of coordination between supervisory bodies responsible for investment development. Furthermore, there are numerous laws and their complexities (Bahri, 2020).

Regarding Djezzy, which was established in 2001, the situation has stabilized as it has become a leading company with 14 million subscribers as of August 2022. Its revenues exceeded 45.5 billion Algerian dinars in 2022, showing a growth rate of 6% compared to the previous year, 2021. In 2021, Algeria officially concluded a deal to purchase 51% of the company's shares, along with Fimpelcom and the holding company Global Telecom, for a total amount of 2.6 billion dollars. Additionally, a settlement was reached with the Algerian shareholder SPTIAL, who received a compensation of 50 million US dollars in exchange for relinquishing any further claims. The Dutch multinational telecommunications company, VEON, also followed the same trend when it sold all its shares in Djezzy for an amount of 682 million dollars. Consequently, Algeria acquired a 100% stake after previously owning only 50%, resulting in two public companies in the same sector. This raises future challenges in managing competition between them. It is worth mentioning the ridiculous justifications made by Algerian officials following these arrangements, stating that "this transformation aims to establish and enhance the state's sovereignty over digital security" (Djezzy Crisis, 2019).

2.4. The privileges and administrative deterrent tools:

As mentioned earlier, the foundations of investment discrimination lie in the magnitude of the privileges that can be obtained, represented by the size and type of tax exemptions, as well as flexibility in profit transfer. The theoretical foundations rely on providing legal guarantees, such as equality between local and foreign investors and legislative stability (Razouk & Rekab, 2020). However, after a partial dissatisfaction and recovery in the public treasury, resorting to administrative measures was used as a weapon to manage the conflict with the operator Djezzy, ensuring its bias. Sawiris lost his arbitration case against Algeria in 2017, which fined the country $5 billion as compensation for damages. The company was also charged with tax evasion and illegal money transfers. The Algerian tax authorities imposed a tax of $950 billion on Djezzy, representing tax corrections between 2004 and 2009, in addition to a fine of $1.3 billion for non-compliance with trading laws (Alal, 2022). It is worth noting that these options coincided with the petroleum boom in the global markets, followed by a state of abundance and recovery in the public treasury, which led to a decline in investment projects' morale in Algeria.

2.5. The new 2023 Finance Law and support for foreign investment:

The partial amendment to the Investment Law adopted in the 2023 Finance Law aims to support growth and enhance gains to convince foreign investors to invest. Article 09 of the law requires reinvesting 30% of the amounts equivalent to tax exemptions and reductions on corporate profits. Companies established within the framework of partnerships between public and private companies, along with foreign companies, are exempt from the obligation to reinvest these tax benefits. All of this can be considered a late awakening towards stimulating foreign investment, in addition to being accompanied by a negative balance of failed experiences in the field of investment. The prevailing bureaucracy explains the limited vision of Algerian officials. The most significant amendment included the 51/49 rule, which was formally abandoned when the phrase "non-strategic sectors" was added as a condition, keeping the controversy and lack of seriousness in the legislation related to investment in Algeria (Al-Kahina, 2022.

3.The economic scene in the Arab Maghreb countries:

Despite the strategic location and possession of strategic resources that qualify the Arab Maghreb countries to be an economic hub, the reality is different. Since the establishment of the Maghreb Union in 1989, which included five countries with the aim of promoting the region economically and socially, political conflicts have prevented the achievement of those goals (Ben Khaldi, 2018). It is worth noting that these countries share similarities while also having partial differences in their need for foreign investment, considering the following factors:

- ✓ Restrictions on local financial resources: For example, Algeria and Libya suffer from a limited diversification of financial resources as they rely on oil for their strategic revenues.
- ✓ Lower public debt burdens, as is the case in Morocco.
- ✓ Inability of various Maghreb governments to bear the necessary burdens for their societies and fulfill their various commitments. The general budget deficit for the year 2020, greatly affected by the COVID-19 pandemic, reached significant percentages: (-7.6%) for Tunisia, (-9.3%) for Algeria, and (-5.4%) for Libya.

□Urgent needs to accelerate economic growth rates. Unemployment in Tunisia has reached 17%, particularly among university graduates.

