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The Attractiveness of Foreign Direct Investment In the Middle East and North Africa (MENA)

جاذبية الاستثمار الأجنبي المباشر في الشرق الأوسط وشمال إفريقيا (MENA)

Dr. Soumeya Bacha ♦, University Of Tipaza, Algeria.
Postdoctoral fellow at The University Of LAVAL -Canada-

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Abstract

The Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company.

The contribution of foreign direct investment in promoting economic growth has push government in many developing countries to put forward the FDI attractiveness policy among their priorities. FDI also offered somes advantages for foreign countries. It offers a source of external capital and increased revenu. Additionally,it favorise the development of new industries and exposes national and local governments to new buisness practicies, management techniques, economic concepts and technology that will help them to develop local buisness and industries.

therfore, The attraction of the Foreign Direct Investments became an important stake for the majority of countries with regard to the numerous advantages offered for the development and the modernization of the economy. Therefore, all over the world, territories commit themselves in a fierce competition to attract the projects of investments.

Algeria has committed, like other developing countries, with series of reforms to be part from a new logic that embodies the laws of the market and liberalization of the economy, which affects all sectors of activity.

Of the foregoing, The main objective of this article is to identify the factors or determinants that affect the input flows of foreign direct investment in the MENA region (Middle East and North Africa).

Keywords

Foreign Direct Investments (FDI); Attractiveness; Territorial Marketing; Agency of Promotion of the Investments; National Agency of Development of the Investments (ANDI).

♦**Corresponding author:** Soumeya Bacha, **Email:** S.bacha@univ-boumerdes.dz

الملخص	الكلمات المفتاحية
الاستثمار الأجنبي المباشر (FDI) هو استثمار تقوم به شركة أو فرد في بلد ما لمصالح تجارية في بلد آخر، في شكل إما إنشاء عمليات تجارية أو الحصول على أصول تجارية في بلد آخر ، مثل الملكية أو السيطرة على مصلحة في شركة أجنبية. دفعت مساهمة الاستثمار الأجنبي المباشر في تعزيز النمو الاقتصادي الحكومة في العديد من البلدان النامية إلى وضع سياسة جذب الاستثمار الأجنبي المباشر ضمن أولوياتها، كما عرض الاستثمار الأجنبي المباشر بعض المزايا للبلدان الأجنبية. حيث يوفر مصدرا لرأس المال الخارجي وزيادة الدخل، إضافة إلى ذلك فهو يفضل تطوير صناعات جديدة وتعرض الحكومات الوطنية والمحلية لممارسات تجارية جديدة، وتقنيات الإدارة، والمفاهيم الاقتصادية والتكنولوجيا التي ستساعدهم على تطوير أعمال وصناعات محلية. وبالتالي أصبح جذب الاستثمارات الأجنبية المباشرة حصة مهمة بالنسبة لغالبية البلدان فيما يتعلق بالمزايا العديدة المتاحة لتطوير وتحديث الاقتصاد، لذلك تلتزم الأراضي في جميع أنحاء العالم في منافسة شرسة لجذب مشاريع الاستثمارات. لقد التزمت الجزائر مثل غيرها من البلدان النامية بسلسلة من الإصلاحات لتكون جزءً من منطق جديد يجسد قوانين السوق وتحرير الاقتصاد ، مما يؤثر على جميع قطاعات النشاط. مما سبق يتمثل الهدف الرئيسي لهذا المقال في تحديد العوامل أو العوامل المحددة التي تؤثر على تدفقات مدخلات الاستثمار الأجنبي المباشر في منطقة الشرق الأوسط وشمال إفريقيا (الشرق الأوسط وشمال إفريقيا).	الاستثمارات الأجنبية المباشرة (FDI)؛ الجاذبية؛ التسويق الإقليمي؛ وكالة ترويج الاستثمارات؛ الوكالة الوطنية لتطوير الاستثمارات (ANDI).

1.Introduction :

The Economic activity around the world has witnessed major events in recent years that have revolutionized the world and have generated unprecedented interest in international activities through a process of globalization and inherent innovation. It has as direct impact, the creation of new economic branches and the intensification of competition between them.

