The role of economic diplomacy in attracting foreign direct investment in Algeria

دور الدبلوماسية الاقتصادية في جذب الاستثمار الاجنبي المباشر في الجزائر

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Abstract: These studies aim to shed light on the topic of economic diplomacy in Algeria and highlight its role as a mechanism for attracting foreign direct investment (FDI) and diversifying the economy beyond the hydrocarbon sector.The findings conclude that activating economic diplomacy through promoting investment opportunities, improving Algeria's image, and concluding agreements directly contributes to improving the business environment and attracting capital.Despite the challenges discussed, it is also viewed as a vital tool for technology transfer and job creation.

Keys words: **Economic diplomacy, Foreign direct investment,Algeriaattracting capital**

JEL classification codes: F23;F53 ; F59

ملخص:تهدف الدراسات الى تسليط الضوء على موضوع الدبلوماسية الاقتصادية في الجزائر وإبراز دورها كآلية في جذب الاستثمار الأجنبي المباشر (FDI) وتنويع الاقتصاد خارج قطاع المحروقات. خلصت النتائج إلى أن تفعيل الدبلوماسية الاقتصادية عبر الترويج للفرص الاستثمارية، وتحسين صورة الجزائر، وإبرام الاتفاقيات، يساهم بشكل مباشر في تحسين بيئة الأعمال وجذب رؤوس الأموال بالرغم من التحديات التي تم التطرق لها، كما يُنظر إليها كأداة حيوية لنقل التكنولوجيا وخلق مناصب شغل

الكلمات المفتاحية:الدبلوماسية الاقتصادية، الاستثمار الاجنبي المباشر، الجزائر، رؤوس الاموال

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1-Introduction

In a contemporary world where international relations are now governed by figures and shared interests, diplomacy is no longer confined to the corridors of traditional politics. Instead, in its modern context, it has become a key driver of development and a primary gateway for attracting foreign investors through its network of diplomatic representations. This is achieved through what is known as 'economic diplomacy'. In the context of its contemporary economic vision, Algeria is endeavoring to establish this form of diplomacy as an effective strategic instrument, with the objective of repositioning itself on the global investment landscape. Attracting foreign direct investment has evolved from a mere possibility to an imperative for economic diversification, technology

transfer and job creation. Algeria is seeking to enhance its image as a safe and attractive investment destination, promoting a promising business climate underpinned by a new investment law, tax incentives and vast logistical capabilities, making economic diplomacy the reliable bridge across which foreign investors can enter the land of Algerian opportunities.

2- Economic Diplomacy in Algeria

The purpose of this section is to define the concepts related to economic diplomacy and to highlight the key features of economic diplomacy in Algeria.

2-1The following definition of economic diplomacy is proposed: Prior to delving into the definition of economic diplomacy, it is imperative to comprehend the notion of diplomacy in its broader sense. This concept has undergone a gradual evolution in congruence with the progression of the international system and the evolving interests of states. The establishment of international relations was primarily driven by the desire to uphold this pragmatism, a concept that encompasses a wide range of spheres, including politics, economics, military affairs, culture, and other domains. The concept of diplomacy has evolved, and consequently it has developed as a phenomenon and a means within international relations.

The linguistic definition of the word 'diplomacy' is as follows: it means "to fold", and is derived from the Greek word Diplôma. The term "diplomacy" originates from the practice of issuing formal documents by the rulers of Greek cities, bestowing upon individuals' specific privileges. The term is also derived from the Roman verb 'dipur', which means 'to fold'. In those days, significant documents were composed of metal and sealed securely, as they were issued by kings and princes. Furthermore, these documents contained significant secrets pertaining to the Roman Empire, irrespective of the circumstances of war or peace. In this regard, it is important to note that the document in question served as a medium through which rulers and kings could articulate and pursue their interests, thereby conferring upon its bearer a range of privileges and recommendations that ensured his favorable reception and deference. In the event of the bearer being killed or attacked, war is declared. As time passed, the notion of the term underwent an evolution in its association, being linked to official procedures and documents pertaining to international relations, with particular reference to their legal and organizational management. This entailed the institution of individuals tasked with the duty of serving these communities, known as archivists. Consequently, the term 'diplomacy' came to be synonymous with the study of treaties between states. In the context of Arab culture, the term "diplomacy" was employed to denote the provision of security to the envoy dispatched to them. This foreign concept, "diplomacy", was translated into Arabic for the first time during the process of translating the Vienna Convention on Diplomatic Relations in 1961. (Bougalem, 2021/2022)

In its broadest sense, diplomacy may be defined as a process through which allies cooperate and resolve conflicts without resorting to military force. This practice was prevalent on the international stage during the 19th century. It is evident that international relations are maintained in a peaceful manner during the course of the diplomatic process. However, in its narrower sense, it is regarded as one of the means and mechanisms of foreign policy, involving formal meetings between states through their representatives, whether ministers, ambassadors or heads of state. (Griffits & Terry O'Callaghan, 2002)