.EMPIRICAL MODEL 4

The Size of the Maghreb Economies in the Global Economy

Table (01): The Size of Maghreb Economies in the Global Economy 2021

Country	Algeria	Maroc	Lybie	Tunisie	Mauritanie
GDP	180.69	118.5	48.32	39.86	05.37
Universal-Rank	55	60	88	98	159
Africain_-Rank	04	05	11	15	38

Source: World Bank, statistical data; https://data.worldbank.org/ **2021**

The comparison of economic growth rates between countries is associated with quantitative indicators such as gross domestic product (GDP) and gross national product, which in turn are related to other dimensions that have a connection to intellectual capital and social capital. These factors have been a cause of those growth rates. However, in the Arab and Maghreb context, these criteria are diminished, giving way to quantitative comparison that lacks a strategic dimension. The gross domestic product for the year 2021 ranges from 5.37 billion dollars to a maximum of 180.69 billion dollars, influenced by the size of revenues from oil in Algeria. This affects individual income levels due to the variation in demographic nature in each country.

Mauritania, Tunisia, and Morocco belong to the lower-income category of middle-income countries, while Libya belongs to the upper category of the same income group. We also find this variation in terms of human development, which is influenced by spending levels and the ability to save in each country. When comparing Algeria and Morocco, Algeria takes the lead with 180.69 billion dollars, followed by Morocco with 118.5 billion dollars. The difference between the two countries (petroleum and non-petroleum) is represented by (180.69 - 118.5 = 62.19) billion dollars. On a regional level, the comparison highlights Algeria's one-step advantage over Morocco, emphasizing the wide gap between them.

4.1. Economic Complexity Index position of Maghreb countries

The Economic Complexity Index (ECI), also known as the Industrial Complexity Index, is a measure of the economic capabilities of countries. Its calculation is based on the diversity and richness of various products and services produced by those economies. It reflects the levels of flexibility and adaptability that can be relied upon to deal with challenges and opportunities. Therefore, countries with high levels of economic complexity tend to be wealthier than those with low levels of economic complexity. Thus, it is a good indicator of future economic growth, theoretically ensuring sustained growth not governed by recessionary factors.

Table (02): Position of Maghreb countries in the Economic Complexity Index for the year 2020

Country	Value-index	Universal-Rank
Tunisie	+.088	80
Maroc	-0.33	101
Lybie	-0.79	122
Algeria	--1.33	126
Mauritanie	-1.2744	80

Source : https://atlas.cid.harvard.edu/ranking

The Industrial Complexity Index is associated with a country's overall industrial orientation, where an increase indicates the country's ability to move away from readily available products towards more specialized ones.

A comparison is made between two time periods. For example, a value of +0.88 for Tunisia, explains the country's potential in more specialized products globally, which places it at the 88th position worldwide. On the other hand, negative values indicate a country's failure to differentiate its products at the global level. This applies to Morocco, Algeria, Libya, and Mauritania. All of these countries recorded negative values, albeit with variations in their global rankings. Morocco recorded a negative index of 0.33-, but this does not imply an absolute inability to achieve economic diversity. Meanwhile, Algeria ranks 122nd globally with an index of -1.33, placing it at the bottom of the Maghreb rankings except for Mauritania. This reflects a declining capacity for economic diversification and an overreliance on a single resource that cannot be considered a unique commodity due to its global competitive levels. It's worth noting that the maximum gap in global rankings between Algeria and Morocco reached 42, which can be attributed to factors such as external debt burden in Morocco, as well as variations in the business climate, political and social stability, and unsuccessful economic approaches to diversify the Algerian economy.

4.2. Investment Trends in the Maghreb Countries

Sectoral possibilities, policy reforms, regional dynamics, difficulties, and rising sectors influence investment trends in the Maghreb countries. In spite of challenges, initiatives are in place to draw in and broaden foreign investment in order to promote regional economic development.

