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Foreign Direct Investment and Its Role in Reducing the Unemployment Rate in Algeria: Analytic Study

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Abstract:
This study aims to analyze the state of foreign direct investment (FDI) in Algeria during the period 1996–2020, by examining the evolution of its flows, sectoral and geographic distribution, and evaluating Algeria's position within the Arab investment landscape. The study relied on descriptive and analytical approaches, based on official data and reports.
The study found that FDI flows in Algeria experienced notable growth; however, they were characterized by fluctuations and instability due to both internal and external factors, most notably oil price volatility, legislative instability, and challenges related to the business climate. The results also revealed that these investments are heavily concentrated in the hydrocarbons sector, despite some efforts toward sectoral diversification. European countries dominate the largest share of investments, while the contribution of Arab countries remains limited.
The study emphasizes that improving Algeria's attractiveness for foreign investment requires strengthening economic reforms, simplifying administrative procedures, providing a stable legal environment, and diversifying the economy to reduce reliance on the hydrocarbons sector.
Keywords: Foreign Direct Investment, Algeria, Investment Flows, Sectoral Distribution, Investment Climate
Jel Classification Codes: F21, F23, E22, J64

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Introduction:

Foreign direct investment (FDI) has gained increasing importance over the past few years as a key component of capital flows to developing countries. According to numerous empirical studies, FDI can help fill investment gaps in developing economies by providing capital, technology transfer, and managerial skills that domestic savings alone cannot supply. Studies have shown that FDI is associated with increased productivity, higher employment, and economic growth when institutional conditions are favorable (Sabir, Rafique & Abbas, 2019).

During the 1970s, many developing country governments were not particularly receptive to FDI, largely due to concerns over multinational corporations prioritizing profits without contributing significantly to local economic development. However, starting from the 1980s, many countries began to liberalize their economies and compete to attract FDI, recognizing its potential to support development and reduce external debt burdens. Global FDI flows have expanded significantly over recent decades, especially with the intensification of globalization and trade liberalization. Empirical research confirms that larger market size, trade openness, macroeconomic stability, and infrastructure quality are among the main determinants of FDI inflows in developing economies (Islam &Beloucif, 2023).

In Algeria, from independence until the 1980s, foreign direct investment was often viewed as foreign interference and a threat to national sovereignty due to the country's socialist-oriented policies. However, following economic reforms and liberalization efforts from the late 1980s onward, Algeria gradually introduced legislation aimed at encouraging FDI. These reforms were intended to diversify the economy and enhance integration into the global economy.

Theoretical and empirical studies also highlight the importance of institutional quality in attracting FDI. Institutional factors—such as political stability, rule of law, control of corruption, and regulatory quality—have been found to attract higher FDI inflows when they are strong (Sabir, Rafique & Abbas, 2019; Lensink & Morrissey, 2012). Furthermore, research focusing on the MENA region (Middle East and North Africa) suggests that market openness, human capital, and infrastructure significantly influence FDI inflows, confirming that countries with better economic fundamentals and investment conditions tend to receive more foreign investment (Abbas & El Mosallamy, 2016).

Overall, the literature indicates that while FDI is potentially beneficial for economic growth and development, its impact depends significantly on the quality of economic policies, institutional frameworks, and the broader investment climate. These findings provide an important analytical foundation for exploring the realities and expectations of foreign direct investment in Algeria.

Based on the above, the central research question of this study can be formulated as follows:

What is the current state of foreign direct investment in Algeria?

This study aims to examine the state of foreign direct investment in Algeria over the period 1996–2020. Specifically, it seeks to analyze trends in FDI inflows, assess Algeria's share of total Arab investment flows, identify the most attractive sectors, determine the main investing countries, and highlight the key economic determinants influencing FDI in Algeria.

Methodology and Research Tools

To address the research problem, and given the nature of the study, a historical approach is adopted to trace the evolution of FDI inflows in Algeria. In addition, a descriptive method is used to analyze and interpret the volume of investment, as well as its sectoral and geographical distribution.

The study relies on a variety of tools and sources, including diverse academic references and several reports issued by international and regional organizations, such as the Arab Investment and Export Credit Guarantee Corporation and the National Agency for Investment Development.