Diplomacy is both a science and an art, practised by members of the diplomatic corps. These individuals carry out the function of representation on behalf of their country, operating outside their nation's borders through a permanent diplomatic mission. This practice is governed by the rules of diplomatic law, which draw their principles from sources including general international law, international custom and subsidiary sources, as well as the provisions of the 1961 Vienna Convention on Diplomatic Relations. (Al-Khayyat, 2008)

In the Arabic language, the word 'diplomacy' does not have a literal translation, yet the Arabs utilise its meaning and methods. The Arabs employed two distinct terms to denote diplomatic activity. The term 'kitab' (letter) was utilised to refer to the document exchanged between those in authority, which bestows upon its bearer privileges of protection and safety. In addition, the term 'safara' was employed by the Arabs to signify 'mission', that is, the act of going forth to a people for the purpose of negotiation. The assertion was made that the act of travelling among the people and carrying out a mission to seek reconciliation was undertaken by the ambassador as a messenger, with the purpose of reconciling between the people and the group.

In a narration from Imam Ali, peace be upon him, he is quoted as saying to 'Uthmanibn 'Affan: The populace has dispatched the author as an envoy between themselves and the addressees; that is to say, they have constituted the author as an ambassador. (Al-Hajjaj, 2021)

A notable exemplar of Arab diplomatic relations preceding the advent of Islam is the legacy of HashimibnAbdManaf, who established substantial and foundational commercial and political alliances that significantly contributed to the revitalisation of the economic and security conditions of the Arabian Peninsula, known as Al-Ilaf. This historical figure is documented in the Holy Qur'an in Surah Al-Quraysh.

Prior to the advent of Islam, the Quraysh would request that their envoys embody noble and wise qualities. In the event of an envoy being dispatched to a particular king, they would instruct him as follows: 'Be mindful of the following: seize the opportunity stealthily and assume a position of leadership among the people; refrain from blame, and do not serve as an intercessor that might cause humiliation, for that is the weakest means; avoid helplessness, for

that is the lowest of positions; be patient, for that is the cause of victory; and do not wade into the depths until you know the measure'.

In the early days of Islam, the international relations established by the Prophet, peace be upon him, were characterised by the principle of universality or comprehensiveness. In this respect, he adopted the principles of peace, harmony and mutual agreement. The Islamic State was founded on the basis of peace as the norm, and war as an exception – that is, defensive war against aggression and offensive war to curtail the influence of aggressor powers.

The call for peace was articulated through diplomatic channels, as evidenced by numerous verses in the Islamic scriptures, including the words of Allah: It is imperative to acknowledge the veracity of the divine message, as conveyed in the sacred text: "The truth is from your Lord; so whoever wills, let him believe, and whoever wills, let him disbelieve."

Moreover, the concept of "economic diplomacy" has witnessed a marked rise in prominence within the domain of economic literature, with its application being extensively utilised in governmental policies. This is particularly salient given that it targets the deficiencies that impede international trade and foreign direct investment; and aims to influence decisions relating to cross-border economic activities. Consequently, the following advantages can be identified:

The organisation has been demonstrated to have the capacity to promote trade (exports and imports) and to encourage cross-border investment by gathering and providing information. Furthermore, it has been shown to secure property rights and to stabilise economic relations. This is achieved by negotiating bilateral investment treaties and bilateral trade agreements, with the aim of enhancing the benefits of political relations and reducing the risks of international flows. In addition, the organisation has been demonstrated to influence national foreign policy-making in a manner that benefits local companies in becoming multinational, through the use of bilateral communications and the addressing of barriers that hinder the commercial interests of locally based companies operating internationally. Finally, the organisation has been demonstrated to maintain a favourable international political environment through multilateral government efforts to uphold an effective global governance system for trade and financial flows. (Abdelnour, 2021)

2-2Types of economic diplomacy: The field of economic diplomacy can be categorised into the following types, depending on the objective to be achieved:

The following aspects are covered in this study:(Noura, 2021)

-Trade diplomacy: the organisation and conclusion of trade agreements, whether bilateral or multilateral, including free trade agreements, partnership agreements, agreements on accession to the World Trade Organization, economic integration agreements, and so forth.

-Trade promotion diplomacy: The objective of this initiative is to enhance trade and investment by fostering the growth of commercial enterprises and promoting tourism.

- Financial diplomacy: The objective of this initiative is twofold: firstly, to oversee exchange rate policy and secondly, to alleviate foreign debt.

- Incentive diplomacy: The viability of this approach is contingent upon the receipt of development aid, humanitarian and educational aid, subsidies, and membership of international organisations.

- Coercive diplomacy:This form of diplomacy relies on the use of intimidation through the imposition of financial sanctions, blockades, bans on goods and individuals, and the suspension of aid.