Table (03): FDI Attracted Sectors in Morocco 2010-2015 (Unit: %)

Sectors	2010	2011	2012	2013	2014	2015
extractive industries	13.6	23.4	25.4	39.2	27.1	21.9
Housing and food services	11.4	09.8	05.3	08.7	09.3	5.9
Information and communication	25.2	02.2	0.6	0.9	03.3	08.5
Financial and insurance services	16.9	10.9	14.9	0.9	08.6	10.2
bare services	20.7	31.2	22.8	19.4	29.5	27.0

Source: OECD, Review of Foreign Direct Investment Statistics in Morocco, 2018

- **Algeria trend**: the analysis of foreign investment trends in Algeria is closely related to investments in the extractive industries, with the dominance of the oil sector in the production structure. Investments in the extractive sector represented 61.20% of total incoming investment flows between the period of 2005 to 2019. This positively contributed to the GDP, ranging from 0.7% to 2%, except for the year 2015, which experienced a negative investment flow following Algeria's acquisition of Djezzy, a telecommunications company. This reflected a lack of confidence in the state and a decline in its global reputation.

- **Morocco trend**: Morocco stands out as a leading country in attracting foreign direct investment (FDI) due to philosophical and historical reasons. It is a non-oil country that believes in economic freedom and liberalism, aligning with the global economic logic. This encouraged various countries to establish strong, long-term partnerships. Specifically, in the period of 2010-2015, Morocco's contributions to the GDP ranged from 1.7% to 3.7% for the period of 2006 to 2016. The percentage of FDI flows reached 4.5%, which is significant when compared to Algeria, where the contribution of FDI did not exceed 0.2%, mainly concentrated in the extractive industry. This reflects distinct economic strategies, with Morocco's superiority in the medium and long term.
- **Tunisia trend**: After 2011, Tunisia witnessed a significant decline in foreign direct investment due to the political transformations in the country. Until 2011, the number of foreign enterprises was 3,135, employing more than 325,000 individuals in various sectors, especially the manufacturing sector, which attracted about 79% of foreign enterprises. However, after this period, investment shifted towards less risky sectors, such as energy and electricity, causing a decline in the ranking of the manufacturing industries to the second position.

4.3. Development of inward foreign investment flows into Maghreb countries:

Economic, political, and regulatory considerations all play a role in the complicated and dynamic process of inward foreign investment flows into the Maghreb countries. In order to promote economic growth and development, each nation in the region faces different chances and difficulties when it comes to luring in and profiting from foreign investment.

Table (04): Development of inward foreign investment flows into Maghreb countries between 2010-2021 Unit: Million dollars

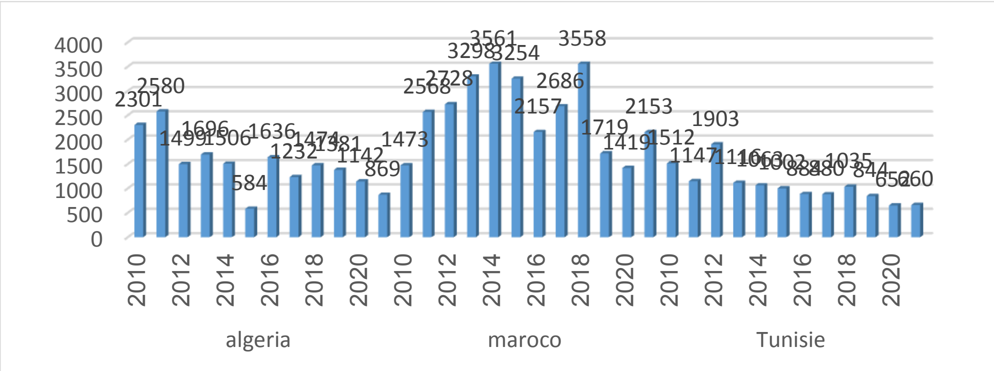
Country	2010	2011	2012	2013	2014	2015
Algeria	2301.226	2580.626	1499.447	1696.867	1506.733	584.539
Libya	1909	-------	1425	702	-------	-------
Moritany	130.528	588.750	1388.587	1125.684	501.038	502.074
Morocco	1473.856	2568.434	2728.361	3298.102	3561.003	3254.799
Tunisia	1512.505	1147.907	1603.186	1116.541	1063.997	1002.738

	2016	2017	2018	2019	2020	2021
Algeria	1636.299	1232.342	1474.589	1381.812	1142.641	869.682
Liby	-------	---------	-------	-------	-------	-------
Moritany	271.198	587.244	772.890	886.916	927.913	22.177
Morocco	2157.149	2686.03	3558.879	1719.961	1419.208	2153.311
Tunisie	884.997	880.788	1035.941	844.797	652.122	660.233

Source: **CNUCED, IDE, flux et stocks https://unctad.org/fr**

The table reflects a growing trend for Morocco in its ability to attract foreign investment, with the exception of the year 2010, despite the significant difference in the economic infrastructure between Algeria and Morocco.