I- Foreign Direct Investment:

1. Definition of Foreign Direct Investment:

There are numerous definitions of foreign direct investment proposed by economic scholars, researchers, and international institutions. Some of these definitions are presented below.

Foreign direct investment is defined by **Raymond-Bertrand** as the contribution of capital by an enterprise to another enterprise, either through the establishment of a foreign subsidiary, an increase in its capital, or through a partnership between a foreign firm and other partners. It also represents a mechanism for transferring real resources and capital from one country to another, particularly in the initial stage of establishing an enterprise (Bertrand, 1997).

The International Monetary Fund **(IMF)** and the Organisation for Economic Co-operation and Development **(OECD)** define foreign direct investment as: *"A type of international investment that reflects the objective of a resident entity in one economy (the direct investor) obtaining a lasting interest in an enterprise resident in another economy (the direct investment enterprise). This interest implies the existence of a long-term relationship between the direct investor and the enterprise, as well as a significant degree of influence by the investor in the management of the enterprise."*(الأسرج، 2005)

The World Trade Organization defines it as*: "An activity carried out by an investor resident in one country (the home country), through which they utilize their assets in other countries (host countries) with the intention of managing them"* (بوجمعة، 2007)

Based on the above definitions, foreign direct investment can be understood as:

- Investment activities undertaken by an investor in a foreign country (the host country), leading to a lasting relationship and sustained benefits.
- A process through which the investor transfers technical and technological expertise to the host country, while owning and managing the invested capital.

2. Investment Climate and its determinants

2.1 Definition of Investment Climate

According to the Arab Investment and Export Credit Guarantee Corporation, the investment climate is defined as: "The overall set of conditions and circumstances forming the environment in which the investment process takes place, and the extent to which these conditions positively or negatively affect the success of investment projects and, consequently, the direction and flow of investments.

These conditions include political, economic, and security factors, as well as legal and administrative frameworks."

From this definition, it can be concluded that the investment climate encompasses a range of economic, social, political, and legal conditions that collectively shape the investment environment.

2.2 Determinants of Foreign Direct Investment

a. Political Environment

The political system in a given country is considered one of the most important determinants of the political environment. Political stability plays a crucial role in attracting both direct and indirect investments.

The decision of a foreign investor to accept or reject investing in a particular country is largely influenced by the degree of stability of its political system. Investors tend to prefer stable and predictable democratic systems over those that are subject to frequent change or instability. (عباس، 2007)

b. Economic Environment

The availability of exploitable natural resources plays a key role in attracting foreign investment due to the potential for high returns. However, their effective use depends on the presence of skilled and cost-efficient labor. These factors alone are insufficient, as a favorable investment environment also requires strong economic indicators—such as GDP growth, income levels, and inflation—along with supportive policies like economic liberalization, privatization, and competitive markets.(القرنشاوي، 2006)

c. Legal and Regulatory Environment

Investment decisions rely heavily on clear legal frameworks that offer incentives such as tax exemptions and protection against non-economic risks, while ensuring the free transfer of profits. Although countries compete by providing attractive investment laws, these incentives should not compromise national resources or sovereignty

d. Administrative Environment

The prevailing administrative system in a country is a key factor in creating an investment-friendly environment. One of the main features of an effective administrative environment is the presence of government institutions capable of managing administrative processes efficiently, particularly by reducing the time required to obtain licenses for establishing investment projects.

This also requires minimizing or eliminating bureaucratic obstacles within the public sector, as well as combating financial and administrative corruption in government institutions.

II- The State of Foreign Direct Investment in Algeria (1996–2024)

1. Volume of Foreign Direct Investment Inflows to Algeria and Their Geographical and Sectoral Distribution

a. Evolution of Foreign Direct Investment Inflows into Algeria

Foreign direct investment (FDI) inflows to Algeria have been characterized by significant fluctuations over the study period, reflecting both domestic economic conditions and changes in the global investment environment.

During the late 1990s, FDI inflows remained relatively low, not exceeding one billion U.S. dollars annually. This period was marked by limited openness of the

Algerian economy and a cautious approach toward foreign capital. However, starting in the early 2000s, FDI inflows began to increase gradually, supported by economic reforms and improved macroeconomic stability.

FDI inflows reached their peak in 2009, with approximately 2.75 billion U.S. dollars, reflecting a period of strong investor confidence and increased openness to international investment.