Indeed, globalization and the internationalization of trade have created a dynamic process in which foreign direct investment occupies a central place. In search of ways to exploit the opportunities provided by the global market, companies are increasingly geared towards strategies and approaches that transcend borders.

The main actors in this process are the multinational firms, whose strategies and organizational structures have changed with the exacerbation of competition in the international market.

In addition, FDI was perceived with great distrust and considered a threat to national sovereignty, but the advent of globalization and the liberalization of international trade have shifted the stakes of countries towards FDI, especially for developing countries.

However, the contribution of foreign locations to economic growth has pushed governments in several developing countries to implement policies of active attractiveness in order to attract foreign capital. Moreover, beyond its strictly economic benefits, foreign direct investment can help improve environmental and social conditions in host countries.

All these benefits have made policies of attractiveness the main substance of the economic policies of the countries in the world.

Whether developed or developing countries are gradually moving away from their hostile and restrictive policies towards multinationals to focus on creating an attractive environment for foreign investors. In this context, the determination of FDI attractiveness factors has become an important focus of the economic literature. To this end, empirical studies have focused on examining the economic, institutional and social variables that explain the location of FDI.

As a result, a new form of competition has emerged, first between regions, then between countries, in order to accommodate foreign investment. This explains the spectacular growth experienced by foreign direct investment in recent decades.

Through this research, we tried to empirically evaluate the determinants of attractiveness of FDI by making a comparative analysis between Algeria and the MENA countries in order to evaluate the policy of attractiveness of the countries in the matter and to diagnose the sources of blockage and dysfunction of the latter, and then try to propose economic policy measures likely to improve the attractiveness of the country's economic environment.

In fact, in a perpetual movement that characterizes the national and international economic environment, comparisons are even more necessary between countries of the same region or at comparable levels of performance. By situating Algeria in a regional context (the Maghreb), it is interesting to add other countries, either that have already proved their worth in terms of attractiveness, or even rentier

countries. Comparisons with similar economies or direct competitors are good indicators for measuring attractiveness performance.
To do this, we chose countries in the MENA region. In this context, we will analyze, the attractiveness of other countries in the Middle East and North Africa (MENA) region.
We focused our analysis on the issue of the attractiveness of foreign direct investment. It is a question of analyzing the determinants and the FDI policy in the Algerian model then comparing it to the other MENA countries. Also, we try to answer a number of questions:
1. How can we explain the deficit in FDI attraction in Algeria? Is the business climate today conducive to investment?
2. What are the determinants of FDI flows in the MENA region?
3. What explains the limited attractiveness of FDI in MENA countries?
4. What are the reasons for the lack of interest from foreign investors for MENA countries?
5. How do these countries intend to remove the obstacles so that they are more attractive?

2. Definition of Foreign Direct Investment (FDI):

The international trade theories as well as industrial organizations have focused on defining, understanding and analyzing the determinants and effects of FDI. These analyzes are carried out both at home and abroad Country of origin at the host country level in order to better understand this phenomenon. For this purpose, some theories have included FDI as a manifestation of the free movement of capital, others as a strategy of investment. In addition, the capitalist view supports the idea that FDI is a driving force for development, while Marxist theories describe it as a cause of marginalization of poor countries. However, the IDE is a highly evolutionary notion. Its definition differs according to the nature of the source that appreciates it. Foreign direct investment has long been the subject of several studies by international institutions and specialized agencies, which have given different definitions to this phenomenon. The International Monetary Fund (IMF) (1993) also defines Foreign Direct Investment (FDI) as: "various financial operations intended to influence the operation and management of companies located in a country different from that of the parent company. If one refers to this IMF definition, there is direct investment (DDI) when a non-resident entity takes a lasting interest in a resident enterprise. This implies the existence of a long-term relationship between the direct investor and the investee as well as a significant degree of influence (or the ability to exercise it) of the investor in the management of the investor". For its part, the OECD (1996) defines foreign direct investment as" an activity by which a resident investor in a country obtains a lasting interest and a significant influence in the management of a resident entity in an other country. This may involve creating an entirely new business (creative investment) or, more generally, changing the ownership status of existing businesses (through mergers and acquisitions). The notion of lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and the fact that the investor can exert a strong influence on the management of the enterprise benefiting from the direct investment. It is not necessary that the foreign investor has absolute control: the criterion applied is participation equal to 10% of the voting rights ". This definition shows that foreign investment is characterized by the contribution of the foreign firm to decision-making in the local firm. In other words, FDI is an investment that involves a long-term relationship, resulting in the acquisition by a non-resident enterprise of the capital of a resident enterprise for the purpose of controlling not only capital but also capital. Also the management and production activity of the firm of the host country .From previous definitions, we hold that a Foreign Direct Investment refers to the acquisition by an investor, of a lasting interest in the management of an entity (active, business) resident in an economy other than his own. The notion of "sustainable interest" implies, on the one hand, the desire to exercise a significant influence on the management of this entity and, on the other hand, the intention to hold the entity (assets, companies) to medium / long term. Having a "lasting interest" in an entity abroad means:

• First, the desire to exercise significant influence over the management of that entity

• Then, the intention to hold the entity (active, corporate) in the medium / long term.

3. Overview of the FDI determinants of attractiveness "Literature Review":

The concept of the attractiveness of the territories generally indicates the capacity of the latter to attract both domestic and foreign companies. This concept can be approached under several aspects: measuring the capacity of attraction of the different economies, study of the theoretical or empirical determinants. For this purpose, the question of attractiveness is due to the intensive evolution of the territorial policies, which have become very away from the traditional logic of regional planning by putting countries in competition. But before addressing the policy of attractiveness, we must first put the light on the notion of attractiveness.

3.1. Definition of attractiveness:

Attractiveness is a concept used in the speeches of policy makers, and is a very important element for theoretical studies. According to Marivaux, this concept is the subject of several general and implicit definitions of attractiveness, but no precise definition shared by all. For Hatem, it is a term of use relatively recent, with a rather vague meaning and giving rise to a great diversity of interpretation.

Cœuré and Rebaud (2002) define attractiveness as "the capacity of a country to attract and retain businesses". For Mouriaux (2004): "the attractiveness of a territory is the ability to attract and retain high content activities in highly qualified work". He considers that the concept of attractiveness is adapted to assess the situation of an economy in a complex context characterized by a high mobility of goods, people and capital. We can therefore say that attractiveness is the capacity of a country, for a given period, to attract various economic activities and mobile factors of production (enterprise, capital, skilled workers, etc.). In other words, it is the reflection of the performance of a territory or still all the mechanisms put in place by the State (investment code, financial law, legal and tax treatment of FDI, existing infrastructure in the host country, etc.) with the aim of further attracting foreign investors. The decision to locate abroad deserves a review of FDI location determinants. The determination of a strategic choice requires an in-depth study of the implementation objectives, delineating the contextual specificities and the risks related to the environment of the host country. In this context, many authors questioned the factors likely to favour the attractiveness of the country. The economists (Lipsy 1999, Truman and Emmert 1999, Love and Lage-Hidalgo 2000, Charkarbarti 2001, Obwona 2001) argue that the most significant determinants of FDI are: size of the market Macroeconomic factors And the stock of capital. By the way, Helpman (2006) brings together a new generation of theoretical works to better understand the phenomenon of IDE, taking into account the choice of organization of the FMNs. characteristics of the sectors and contracts in particular in response to opportunities and the institutional quality offered by the host country. However, to justify the flows FDI in a country, Alaya and Al (2007) propose to take into account various elements:

• Industrial (transport costs, implementation costs, production costs, technological advantages, agglomeration of activity, etc.);

• Commercial (size of the market, proximity to demand, barriers to trade, etc.)

• Institutional (tax or commercial policy, legislative provisions on repatriation of capital or capital movement, country risk , belonging to a regional integration zone, etc.). In addition, a number of economic policy measures may be recommended to optimize the amount of inward FDI:

i. Establish and maintain legal and regulatory systems for the protection of property rights create regulatory rules for transparent market protection and minimize burdens and other negative consequences of regulation.
ii. Implement macroeconomic policies that promote economic growth and reduce inflation.
iii. Invest in transport and communication infrastructure to reduce the cost of coordinating and managing international business transactions.
iv. Invest in the education system and continuing education programs to improve the quality of the available workforce.
v. Put a tax incentive system in favour of foreign investors, such as reducing the tax rate on corporate profits or using any other measure likely to provide a tax advantage to the investor.
vi. Reduce the regulatory burden for foreign investors.
vii. Actively promote the image of the country to potential investors by creating investment promotion agencies.