Figure (01): Foreign investment flows for Maghreb countries



Source: Prepared by the researchers using Excel

The trend of attracting investments shows a growing inclination towards Morocco and to a lesser extent Algeria. Tunisia follows, and finally Mauritania, with the exception of Libya due to incomplete data. During the period from 2010 to 2021, Morocco stood out as the Maghreb country that attracted the most foreign capital. Except for the year 2010, which showed partial convergence of opportunities between Algeria and Morocco, the remaining years demonstrated Morocco's greater ability to attract foreign capital due to the trust it enjoys among investors. It is worth noting that despite the global economic slowdown and the decline in investments due to the COVID-19 pandemic, Morocco's attractiveness did not experience a significant decline compared to other Maghreb countries. However, the biggest challenge remains in the year 2021, where the percentage of attracted investments in Algeria decreased compared to 2012, which had the highest inflow of foreign investment. The decline amounted to 31.87%, even after the establishment of various constitutional institutions and efforts to promote stability in the country.

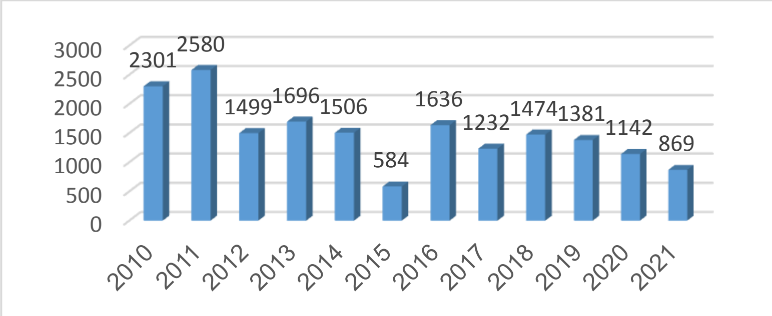
Table (05): Comparative descriptive statistics for Maghreb countries

		Descriptive Statistics for DEB_INVES			
			Categorized by values of COUTRY		
			Date : 04/13/23 Time : 18 :13		
			Sample : 2010 2021		
			Included observations : 48		
Skew.	Std. Dev.	Sum.	Quant. *	Mean	COUTRY
0.447404	549.0619	17900.00	1486.500	1491.667	Algeria
-0.106006	773.7431	30574.00	2627.000	2547.833	Maroc
0.205382	401.9352	7699.000	587.5000	641.5833	Mauritanie
1.185161	352.4088	12698.00	1018.500	1058.167	Tunisie
0.844218	889.6840	68871.00	1189.500	1434.813	All
*Quantiles computed for p=0.5, using the Rankit (Cleveland) definition.					

Source: Prepared by the researchers using Excel

The level of attracted investments for the study years 2010-2021 amounted to $1,491.667 million for Algeria, with a total sum of $17,900 million. In comparison, Morocco had higher values, with an average of $2,547.833 million of attracted investments and a total sum of $30,574.00 million. Tunisia's average attracted investments amounted to $1,058.167 million, while Mauritania, excluding Libya, ranked last with an average of $641.5833 million. The comparative analysis for the year 2015, which witnessed the acquisition of the company "Jeezy" to become a state-owned company, shows a significant difference between Algeria and Morocco. The attracted investments in Algeria did not exceed the threshold of half a billion dollars, while Morocco recorded $3,254.799 million, reflecting the apprehension of foreign capital regarding investment in Algeria. Unfortunately, this trend has persisted until the year 2021, the end of the study period.