Following this peak, investment flows experienced a sharp decline, culminating in a negative inflow in 2015 (around -0.5 billion U.S. dollars), due to structural constraints, regulatory barriers, and external shocks.

From 2016 to 2020, FDI inflows stabilized at moderate levels, fluctuating around 1 to 1.5 billion U.S. dollars annually. In recent years, particularly after the COVID-19 pandemic, inflows declined again before showing signs of recovery, reaching approximately 1.2 billion U.S. dollars in 2023 and about 1.23 billion U.S. dollars in 2024.

Despite these improvements, Algeria's share of global FDI remains limited, averaging around 0.07% over the long term, indicating relatively weak integration into global investment flows.

From a **sectoral perspective**, FDI in Algeria is highly concentrated in the hydrocarbon sector, which continues to dominate due to the country's abundant natural resources. Other sectors attracting foreign investment include manufacturing, construction, transport, and, to a lesser extent, agriculture.

From a **geographical perspective**, the main investing countries in Algeria include the United States, Italy, France, Spain, and the United Kingdom, reflecting strong economic ties with both European and global partners.

b. Evolution of Foreign Direct Investment Flows to Algeria

The evolution of FDI inflows in Algeria can be summarized in three main phases:

- **1996–2000:** A period of weak inflows, characterized by limited openness and institutional constraints.
- **2001–2010:** A phase of growth and expansion, culminating in the 2009 peak, driven by economic reforms and favorable global conditions.
- **2011–2024:** A period marked by volatility and instability, influenced by regulatory changes, oil price fluctuations, and global economic shocks, followed by a gradual recovery in recent years.

Overall, while Algeria has made significant efforts to attract foreign investment through legal and economic reforms, FDI inflows remain volatile and below their potential. This situation highlights the need for further improvements in the investment climate, particularly in terms of regulatory stability, diversification of the economy, and enhancement of institutional efficiency.

Thanks to its vast natural resources and significant tourism potential, Algeria represents a natural destination for foreign direct investment (FDI). However, the economic policies and the management of these resources have not been sufficient to achieve an effective economic framework. This has led Algeria to face numerous challenges, which in turn prompted the country to open up further to foreign direct investment. The following table illustrates:

Table 1: The evolution of foreign direct investment inflows to Algeria during the period 1996–2024. $1 million

Year	Size	Year	Size
1996	270.00	**2011**	2580.63
1997	260.00	**2012**	1499.45
1998	606.60	**2013**	1696.87
1999	291.60	**2014**	15.06.73
2000	280.10	**2015**	584.53-
2001	1113.11	**2016**	1636.30
2002	1064.96	**2017**	1232.34
2003	637.88	**2018**	1466.08
2004	881.2	**2019**	1381.89
2005	1145.34	**2020**	1140
2006	1888.17	**2021**	870
2007	1743.33	**2022**	255
2008	2631.71	**2023**	1216
2009	2753.76		
2010	2301.23		

Source: Prepared by the authors based on data from the Arab Investment and Export Credit Guarantee Corporation : Investment Climate Report, 2024.

Foreign direct investment (FDI) inflows in Algeria during the period (1996–2023/2024) experienced notable developments characterized by instability and volatility. At the beginning of this period, as well as in the preceding years, Algeria was not a preferred destination for foreign investors. This was mainly due to the prevailing economic and political orientation at the time, in addition to the security, political, and economic instability experienced by the country.

As a result, FDI inflows remained low, amounting to approximately $270 million in 1996. They then increased in 1998 to about $606 million, before declining again in 1999 and 2000 to approximately $291 million and $280 million, respectively.

During the period (2001–2009), Algeria experienced a noticeable improvement in foreign direct investment (FDI) inflows, which rose to approximately $1,113 million in 2001, despite some decline in the following years (2002 and 2003). However, the overall trend remained upward, particularly starting from 2004, reaching its peak in 2008 and 2009 at around $2,631 million and $2,753 million, respectively.

This improvement can be attributed to the stabilization of the security and political situation, rising oil prices, as well as the implementation of economic recovery programs, the introduction of investment-friendly legislation, and the establishment of institutions dedicated to investment promotion.