In fact, the empirical and theoretical literature on the determinants of FDI suggests several clues. In this context, a very broad consensus is emerging through studies of the determinants of FDI to explain the different arguments of the attractiveness of countries in terms of FDI. The first attempt is related to Dunning (1973) who developed by the following (1980) an explanatory theory on the determinants of FDI. He therefore conceptualized a paradigm called "the OLI paradigm" which relies on three advantages to have a unified framework of determinants: O "Ownerships advantages": the possession of particular advantages in the context of imperfect competition, "Lease advantages": the comparative advantages of the host country according to firms' strategies, "Internationalization advantages": the internationalization of transaction costs. starting point of theoretical analyzes of strategic investment and the new theory of international trade (NTCI). Indeed, the endowments in factors of production play on the costs of production. Differences in natural resources, factor endowments and labor skills are decisive factors in the choice of location of multinational firms (Helpman (1984), Wheeler and Mody (1992).) Another factor concerns macroeconomic stability. is considered a crucial element that has a decisive impact on the location of FDI. It reflects a business friendly environment. For this purpose, Basiu and Srinivasan (2002) emphasize the decisive aspect for investors of an environment conducive to investment that limits risks and increases profitability through the macroeconomic stability of the country.Frood and Stein (1991); Strevens (1998); Klein and Rosengren (1994); Lim (2001) and Bloningen (2005) confirm the importance of macroeconomic stability, especially the stability of exchange rates. There is also another dimension related to the business climate or country risk which concerns the rate of inflation. Inflation, debt and the reduction of deficits can have a negative impact on the decision of implantation. Shneider and Frey (1985) show that high balance of payments deficits negatively affect FDI flows. Apergis and Katrakilidis (1998) find the same result for inflation. In terms of trade openness, it is difficult to establish a direct relationship with the foreign investor. In fact, it persists on settlement decisions in an indirect way. On the one hand, when trade and FDI are substitutable for supplying the foreign market, having higher tariff protections will boost FDI inflows. On the other hand, tariff protections are an obstacle when flows of goods and capital are complementary.3 Other factors such as GDP growth, interest rate, degree of openness and other control variables the expected signs in the regressions. Other works stress the important role of human capital in setting up firms (Lucas, 1988). Borensztein and Al (1998) explain that the impact of FDI is based on the host country's stock of human capital. The low labor cost sought to minimize production costs represents a "comparative advantage" for developing countries. It should be noted that other factors of a historical and cultural nature such as language or former settlements affect the location decision of firms. Overall, the size of the market, the quality of infrastructure, political and economic stability, and the free zones are decisive factors for the attractiveness of FDI. However, other factors related to the business climate, tax incentives, labor costs and the degree of economic openness are mixed.

4. THE ATTRACTIVENESS OF FDI IN ALGERIA:

Like other developing countries, Algeria sought the day after its independence to interest foreign capital to invest directly to participate in its national economic and social development. Objective reasons related to both geographical considerations and the historical stages and appearance that it has experienced, the Algerian economy has been integrated into the process of globalization, and its development policies implemented by the government are, consequently, the reflection of this integration. To this end, the country has embarked on a policy of structural reforms that has allowed the restoration of macroeconomic equilibrium and improved performance in terms of growth in order to realize the paramount importance of its openness to foreign investors, which remains insignificant (excluding hydrocarbons) .3.1 Institutional and economic orientation in Algeria: Indeed, the Algerian model of development is based essentially on the valorization of hydrocarbons, the "industrializing industries", and the sacrifice of agriculture. Independent Algeria , adopts an economic dirigisme that only benefits the energy branch (Bouhou, 2009) .The centralized state development experienced by Algeria after its independence is based on the construction of "industrializing industries" which meant that priority was to develop the industry upstream, which was then used as a the development of multitudes of light industries downstream (Hafsi, 2010). Since independence, Algeria has undergone profound economic changes. It has therefore launched major economic projects that have enabled the establishment of a dense industrial base, which has allowed it to take advantage of the oil rent, much of which has been reinvested in economic development projects. 1960-1970, the Algerian economy rested essent in agriculture where the country enjoyed not only food self-sufficiency, but also exports of large quantities of wine and citrus.Since then, Algeria has extraction and processing of gas and oil. Indeed, the analysis of the evolution of the behavior of Algeria vis-à-vis the foreign direct investments makes it possible to distinguish the passage from a restrictive policy to a liberal policy. In this respect, we can determine two main periods : The first, which started from the nationalization operations, and which was characterized by the impossibility for a foreign operator to invest in Algeria. The second, as for it, began following the law 90-10 on money and credit, which was characterized by the opening of the Algerian economy to foreign investors.