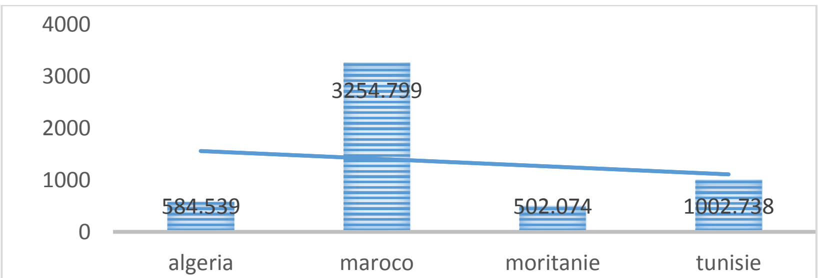
Figure (02): Foreign investment flow to Algeria for the period 2010/2021



Source: Prepared by the researchers based on Excel

The above figure illustrates the prevailing trend of foreign investment flow in Algeria. We can divide the curve into three main sections. The first phase starts from the year 2010 until 2014, where the levels of foreign investment flow were similar to other countries in the Arab Maghreb region. The second phase begins in 2015, which witnessed a different trend reflecting a decline in foreign investment levels and a preference for other destinations due to several considerations related to the state's handling of the mobile operator Jeezy, decisions that were deemed irresponsible, and subsequent legal issues and the exploitation of tax administration as a means to harm foreign investors. They were fined $950 million as corrective measures for the years 2005 to 2009, in addition to $1.3 billion for alleged non-compliance with labor rules. The third phase follows the year 2015. Despite the adoption of formal reforms in the investment law aimed at reassuring foreign investors, they faced a decline in global investment due to the COVID-19 pandemic, resulting in recording less than one billion dollars in 2021, along with a diminished global confidence level.

Figure (03): Bilateral comparison between Algeria and Morocco of Sunni foreign investment flow 2015



Source: Prepared by the researchers based on Excel

The general trend in comparing the size of foreign investment flows between Algeria and Morocco for the year 2015 indicates a clearer preference for Morocco with a total average of $3,257.799 million, compared to \$584.539 million for Algeria. This means that foreign investments in Morocco exceeded \$3 billion, while Algeria only reached half a million dollars, equalling Mauritania and lagging behind Tunisia. These levels can be explained by the crisis between the Algerian government and Orascom Telecom, as well as the exploitation of tax administration through corrective fines for the years 2005-2009, in addition to other fines related to allegations of labour rule violations. These results confirmed the investors' fear levels and their preference for other destinations that offer more stability and independence. To predict possible flows of foreign investment between Algeria and Morocco, we relied on the standard approach after verifying the necessary conditions.

3.4. Predict incoming investments between Algeria and Morocco.

we will focus on the following topic. We aim to forecast the subsequent values of foreign investment flows in Algeria and Morocco for the years 2022 to 2025, considering these years as representing a period of integration.

3.4.1. First : Algeria

Table (05): Co-integration in time series considered.

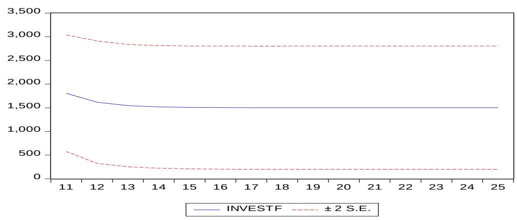
Null Hypothesis: D(INVEST) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=1)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-5.725138	0.0014
Test critical values:	1% level	-4.297073	
	5% level	-3.212696	
	10% level	-2.747676	

Source. Prepared by the researchers based on the outputs EViews 12.

The standard processing of the series indicated its stability after taking its first difference. We will rely on this information to forecast the future values of the series until the year 2025 using the ARIMA model, in order to obtain the following graphical information.

Figure (06): Forecasted values of foreign investment for Algeria until the year 2025



Forecast: INVESTF	
Actual: INVEST	
Forecast sample: 2010 2025	
Adjusted sample: 2011 2025	
Included observations: 15	
Root Mean Squared Error	439.0220
Mean Absolute Error	319.6295
Mean Abs. Percent Error	31.82454
Theil Inequality Coefficient	0.144083
Bias Proportion	0.083941
Variance Proportion	0.819176
Covariance Proportion	0.096883
Theil U2 Coefficient	0.459252
Symmetric MAPE	23.63004

Source. Prepared by the researchers based on the outputs EViews 10

The forecasts for foreign investment inflows did not exceed $1.5 billion, or one and a half billion dollars, for the years 2021-2025. This indicates a continued reliance on oil and dependence on the budget to cover various needs in the coming years, due to the absence of a strategic vision and a decline in investment reputation resulting from negative practices and other factors related to administrative and financial corruption. Additionally, the country is experiencing a state of political and social instability, which characterizes the general landscape, and there is a firm belief in the dominance of the executive apparatus in managing economic affairs.