During the period (2010–2019), foreign direct investment (FDI) inflows in Algeria were characterized by significant fluctuations with an overall downward trend. After reaching 2,301$ million in 2010 and increasing to 2,580$ million in 2011, inflows declined again in 2012 (1,499$ million), then showed a slight recovery in

2013, before decreasing once more until recording a negative flow in 2015 of approximately $584 million, reflecting an outflow of foreign capital from the Algerian market.

This decline is mainly attributed to the collapse in oil prices starting in 2014, in addition to regulatory constraints, particularly the 51/49 rule (formerly known as 49/51), and the instability of the legislative framework. Despite a partial recovery during the period 2016–2019, inflows remained below their pre-2010 level.

During the recent period (2020–2023/2024), foreign direct investment (FDI) inflows were significantly affected by the repercussions of the COVID-19 pandemic. They declined to approximately USD 1,140 million in 2020, then further decreased to USD 870 million in 2021, reaching their lowest level in 2022 at USD 255 million.

However, in 2023, a notable improvement was recorded, with inflows rising to approximately USD 1,216 million, indicating the beginning of a recovery in the investment climate.

This relative improvement in recent years can be attributed to a set of reforms undertaken by the public authorities, particularly the introduction of the new Investment Law in 2022, which abolished the 51/49 rule in most sectors (except for strategic sectors), while strengthening legal guarantees for investors, simplifying administrative procedures, and establishing the Algerian Investment Promotion Agency.

Moreover, the recovery in energy prices has contributed to restoring the attractiveness of the Algerian market, especially in the hydrocarbons sector.

Accordingly, it can be argued that foreign direct investment (FDI) inflows in Algeria continue to suffer from volatility and instability, due to the persistent heavy reliance on the hydrocarbons sector, as well as challenges related to the business environment, such as bureaucracy and the instability of legislation during certain periods.

Despite recent reforms, achieving greater stability and attractiveness for foreign investment requires economic diversification and deeper, more sustainable improvements in the business environment.

2. The Geographical and Sectoral Distribution of Foreign Direct Investment in Algeria

a. The Sectoral Distribution of Foreign Direct Investment in Algeria

Although some sectors in Algeria have managed to attract foreign investors, the Egyptian company **Orascom** invested in the telecommunications sector in 2001 and in the cement sector in 2004. Similarly, the Kuwaiti company **Wataniya** invested in the telecommunications sector in 2004.

The company **Danone** also invested in the food industry sector, among others. However, the majority of foreign direct investment (FDI) inflows to Algeria continue to be concentrated in the hydrocarbons sector. The following table illustrates the distribution of FDI inflows to Algeria across various sectors, showing a varying proportion among them.

Table 2: Sectoral Distribution of Foreign Direct Investment Inflows to Algeria (2002–2018)

Economicsector	Number of projects	Percentage of total projects %	Achieved value million) (DZD	Percentage of total value%	Number of jobscreated	Percentage of total jobs created%
Agriculture	13	1.14	5768	0.23	641	0.48
Construction	142	15.76	82593	3.28	23928	17.91
Industry	558	61.93	2050277	81.37	81413	60.95
Health	6	0.67	13572	0.54	2196	1.64
Transport	26	2.89	18966	0.57	24074	1.80
Tourism	19	2.11	12834	5.09	7956	5.73
Services	136	15.09	130980	5.20	13842	10.36
Telecommunications	1	0.11	89441	3.55	1500	1.20
Total	**901**	**100**	**2519831**	**100**	**226471**	**100**

Source: Prepared by the researchers based on data from the **National Agency for Investment Development** http://www.andi.dz/index.php/ar/declaration-d-investissement/bilan-des-declaration-d-investissment

From the table above, it is evident that the **industry sector** ranked first in terms of both the number of projects and the realized value, making it the preferred destination for foreign investors. During the period under review, 558 projects were directed to this sector, with a total value of approximately 2,050,277 million Algerian dinars, representing 93.61% of the total number of foreign investment projects in Algeria, and creating around 81,413 jobs.

This was followed by the **construction sector**, which accounted for 142 projects with a total value of 82,593 million Algerian dinars, representing more than 15% of the total number of projects in Algeria. The **services sector** came next with 136 projects, but with a higher total value than the construction sector, amounting to 89,441 million Algerian dinars, also representing over 15% of the total inflows.