The role of economic diplomacy is of particular importance due to its impact on the economy. The tasks of economic diplomacy include the promotion of products abroad and the attraction of foreign investment. It also provides a commercial database and economic reports on importing countries, as well as the preparation of trade and investment agreements to enhance mutual economic benefits. Furthermore, economic diplomacy facilitates the work of trade delegations tasked with negotiations and communication between economic operators in both countries.(Asma Ayat, 2018)

2-3 The aims of economic diplomacy are threefold: firstly, to strengthen economic interdependence among the world's nations; secondly, to liberalise national economies through international trade and investment; and thirdly, to globalise productive forces and promote development for the benefit of all nations. (Noura, 2021)

The instruments of economic diplomacy are as follows:

The following institutions and organisations are worthy of note:

- Financial institutions, including the World Bank and the World Trade Organisation;

- Economic blocs, such as the European Union, the North American Free Trade Agreement (NAFTA), the Association of Southeast Asian Nations (ASEAN), the Gulf Cooperation Council, and the Arab Maghreb Union;

- Bilateral and multilateral agreements, including the Euro-Mediterranean Partnership Agreement and the Arab Common Market;

- The media, through advertising and publicity for various products in order to appeal to consumers' tastes;

- Economic forums and exhibitions. (Rahmouni, 2017)

2-4 Levels of economic diplomacy: Economic diplomacy has been identified as a vital tool in modern foreign policy, whereby states utilise their economic resources to promote their national interests, attract investment and increase trade. The scope and areas of operation of this diplomacy are multifaceted, encompassing a range of dimensions, and can be categorised into three levels.(Bassoud, 2021)

-**The first level is the bilateral level**. The present level focuses on direct relations between two states and includes the following:

The establishment of bilateral trade agreements is the process of signing treaties that facilitate the exchange of goods and services between two or more nations, with the aim of reducing customs duties.

Attracting foreign direct investment: The promotion of investment opportunities in host countries by diplomatic missions (embassies) to foreign companies is a key aspect of their role.

The provision of assistance to domestic enterprises in their endeavours to penetrate foreign markets is facilitated by the provision of logistical and informational support.

-At the regional and multilateral levels: The attainment of this level is facilitated by engagement with international organisations or regional blocs, and encompasses the following:

The participation of economic blocs in international organisations such as the European Union or the African Continental Free Trade Area is conducive to the promotion of economic integration.

International organisations: The organisation's role is to work within the World Trade Organisation (WTO), the International Monetary Fund and the World Bank to negotiate global trade rules and protect national interests.

Energy and resource diplomacy: In order to ensure energy security and price stability, it is necessary to coordinate with producer or consumer nations (e.g. OPEC).

-Functional/Thematic Level: The focus of this level is on specific cross-border economic issues, including:

The concept of energy diplomacy can be defined as the management of relations pertaining to the production and transportation of oil and gas.

The realm of financial and monetary diplomacy encompasses a range of cooperative endeavours, including the management of exchange rates, the prevention of money laundering, and the provision of loans and financial assistance.

Development diplomacy can be defined as the utilisation of technical and financial assistance to encourage the advancement of foreign nations, thus facilitating the emergence of novel trade prospects.

2-5 Key milestones in Algerian economic diplomacy:

-Debt relief: In order to activate its economic diplomacy, Algeria has provided debt relief to 14 African countries, including Mauritania, Congo, Ethiopia, Burkina Faso, Mali, Mozambique, Niger, Senegal, Tanzania, Benin, Guinea-Bissau, Sao Tome and Principe, and Eritrea. The objective of this initiative is to demonstrate solidarity with African nations in their efforts to address economic crises.

-The following agreements have been reached: Algeria's economic diplomacy is highly active in this field, a result of the political stances it adopts.

Of particular significance is the partnership agreement between Algeria and the European Union, which is designed to protect the interests of both parties. The commencement of negotiations occurred in 1997, with numerous rounds of deliberations occurring at the highest levels of government. These accords resulted in the progressive liberalisation of the Algerian economy, encompassing not only trade between the two nations, but also a prioritisation of industry and technology. In accordance with the provisions of the aforementioned accords, the European Union is entitled to engage in investment activities in Algeria and to undertake commitments pertaining to the transfer of technology. Moreover, the European Union is committed to providing support and assistance to Algeria in the domain of professional training across a range of sectors. This commitment is manifested through the organisation of training missions to EU countries and the implementation of various training programmes. The Paseaprogramme is an exemplification of this phenomenon. The programme's objective is to support and develop the employment sector in Algeria.

Since the agreement took effect in 2005, the European Union has increased its share of Algerian imports on an annual basis by an estimated 52%, reaching a value of over $11 billion in 2005. In 2019, the value of trade in services was approximately €46 billion. The European Union's imports of services amounted to 1.5 billion euros, whereas its exports totalled 3.1 billion euros. As of the close of 2019, the total value of European investments in Algeria amounted to approximately 14.5 billion euros.