3.4.2. Secondly – Morocco

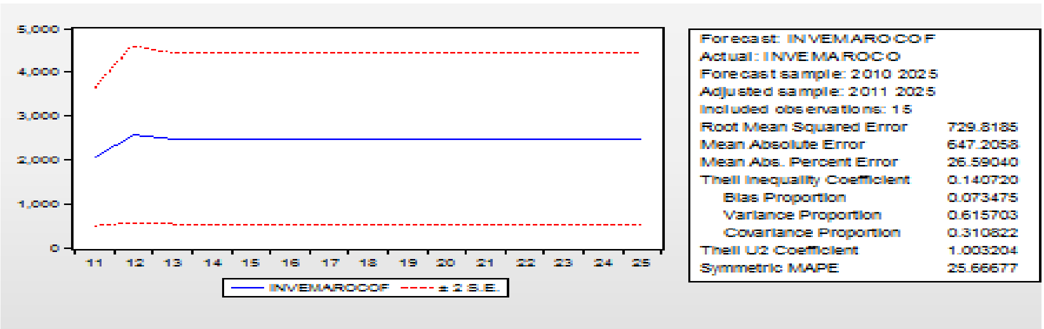
Figure (07): ADF teste of time series

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.306336	0.0468
Test critical values:	1% level	-4.420595	
	5% level	-3.259808	
	10% level	-2.771129	

Source. Prepared by the researchers based on the outputs EViews 12

The stability test proves the absence of unit root in the series, supporting the hypothesis of its stability.

Figure (09): Predicted foreign of investment to Morocco until the year 2025



Source. Prepared by the researchers based on the outputs EViews 10

The foreign investment inflows for Morocco in the coming years (2022-2025) are expected to exceed $2.5 billion, benefiting from the trustworthiness that distinguishes it due to lower levels of administrative and financial corruption compared to other Maghreb countries. Additionally, the qualitative independence of its administration, which is not subject to the influence of the executive branch, contributes to attracting foreign capital. These criteria are among the most important factors considered by foreign investors. It is worth noting that the diversification of investments in Morocco shields it from the direct impacts of global economic shocks.

Table (06): Sectors attracting foreign direct investment in Morocco 2010-2015 - Unit: %

Sectors	2010	2011	2012	2013	2014	2015
extractive industry	11.4	09.8	05.3	08.7	09.3	5.9
Housing and Food services	25.2	02.2	0.6	0.9	03.3	08.5
Information and communication	16.9	10.9	14.9	0.9	08.6	10.2
Financial and insurance servi	20.7	31.2	22.8	19.4	29.5	27.0
extractive industry	11.4	09.8	05.3	08.7	09.3	5.9

Source :OECD, review of international direct Investment statistics in Morocco 2018

It is worth noting that the diversity of sources of foreign investment inflows is a source of strength for the Moroccan economy. It serves as a shield that protects the country and society from the impact of various shocks that could affect certain economic sectors. This diversity is formed by a basket of different sectors, including extractive industries, media and communications, insurance services, and the banking industry.

The extractive industry, in particular, has emerged as a prominent sector, ranging from 13.6% in 2010 to its highest value of 39.2% in 2013. It has become a new focus of attention for both the state and foreign investors. By the end of 2017, French investments in Morocco ranked first with a rate of 21.28%, covering various sectors such as industry, transportation, hospitality, trade, and the banking sector, with a total inflow reaching 377.18 billion Moroccan dirhams.

It is worth mentioning that the ranking of foreign investments in Morocco includes several nationalities. After France, we find the United Arab Emirates at 13.17%, followed by Ireland at 9.33%, then the United States at 8.4%, and finally, Saudi Arabia at 7.26%. Additionally, positive developments in these investments have been recorded. For example, Ireland witnessed investments worth 9.7 billion dirhams, an increase of 179.4% compared to 2017, while France recorded an increase of 3.8 billion dirhams, a decrease of 31.3% compared to 2017. Moreover, Denmark experienced a substantial increase in investment volume, reaching 3.2 billion dirhams, a significant rise of 2747.3% compared to 2017.