The **transport** and **tourism** sectors followed, with similar shares, accounting for slightly over 2% of total foreign direct investment inflows, with 26 and 19 projects, and total values of 18,966 and 12,834 million Algerian dinars, respectively.

The remaining 22.2% of FDI inflows were distributed among other economic sectors, led by **agriculture** with 13 projects valued at 5,768 million Algerian dinars, **health** sector, and finally **telecommunications**, which recorded 1 project with a value of 89,441 million Algerian dinars.

Overall, the data indicate that the **industry sector** occupies a dominant position, largely due to its high profitability for foreign investment companies.

b. Geographical Distribution of Inward Foreign Direct Investment Flows to Algeria (2002–2018)

The countries investing in Algeria have been diverse, including both foreign and Arab nations. Table 3 presents the main investing countries and regions in Algeria over the period 2002–2018.

Table 3: Geographical Distribution of Inward Foreign Direct Investment in Algeria (2002–2018)

Regions	Number of Projects	Value (Million Algerian Dinars)
Europe	472	1,148,208
European Union	332	169,732
Asia	114	169,732
America	18	68,813
Africa	6	39,686
Arab Countries	262	1,057,257
Australia	1	2,974
Multinational	28	33,160
Total	**901**	2,519,831

Source: Authors' compilation based on data provided by the National Agency for Investment Development.

Based on the above table, Europe accounted for the largest share of total inward foreign investment projects in Algeria, with 472 projects valued at 1,148,208 million DZD. The European Union also held a significant share, comprising approximately 332 projects with a total value of 169,732 million DZD. This can be attributed to geographical proximity and the historical ties of a colonial nature between the two regions.

Arab countries ranked third, with 262 projects and a total investment value of 1,057,257 million DZD. Asian countries also maintained a notable presence, with 114 projects valued at 169,732 million DZD. In particular, China and Japan are among the leading Asian investors, especially in the construction and public works sector in Algeria.

In contrast, America accounted for a relatively small share compared to other regions, with 18 projects totaling 68,813 million DZD. The smallest shares were recorded for Africa and Australia, with approximately 6 and 1 project(s), respectively, corresponding to investment values of 39,686 million DZD and 2,974 million DZD.

Furthermore, multinational corporations were also present in Algeria, securing a considerable share of total projects, estimated at 28 projects with a total value of 33,160 million DZD.

3. Economic Determinants of Foreign Direct Investment in Algeria

a. Macroeconomic Stability

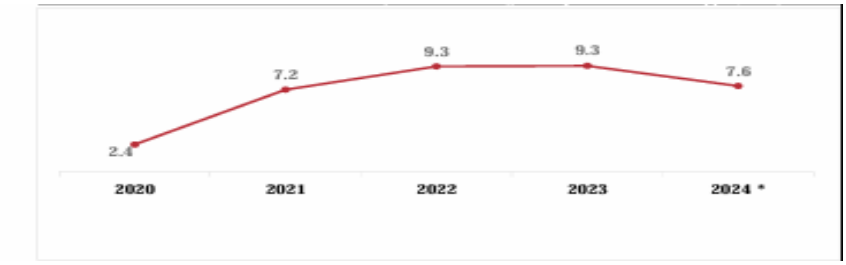
Table 4: Macroeconomic Indicators in Algeria (2019–2024)

Indicator	2019	2020	2021	2022	2023	2024
Inflation Rate (%)	**2.0**	**2.4**	**7.2**	**9.3**	**9.3**	**7.6**
Real GDP Growth Rate (%)	**0.8**	**5.5-**	**3.8**	**3.6**	**4.2**	**3.8**
Current Account (% of GDP)	**10.1-**	**11.3-**	**7.5-**	**8.4**	**2.2**	**0.1**
ExternalDebt (% of GDP)	**2.3**	**4.1**	**3.1**	**2.9**	**3.2**	**3.5**
International Reserves (Billion USD)	**61.5**	**44.9**	**41.4**	**56.8**	**64.7**	**67.1**

Source: Authors' compilation based on data from the Arab Investment and Export Credit Guarantee Corporation, *Investment Climate Report (2024)*.

Inflation:

Figure 1 : Inflation Rate (Annual Percentage Change) .