This pertains to the European Union; however, there are additional accords in place with various nations, including the United States, China, Russia, Brazil, India, and multiple Arab states, in addition to numerous regional and international entities.

-The inflow of capital from foreign sources is known as 'foreign investment'. Algeria has recently succeeded in gaining access to several African markets through the utilisation of its economic diplomacy, facilitated by Algerian institutions that have invested in these countries. The institutions in question include Sonatrach, Cevital, Condor, AlgérieTélécom and Sonelgaz, while the countries involved are Niger, Chad, Mozambique and Libya.

-Foreign aid: This encompasses a range of forms of in-kind, financial, and food aid provided by Algeria to various countries worldwide. Algeria has been a consistent provider of financial aid to Palestine, contributing approximately $100 million towards supporting the Palestinian Authority in the management of internal affairs. Furthermore, Algeria has extended substantial support to Mali, providing 108 tonnes of foodstuffs and 400,000 doses of the Sinovac vaccine in 2019. Additionally, Algeria recently allocated $300 million to Tunisia to assist it in addressing its severe economic challenges.

2-6 Challenges facing Algerian economic diplomacy

The following discussion will address the challenges facing Algerian economic diplomacy.(Meziani, 2019)

In addition to the aforementioned opportunities that facilitate the implementation of Algerian economic diplomacy, there are several challenges that must be addressed, including:

Recent studies have identified several factors that are of particular concern in Algeria's foreign policy. Firstly, there has been a notable increase in new and asymmetric security threats along the country's borders with Tunisia, Mali and Libya. These threats include the emergence of terrorist groups, illegal migration, and extremism. Secondly, the closure of borders due to these security concerns is counter to Algeria's active economic approach in Africa. Thirdly, there is a lack of awareness among Africans of investment opportunities and the business climate in Algeria. Finally, competition from other African powers in the field of investment, particularly services, is a salient issue. For example, the absence of Algerian banks in Africa is a notable gap in the financial sector.

3- Foreign investment

The flow of international capital has played a crucial role in the emergence of globalisation on a broader and more comprehensive scale. The most significant feature of this is the intense competition between countries to attract as much of these flows as possible, of which foreign direct investment is one of the most important forms.

The term 'investment' is defined as follows: The term 'outlay of funds' is defined as "Any expenditure of financial resources with the objective of procuring or utilising a product"(Aliouch, 1999). The term is also defined as follows: The term 'capital' refers to "that portion of a country's gross domestic product which is not used for current consumption in a given year, but is instead used to add to society's stock of capital assets in order to increase the country's capacity to produce goods and services" (Lutfi, 2009)

In accordance with Law No. 22-18, investment under Algerian law constitutes any contribution, whether in cash or in kind, made by a natural or legal person (national or foreign) to an economic project for the production of goods and services, with the aim of achieving a financial return and economic development, whilst guaranteeing freedom of investment, protection against expropriation, and the repatriation of profits.

3-1 The following definition of foreign direct investment is provided: A plethora of definitions of foreign direct investment have been proposed by various international organisations; therefore, the following summary outlines the most salient ones:

Foreign investment, otherwise termed international investment, is defined as monetary capital or tangible or intangible assets, such as technical and technological know-how and industrial designs, originating from abroad and owned by Arab or foreign individuals or institutions, intended to contribute to productive, commercial and economic activities in a country with the aim of obtaining a satisfactory return, provided that the owner is entitled to repatriate it, together with its returns, abroad. (al-Samara'i, 2006)

The International Monetary Fund (IMF) provides the following definition of foreign direct investment:

The primary objective of foreign direct investment is to establish a lasting interest in an enterprise operating within an economic sector that is distinct from the investor's own sector. This enables the investor to wield genuine authority in decision-making processes concerning the management of the enterprise. The Arab Investment Guarantee Corporation offers the following definition: "Long-term investments entail active involvement by owners in management and decision-making processes, manifested through their perpetual stake in the capital of the investment project."

Meanwhile, the Organisation for Economic Co-operation and Development (OECD) has defined it as follows: The investment strategy is founded on the establishment of enduring economic relationships with enterprises. This investment strategy has the potential to wield real influence over the management of enterprises through the following means:

The investment may be made through the establishment of a new enterprise, a branch, or other such means.

Contributing to a new or existing enterprise, provided that the contribution is not less than 10%.

Long-term lending (a period of five years or more).

3-2 The importance of foreign direct investment. The following discussion will address the importance of foreign direct investment.(al-Samara'i, 2006)

It is widely regarded as a highly advantageous financing instrument, given that it furnishes host countries with a renewable source of capital on favourable terms. This facilitates the acquisition of foreign currency and the mobilisation of capital for the purpose of financing development programmes and plans. Furthermore, it has been demonstrated to play a pivotal role in the development and advancement of various sectors.

The aforementioned factor results in the establishment of novel employment prospects, whilst concomitantly facilitating the advancement and instruction of human capital.