Table (07) French Investments in Morocco in 2018

Sectors	Revenues	Expenditures	Net Flows

Real Estate	2 217,8	681,0	1 536,8
Industry	1 938,7	809,0	1 129,7
Commerce	1 650,0	372,0	1 278,0
Banking	677,7	568,3	109,4
Major Works	319,2	725,5	-406,3
Insurance	172,0	25,0	147,0
Tourism	119,4	107,2	12,2
Transport	58,2	51,0	7,2
Holding	50,5	100,3	-49,8
Other Services	737,5	879,4	-141,9
Miscellaneous	180,6	31,1	149,5
Total France	**8 121,6**	**4 349,8**	**3 771,8**

Source: SER, according to the Office of Foreign Exchange (provisional data).

3.4.3. Thirdly: Tunisia

The time series structure of Tunisia does not differ from other series such as Algeria and Morocco in terms of stability and integration degree. The forecasted values for the years 2022 to 2025 have been determined.

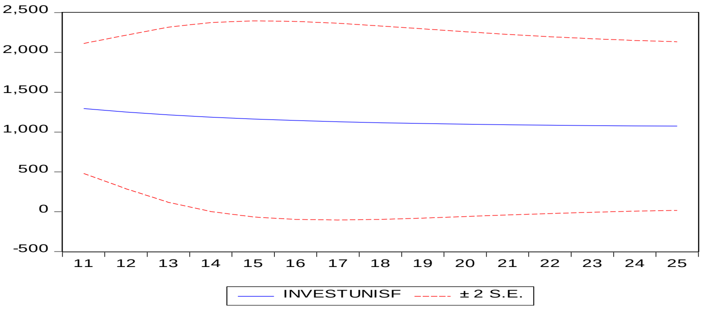
Table (08) predicted foreign investment flows to Tunisia for the years 2021-2025 (unit million dollars)

years	2021	2022	2023	2024	2025
foreign investment flow	1091.001	1085.451	1085.451	1077.251	1074.25

Source. Prepared by the researchers based on the outputs EViews 10

Tunisia has experienced significant shocks in the past decade due to political transitions and a changing governance system that has not yet achieved stability. However, what distinguishes the investment scene in Tunisia is the relatively significant contribution of Arab countries, particularly the United Arab Emirates, in construction and real estate sectors. There are also other investments in the hospitality and tourism industry. The forecasted values indicate a state of relative recovery that will characterize the economic scene in Tunisia, especially when compared to the values of the previous five years.

Figure (10): Predicted values of foreign investment flows to Tunisia up to the year 2025



Forecast: INVESTUNISF	
Actual: INVESTUNIS	
Forecast sample: 2010 2025	
Adjusted sample: 2011 2025	
Included observations: 15	
Root Mean Squared Error	314.5111
Mean Absolute Error	264.9987
Mean Abs. Percent Error	28.56863
Theil Inequality Coefficient	0.140921
Bias Proportion	0.216863
Variance Proportion	0.674944
Covariance Proportion	0.108193
Theil U2 Coefficient	1.322266
Symmetric MAPE	24.82399

Source. Prepared by the researchers based on the outputs EViews 12

The flow of investment in Algeria has significantly declined from its peak to the forecasted values, reaching 58.125%. On the other hand, the situation in Morocco is characterized by a state of relative stability, with investments amounting to $2.5 billion and showing a considerable increase. It is worth noting that in the peak year, foreign investments in Morocco reached $3.6 billion in 2018 but experienced some decline in the years 2019 to 2021 due to the impact of the COVID-19 pandemic. As for Tunisia, it has also witnessed a significant decline in the volume of incoming European investments, despite the Arab support that managed to partially fill the investment gap. It should be noted that the current values compared to the forecasted values indicate a total decline of 67.42% compared to 2012, indicating the presence of structural problems that could lead to crises affecting various social groups in the absence of alternative resources to tourism. Furthermore, although both Algeria and Tunisia have recorded equal values of $1.5 billion as forecasted investments until 2025, this comparison lacks comparable criteria in terms of diversity and concentration. The Algerian economy is primarily reliant on extractive sectors, which account for 61% of incoming foreign investments, while the Tunisian economy is more diverse, with a focus on the manufacturing industry, along with the medical tourism sector, which has recently attracted many countries, especially neighbouring countries like Algeria and Libya.

4.4 .Foreign investment between opportunities and benefits in the Maghreb countries.