Source: Authors' compilation based on data from the Arab Investment and Export Credit Guarantee Corporation, Investment Climate Report (2024).

Inflation is considered one of the most important indicators reflecting the stability of the economic environment in Algeria, given its close relationship with investment attractiveness and its direct impact on purchasing power, production costs, and the level of economic uncertainty. Historically, Algeria has experienced significant fluctuations in inflation rates, particularly during the early 1990s, due to the transition toward a market economy, which was accompanied by price liberalization and currency devaluation. Inflation reached record levels exceeding 39% in 1994 before gradually declining as a result of the adoption of strict fiscal and monetary policies.

During the period (2019–2024), inflation evolved through two main phases. The first phase (2019–2020) was characterized by relative stability, with inflation rates of 2.0% in 2019 and 2.4% in 2020, reflecting a more stable and investment-friendly economic environment. In contrast, the second phase (2021–2024) witnessed a

significant increase in inflation rates, reaching 7.2% in 2021 and 9.3% in both 2022 and 2023, before declining moderately to 7.6% in 2024.

This increase can be attributed to the repercussions of the COVID-19 pandemic, disruptions in global supply chains, rising prices of essential goods and energy, as well as imported inflation, reflecting the Algerian economy's vulnerability to external shocks.

Accordingly, this relative rise in inflation rates may negatively affect the investment climate by increasing production costs, reducing purchasing power, and heightening economic uncertainty. Despite some recent signs of improvement, this situation calls for strengthening economic policies aimed at ensuring price stability and enhancing investment attractiveness.

Economic Growth Rate:

Figure 2. Real GDP Growth Rate (%)



Source: Authors' compilation based on data from the Arab Investment and Export Credit Guarantee Corporation, *Investment Climate Report (2024)*.

The evolution of Algeria's real GDP growth rate is closely linked to fluctuations in oil prices, which serve as the main driver of the national economy. During the early 1990s, the country experienced negative growth rates due to economic crises and structural adjustments. However, the relative improvement in oil prices in recent years has contributed to supporting economic growth.

During the period 2019–2024, the GDP growth rate was 0.8% in 2019, before contracting sharply to -5.5% in 2020 due to the repercussions of the COVID-19. The economy then entered a phase of gradual recovery starting in 2021, with growth reaching approximately 3.8%, continuing at 3.6% in 2022 and 4.2% in 2023, before stabilizing around 3.8% in 2024.

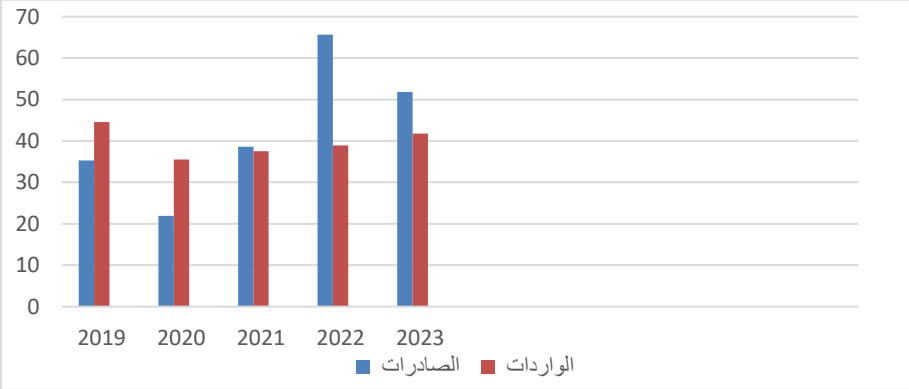
Despite this improvement, these growth rates remain insufficient to achieve inclusive economic development or to absorb high unemployment levels. Achieving higher and sustainable growth rates of 6–7% over the medium term is therefore necessary, particularly through economic diversification, reducing reliance on the hydrocarbons sector, and promoting productive investments in non-oil sectors.

Based on the above table, it can be observed that Algeria's macroeconomic indicators during the period 2019–2024 were relatively stable and suitable for investment activity. Economic reforms implemented by Algeria, along with privatization initiatives, trade liberalization, and integration into the global economy through numerous bilateral, regional, and international trade agreements, have contributed to creating a favorable environment for both foreign and domestic investors. In addition, Algeria possesses several competitive advantages and key economic attributes that enhance investment attractiveness.