The primary objective of the initiative is to enhance efficiency and boost investment rates by financing investment levels and bolstering local resources. This is achieved by achieving high rates of economic growth and development, thereby facilitating further expansion.

The aforementioned constitutes a genuine step towards integration into the global economy through privatisation and expansion.

The provision of access to modern and advanced technology has been identified as a key facilitator of the transfer of technology, managerial and organisational skills, with particular relevance to specific industries.

The enhancement of living standards is achieved through the provision of superior services that are delivered in an efficient manner.

3-3 A Strategy for the Development of Foreign Direct Investment

The development strategies and policies of developing countries have been informed by the numerous development challenges with which they have been confronted, and continue to be confronted, and these strategies and policies have been formulated with a view to alleviating poverty and underdevelopment. Foreign direct investment is one such strategy and policy. It is evident that such strategies cannot fall outside the scope of the International Monetary Fund, the World Bank for Development, and, finally, the World Trade Organisation, as they are based on a dual political and economic strategy.

-Firstly, the political strategy, which includes:

The curtailment of political independence, whereby developed countries attempt, through the implementation of foreign direct investment, to exert control over the decision-making processes in host countries, thereby transforming them into compliant instruments for fulfilling their demands. The political objective of this type of investment is to work towards curbing the strength of nationalist movements, as these are regarded as a grave threat to it.

-Secondly – Economic Strategy: The elements of the economic strategy for foreign direct investment can be summarised as follows: (Sahi, 2014)

Acquisition: Prior to the decision-making process concerning foreign direct investment in a given country, investors are obliged to assess the prevailing investment climate. In the event that the climate is deemed favourable, acquisition is to be undertaken through legal channels.

The establishment of a correlation between the interests of specific groups and the subject under discussion. Foreign direct investment (FDI) can be defined as the investment of capital by an entity into another country in order to establish shared interests with the host country, with the ultimate aim of strengthening the entity's position.

The issue of the exploitation of natural resources in less developed countries is a contentious one. Multinational companies frequently elect to defer the utilisation of natural resources within their home country, opting instead to reserve these resources as a strategic reserve in anticipation of contingencies. They also depend on the exploitation of natural resources in less developed countries to procure the targeted products at reduced costs. The investment strategy is characterised by two objectives:

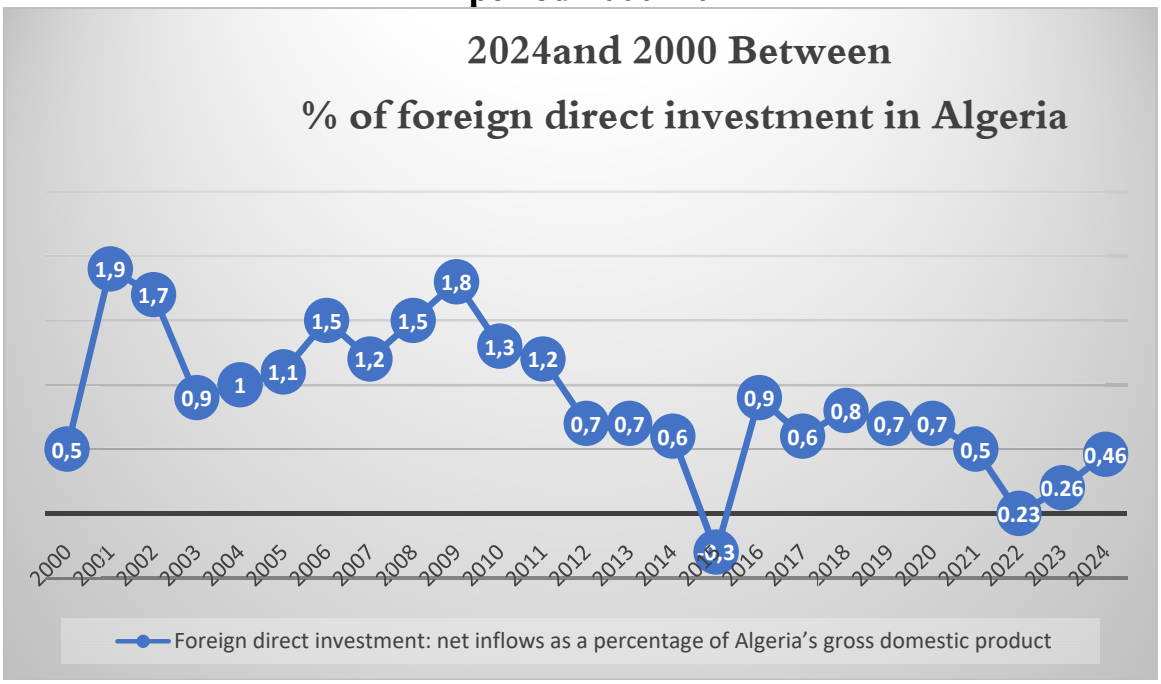
The objectives are twofold: firstly, to conquer foreign markets, and secondly, to maintain and develop their share of the foreign market. This can result in disruption to export operations through foreign investment.