Foreign investment partnerships have contributed to the development of certain sectors in Algeria, particularly the extractive industries. However, the potential for generalization to include other sectors, distant from the extractive industry, remains limited. This reflects a narrow perception of investment partnerships by the Algerian government, which could have negative short- and long-term effects, as it fails to benefit from the geopolitical advantages. On the other hand, the Moroccan economy has been able to create a flexible and stimulating structure by employing factors such as low labour costs, incentivized tax systems, and quality infrastructure. This has led to the development of industrial sectors, such as the automotive industry, which has successfully penetrated some African markets and achieved high competitiveness. Morocco produces around 700,000 cars, with 90% of them being exported. However, the issue of energy remains a constant concern for the Moroccan economy, as it is a non-energy-producing country. This has been exacerbated by Algeria's political decision to sever economic relations and halt gas exports, creating a need to explore alternative energy sources. The Moroccan-German partnership for investment in renewable energy, with the possibility of future exportation to the North Mediterranean coast, has gained prominence, especially given the current Russian-Ukrainian crisis and the European-Russian polarization.

Although the Tunisian economy is currently facing significant crises, it appears to have more potential if political stability is achieved. Tunisia possesses significant capabilities that qualify it for exporting labour-intensive products such as textiles, leather goods, and household furniture, in addition to the services sector and information technology and communication. The Tunisian economy can also benefit from available opportunities through bilateral partnership agreements to exploit extractive sectors, particularly in some minerals such as phosphates, especially considering its free trade agreements with the European Union and Turkey, which can compensate for the limited Tunisian market.

- **Mauritania:** Mauritania's economic openness to the world through its economic windows is a relatively new phenomenon. However, due to weak infrastructure and other issues related to the shortage of qualified workforce, mainly caused by a lack of training and development structures in the oil sector, foreign companies find it difficult to expand and export manufactured goods since the local market cannot absorb the production. Nevertheless, the Mauritanian economy holds promising prospects related to recent explorations of liquefied gas and oil fields. The massive Ahmeyim field on the Senegalese border is already an advanced project, in addition to Mauritania's exclusive fields, such as the Bir Allah field, which represents over 10% of African reserves. This could position Mauritania as the third-largest producer in Africa, following Nigeria and Algeria. Regarding the privileges of this type of extractive industry for Mauritania, it benefits from proximity to the European market, which is experiencing a decline in Russian supplies due to the Russian-Ukrainian war. Additionally, there are other advantages related to production capacity, which could reach 2.5 million tons of liquefied gas.

5.Conclusion:

The ability to attract foreign investment to the Maghreb countries is characterized by deep contradictions, which limit the possibility of transforming the region into a global investment space. Despite the type and size of opportunities and the regional developments and Europe's interest in the southern market, due to the Russian-Ukrainian war, the challenges related to attracting foreign investors in countries like Algeria are not related to material dimensions such as infrastructure or qualified labor, but rather to elements related to the overall uncertain climate. The inflow of foreign investment in Algeria, for example, has not exceeded the threshold of one billion dollars in 2022 and is mainly concentrated in the extractive industry sector, leading to a limited industrial complexity index within the range of 1.33, resulting in Algeria ranking low in the global rankings. Despite all the attempts following the recent amendment to the investment law, which eliminates the classic 49/51 rule, foreign capital still views Algeria as an unsafe zone, especially after the state's acquisition of the mobile phone operator Djezzy in 2015 and the events that followed. Lack of transparency in laws, biased tax administration, and compromised judicial independence are all deterrent factors for capital. As for the rest of the Maghreb countries, the situation is relatively different. After achieving significant levels of foreign investment in Tunisia, reaching one and a half billion dollars in the years 2012-2013 in sectors other than extractive industries, there has been a slight decline in recent years, with the inflow reaching 660.233 million dollars. However, these rates can be appreciated considering the positive values achieved for the industrial complexity index, reaching 0.48+. Returning to the exceptional situation of Morocco, it remains the exception in the Maghreb region, thanks to political and legislative stability and a decrease in levels of administrative and financial corruption. Therefore, denying the hypotheses raised is the fundamental basis for the investment attraction situation in Algeria in particular. The decline, although partially related to the global investment climate, is also linked to the spread of administrative and financial corruption, in addition to the firm conviction of foreign investors in the lack of seriousness of the laws.

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