Foreign Trade Performance:

The figure below illustrates the impact of economic diplomacy on both exports and imports.

Figure 3. Evolution of Foreign Trade (2019–2023)



Source: Authors' compilation based on data from the Arab Investment and Export Credit Guarantee Corporation, *Investment Climate Report (2024)*.

Based on the figure above, the trade balance experienced minor positive fluctuations during the period 2019–2023.

Exports:

Analysis of Algeria's exports during 2019–2023 shows the continued dominance of the hydrocarbons sector, alongside a clear geographic concentration toward European markets, which remain the main trading partner. In 2019, Europe accounted for approximately 58.14% of total trade flows, with around 63.69% of Algerian exports directed to this region.

Exports were significantly affected by the COVID-19 crisis in 2020, due to the decline in global energy demand, falling oil prices, and disruptions in supply chains, resulting in a sharp decrease in export values. However, starting in 2021, with the gradual recovery of the global economy and rising oil and gas prices,

exports experienced a strong rebound, peaking in 2022, before slightly declining in 2023 while remaining at high levels.

As part of diversification efforts, non-hydrocarbon exports improved modestly, reaching 10.54% of total exports during the first four months of 2021, with significant increases in products such as cement, oils, sugar, foodstuffs, dates, and fertilizers. Nevertheless, their contribution remains limited, reflecting the continued weakness in diversifying Algeria's export base.

Table 5: Major Exported Commodities and Year-on-Year Growth Rates

Major Exported Commodities	Value (Million USD)	Year-on-YearGrowth (%)
Cement Exports	51.54	%144.45
Sugar Exports	120	%44.57
Date Exports	46.29	%25.66
Mineral and Chemical Fertilizer Exports	283.26	%5.09
Oils and Other Products Derived from Coal Distillation	163	%121.34
Food Products Exports	205	%38.52

Source: Ministry of Internal Trade and National Market Regulation

Imports:

Regarding imports, the data show a relatively stable trend during the same period, despite being affected by the COVID-19 crisis. Imports declined slightly in 2020 due to reduced domestic demand and the implementation of import rationalization policies. However, they gradually increased starting in 2021 with the recovery of economic activity and rising demand for intermediate and consumer goods.

Algerian imports also exhibit a geographic concentration similar to exports, with European countries, including the European Union, accounting for a significant share (over 53%), reflecting continued trade dependency on this region. Overall, the evolution of imports is closely linked to the needs of the national economy for equipment and essential goods, highlighting the strategic challenge of reducing external dependency and promoting domestic production as a means to support trade balance.

Conclusion:

In conclusion, this study has provided a comprehensive analysis of foreign direct investment (FDI) in Algeria over the period 1996–2024, highlighting its evolution, sectoral and geographical distribution, and key economic determinants. The findings reveal that, despite noticeable growth in certain periods, FDI inflows to Algeria remain volatile and below their full potential, largely due to structural

constraints, regulatory instability, and the country's heavy dependence on the hydrocarbons sector.

The study also demonstrates that while Algeria possesses significant comparative advantages—such as abundant natural resources, a strategic geographic location, and a relatively stable macroeconomic framework—these strengths have not been fully leveraged to attract diversified and sustainable foreign investment. The dominance of the hydrocarbons sector and the limited contribution of non-oil sectors continue to hinder the achievement of inclusive economic development and effective job creation.

Moreover, external shocks, particularly oil price fluctuations and the COVID-19 pandemic, have further exposed the vulnerability of FDI inflows, emphasizing the need for a more resilient and diversified economic structure. Although recent reforms, including the new investment law and improvements in the business environment, represent positive steps, their effectiveness will depend on consistent implementation and long-term policy stability.

Therefore, enhancing Algeria's attractiveness to foreign investors requires deepening structural reforms, improving institutional quality, ensuring legal and regulatory stability, and promoting economic diversification. Strengthening non-hydrocarbon sectors, encouraging innovation, and fostering a more transparent and efficient administrative system are essential to achieving sustainable growth and reducing unemployment.

Ultimately, FDI can play a pivotal role in Algeria's economic transformation if supported by coherent policies and a conducive investment climate, enabling the country to better integrate into the global economy and achieve long-term development objectives.

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