Consequently, the primary objective of these companies is to sell in the host country's domestic market, with sales in the regional market being of secondary importance.

3-4 The Development of Foreign Direct Investment in Algeria: Algeria has pursued a series of legislative reforms to its investment laws with a view to attracting foreign direct investment. This is seen as a means of accelerating the

pace of economic development and improving output and productivity, particularly in relation to non-hydrocarbon investment. The implementation of such reforms is believed to facilitate the country's international integration and secure direct access to international markets by meeting the needs of multinational companies' subsidiaries or directly through the international marketing structure. The subsequent figure illustrates the development of foreign direct investment flows into Algeria during the period from 2000 to 2024, in order to assess the effectiveness of the measures taken in creating a favourable investment climate.

Figure 1 shows the trend in foreign direct investment during the period 2000–2024



Source: Prepared by the researcher based on data from the World Bank and the Global Governance Indicators available at:

https://data.albankaldawli.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2022&locations=DZ&start=1998

The figure above shows that foreign direct investment in Algeria rose from 0.5% in 2000 to 1.8% in 2009. This was due to improved security and political conditions in the country, as well as the rise in oil prices during that period and increased demand for oil. It then fell from 1.8% in 2009 to 0.3% in 2005. This was due to the 2008 mortgage crisis and its repercussions, as well as the fall in oil prices on international markets, which had a negative impact on the Algerian economy. economy. Subsequent to 2015, there was an increase, which can be attributed to the enactment of the New Investment Law of 2016. This legislation introduced a range of measures to encourage investment, including tax incentives, the streamlining of investment project approval processes, and the removal of certain restrictive regulations. These measures were designed to create a more conducive environment for investment, thereby

attracting greater investment and economic growth. Nevertheless, the influx of foreign investment into the country remains inadequate, falling short of expectations given the necessity to fortify the industrial base, consolidate partnerships and investment, and augment export volumes. This decline is evidenced by the figure showing that foreign investment declined from 0.7 billion US dollars in 2020 to 0.2 billion US dollars in 2022, with average annual foreign direct investment inflows into Algeria standing at around 0.41 billion US dollars from 2001 to 2024.

The highest level on record was achieved in 2010 at US$177 billion, with investments increasing by US$0.46 billion in 2024.

4-The relationship of economic diplomacy to foreign direct investment in Algeria

4-1The relationship between economic diplomacy and attracting foreign direct investment.

The following essay will explore the relationship between economic diplomacy and attracting foreign direct investment.(Roselyn admaba, 2017)

The experiences of politicians around the world have demonstrated that diplomacy is one of the key tools in the fierce competition for foreign direct investment. This is due to the fact that economic negotiations in which states engage have an impact on economies that transcend national borders. This process is carried out by diplomats who seek to advance their countries' economic interests through various bilateral and multilateral engagements with other actors. One politician observed that cooperation and coordination between states has the potential to enhance the effective flows of foreign direct investment from one region to another. For instance, the United States' effective relations with other countries have the potential to expand its market access, thereby enabling its companies to invest more readily in other countries. Consequently, investment promotion initiatives undertaken by various agencies tend to result in the attraction of foreign direct investment, as these initiatives underscore the opportunities available on a global scale.

4-2 The strategic shift in Algeria's economic diplomacy in pursuit of foreign direct investment

Algeria's economic diplomacy is undergoing a notable strategic shift, with it becoming a cornerstone of its foreign policy. The aim of this shift is to diversify the economy and to attract foreign direct investment (FDI) away from total reliance on hydrocarbons. The following points provide a concise overview of Algerian economic diplomacy efforts: (BARJO & Ghanem JALTI, 2024)

The modernisation of the legal and institutional framework is of paramount importance. The recently promulgated Investment Law 22-18: Algeria has recently adopted a new investment law that is intended to guarantee transparency, freedom of investment for foreign investors, and equal treatment with domestic investments.

The abolition of the 49/51 rule is a matter of particular significance in this context. The minimum partnership rule, which stipulates that a 51% majority must be held by the Algerian side, has been revoked in numerous non-strategic sectors. This development has engendered a greater degree of flexibility for foreign investors.

Administrative streamlining: The establishment of the 'Algerian Agency for Investment Promotion' (AAPI) was initiated with the primary objective of expediting the registration of investments and the issuance of certificates. This initiative also entailed the establishment of a centralised platform for major projects, thereby providing a comprehensive and streamlined service for investment-related matters.

The enhancement of collaborative relationships and international collaboration is imperative. The present study focuses on the African context. The initiation of economic diplomacy is intended to enhance trade relations with African countries, thereby opening new markets for Algerian products and attracting joint investments.

Diversifying partners: Algeria is seeking to expand its economic partnerships beyond its traditional European allies by forging ties with Asian and American nations. The primary objective of these endeavours is to facilitate technology transfer and promote industrial localisation.

Promoting Algeria as an investment destination: The enhancement of the investment image is of paramount importance. It is imperative that embassies and consulates abroad intensify their efforts to promote investment opportunities in the renewable energy, desert agriculture, tourism and industrial sectors.

In the following section, the reader will be introduced to the topic of tax and customs incentives. The provision of tax exemptions and privileges to foreign investors is intended to reduce the initial costs of projects.

The provision of assistance with infrastructure and financing is hereby outlined. The development of infrastructure is underway to create an attractive investment environment. Furthermore, there is a strengthening of the banking and financial system to support international investment projects.

Entrepreneurship-based diplomacy: Algeria has been ranked first globally in terms of the number of activities organised during the 17th edition of Global Entrepreneurship Week, thereby highlighting its role in fostering the business environment.

The promotion of exports which are not comprised of hydrocarbons. The Ministry of Foreign Affairs plays an instrumental role in the organisation of economic days and international exhibitions, with the objective of promoting Algerian products, including dates, building materials and electronics.

Energy diplomacy: The purpose of this study is to explore the ways in which Algeria's role in the Gas Exporting Countries Forum (GECF) and OPEC is being strengthened, with a view to ensuring price stability and safeguarding international interests.

The African Continental Free Trade Area (AfCFTA) is a proposed economic integration agreement among the member states of the African Union. Algerian diplomacy is centred on the consolidation of Algeria's engagement in this domain, with the objective of capitalising on trade opportunities and the establishment of new markets for Algerian products.

The following section will provide a detailed overview of Continental infrastructure projects. The implementation of strategic projects should be accelerated.

The Trans-Saharan Highway project is a proposed road that would extend from Algeria to Lagos, Nigeria, traversing the Sahel region of Africa.

The Nigeria-Algeria gas pipeline project has been identified as a key initiative to enhance energy security in Africa and Europe.

The promotion of digital connectivity is facilitated by the implementation of a fibre-optic network.

The establishment of banking facilities and transportation infrastructure. The establishment of branches by Algerian banking institutions, such as the Bank of Algeria Abroad, in African countries, including Senegal and Mauritania, has been instrumental in facilitating financial transactions. This initiative is further complemented by the introduction of direct air and sea transport routes, which have been instrumental in supporting trade.

The present study will examine the role of economic and security diplomacy in the context of international relations. The provision of economic aid and technical support to Sahel countries (Mali, Niger) is intended to promote stability, thereby creating opportunities for economic cooperation. This approach aims to establish a nexus between development and security.

The involvement of local economic actors is a key element in the process.

• The following section will examine the dialogue that occurs between diplomats and stakeholders. The organisation of national forums (for example, the 'Directions of Algerian Economic Diplomacy' forum) facilitates the exchange of ideas between researchers, experts, diplomats and businesspeople. The objective of these forums is to adapt diplomatic performance to the needs of the local economic fabric.

The provision of support for small and medium-sized enterprises is of paramount importance. The provision of support mechanisms for local enterprises is intended to facilitate the export of their products.

4.3The following key statistics and indicators on foreign direct investment in Algeria are presented for the years 2024 and 2025:

These efforts have yielded positive results in recent times.(Publication de Algerian Investment Promotion Agency, 2025)

Growth in investment flows: An examination of data pertaining to foreign direct investment flows into Algeria reveals a 18% increase in such flows during the course of 2024 in comparison with the preceding year.

Financial value: The value of foreign direct investment reached $1.43 billion in 2024.

Sectors of particular interest: It is widely acknowledged that the industrial sector is the most attractive for foreign investment. This is followed by the energy, services and agriculture sectors in descending order.

Investment partners: It is evident that China has become a prominent foreign investor in Algeria, in conjunction with companies from Turkey, Japan and Egypt.

Economic growth: The Algerian economy demonstrated growth of 3.9% during the second quarter of 2025, with this expansion primarily driven by the non-hydrocarbon industrial sector.

4-4 The challenges confronting Algeria's economic diplomacy in attracting foreign direct investment(Guiri & Meheni Leila, 2023)

The present study explores the challenges confronting Algeria's economic diplomacy in attracting foreign direct investment (FDI), and the impact of recent legal reforms on this process. The analysis identifies a range of structural and circumstantial challenges that impede Algeria's capacity to attract FDI, despite the implementation of recent legal reforms. These challenges encompass a wide range of issues, including procedural and bureaucratic complexities, financial constraints, and challenges related to the business environment. The following are the primary challenges confronting Algerian economic diplomacy:

The following section will address the structural and legal challenges that have been identified.

The presence of bureaucracy and cumbersome procedures has been identified as a contributing factor. Despite the implementation of amendments to the Investment Law, the presence of slow administrative procedures, complex legal processes and overlapping jurisdictions persists as a significant impediment for foreign investors.

The following section will address the obstacles encountered in the domains of financing and banking. Investors encounter challenges in accessing local financing, and the banking system requires modernisation to manage major international projects and compete effectively.

The phenomenon of economic instability has been observed to occur with regularity. The prevailing instability within the general business environment has a significant impact on investor decision-making, with many investors experiencing a degree of hesitation due to alterations in legislation or a paucity of clarity with regard to the long-term economic outlook.

Marketing challenges and Algeria's international image:

The external promotion is inadequate. The issue of economic diplomacy is compounded by the absence of effective marketing of investment opportunities that lie beyond the hydrocarbons sector. This necessitates a more proactive engagement by embassies and commercial attaché offices.

Investor scepticism: The adverse consequences of prior experiences, notably the implementation of the 49/51 law (which imposed local control), persist in engendering a degree of scepticism among foreign investors.

Sectoral challenges and the business environment:

The present study explores the relationship between reliance on hydrocarbons and associated factors. The majority of foreign direct investment is concentrated in the energy sector. In contrast, the economic diversification sector (industry, agriculture, tourism) is encountering challenges in attracting quality investment.

The necessity for infrastructure development is apparent. Notwithstanding the improvements that have been made, there is an urgent necessity to develop logistics and digital infrastructure in order to meet international standards and to attract investment in technology.

The following section will address the challenges faced by businesses in their current operating environment.

The issue of difficulty in accessing affordable housing is a salient concern. Investment property problems persist as a primary challenge for investors.

Notwithstanding these difficulties, Algeria witnessed an 18% surge in foreign direct investment inflows during 2024, reaching $1.43 billion, signifying a gradual enhancement in investment attractiveness due to recent legal reforms.

Conclusion:

It is evident that economic diplomacy has evolved from a mere possibility to a strategic imperative and a fundamental component of Algeria's contemporary foreign policy. This policy is driven by the objective of diversifying the economy and reducing reliance on hydrocarbons. Recent endeavours in the realm of international relations, complemented by legal and structural reforms (a notable example being the 2022 Investment Law), have contributed to the enhancement of Algeria's business environment. This, in turn, has exerted a favourable influence on the augmentation of foreign direct investment flows, which demonstrated a substantial improvement in 2024.

The expansion of diplomatic representation on the African continent and in prospective markets, in conjunction with the fortification of trade partnerships, particularly with the European Union and China, has enabled Algeria to attract high-value projects in the energy, mining, and industrial sectors. This, in turn, has led to direct contributions to job creation and a reduction in imports. The extent to which Algeria can successfully attract foreign direct investment is contingent upon its diplomatic efforts in coordinating political and economic objectives, and on its ability to function as an active 'commercial interface'. The successful transformation of opportunities inherent in the national economy into genuine and sustainable strategic partnerships is a key objective.(BARJO & Ghanem JALTI, 2024)

RESULTS

It is clear that economic diplomacy is no longer merely an option, but has become a strategic necessity and a cornerstone of Algeria's new foreign policy, aimed at diversifying the economy and moving away from excessive dependence on hydrocarbons. Active diplomatic initiatives, alongside legal and structural reforms (such as the new 2022 Investment Law), have helped improve the image of Algeria's business climate, which has had a positive impact on increasing foreign direct investment flows, which saw a marked improvement in 2024

Conclusions:

- In the contemporary geopolitical landscape, diplomacy has evolved into a tool of competition among states as they vie to attract capital and enhance their economic attractiveness. Economic diplomacy is a strategic endeavour aimed at publicising and promoting investment opportunities within Algeria, contributing to an augmentation in foreign direct investment flows. This phenomenon is evidenced by the substantial foreign corporate investment, which has surpassed $9 billion, bolstered by the presence of international exhibitions and trade agreements.
- Algeria is prioritising the implementation of economic diplomacy as a strategic measure to enhance trade relations and attract investment, particularly within the African context.

Recommendations:

- The training of diplomatic staff is to be recommended. It is imperative that Algerian diplomats receive comprehensive training in contemporary economic marketing techniques and develop a profound comprehension of international investment mechanisms.
- The following essay will explore the concept of 'activating digital diplomacy'. The utilization of digital and IT platforms serves to ensure that foreign investors are informed of investment opportunities and legal incentives in Algeria in a timely manner, as soon as they are updated.
- The integration of diplomacy and domestic policies is a subject that has been the subject of much debate in academic circles. It is imperative that coordination between the Ministry of Foreign Affairs, economic ministries and the private sector is strengthened in order to facilitate the inflow of foreign direct investment.
- The present paper sets out the case for directing diplomacy towards new markets. It is imperative to enhance diplomatic endeavors in non-traditional regions, such as Asia and Africa, with the objective of attracting technology and knowledge, in addition to capital.
- In the present context, economic diplomacy constitutes a vital instrument in Algeria's foreign policy armory. The efficacy of this instrument, however, is contingent upon the ongoing implementation of internal

structural reforms and the systematic training of diplomats endowed with superior economic and commercial acumen.

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