4.1.Algeria's restrictive policy towards FDI:

After independence, Algeria proceeded directly to the nationalization of natural resources. In 1970, the President of the Republic announced the nationalization of hydrocarbons. With this process, SONATRACH has become the only mistress of all operations. However, this nationalization generates a massive departure of foreign companies. To remedy this, the Algerian State proceeded to the development of the formula of the mixed companies, by the adoption of the law N ° 82-13, in 1982. 3.1.2 The graduated opening policy: Gradually, the opening to

FDI will be the preferred solution to a whole set of problems in the Algerian economy. For this purpose, and starting from the law 90-10, Algeria began to lighten the procedures relating to the installation of the foreign investors. Thus, a new policy of openness is gradually establishing.3.1.3 more liberal framework for FDI since the beginning of the 2000s: Beyond the implementation of the measures taken in the framework of the reforms, the challenge for Algeria is the mutation of the development model followed until then. In this context, the reforms undertaken by the Algerian government aimed to initiate the movement towards a market economy, open to international trade and driven by the private sector. In addition, the "second generation" reforms have strongly favoured trade liberalization. Indeed, in its process of transition from a centralized economy to a market economy triggered in the late 1988s, the Algerian government imposed policy structural reforms. The latter has helped increase FDI flows to Algeria. Nevertheless, the results recorded in this area remain above the investment potential of the country. The novelty brought by the ordinance N ° 09-01 of July 22, 2009 In order to adapt to the new economic changes and existing investors and potential, the Algerian authorities have implemented a new ordinance amending and supplementing that of 2001 (as amended and supplemented). Ordinance No. 09-01 of 22 July 2009 on the Supplementary Finance Act for 2009 amending and supplementing Ordinance No. 01-03 of 20 August 2001 on the development of investment, introduced a series of new measures. The latter are of an organizational (regulatory) or fiscal nature. From these new provisions, we can cite:

- New registrations of foreign companies must:
- Reveal social capital with an Algerian partner of 51%
- Provide the authorization issued by the INC and the statement made to ANDI.

4.2. Evolution of FDI Flows in Algeria

Table 1: Foreign Direct Investment Flows in Algeria (2013-2015)

Investissement Direct Etranger	2013	2014	2015
Flux d'IDE entrants *(millions USD)*	1.693	1.507	-587
Stocks d'IDE *(millions USD)*	25.313	26.820	26.232
Nombre d'investissements Greenfield	16	13	13
IDE entrants *(en % de la FBCF)*	2,4	1,9	-1,2
Stock d'IDE *(en % du PIB)*	12,1	12,6	15,2

Source: UNCTAD (2015), report on world investment, P.21.

According to the The table above, we can see that the stock of foreign direct investment (FDI) in Algeria has increased to 26.2 billion at the end of 2015 compared to US $ 19.5 billion at the end of 2010. The stock of inward FDI, which represents the total foreign direct investment captured by Algeria, has increased significantly in 15 years, from US $ 3.3 billion to end of 2000 at 19.5 billion USD at the end of 2010 and 26.2 billion USD in 2015.Or, the outward FDI stock was 1.8 billion d USD at the end of 2015 compared with 1.5 billion USD in 2010, mainly representing Sonatrach Group's investments abroad. 2015 was a year, however, a decline in terms of foreign investment flows to Algeria at -587 million against $ 1.5 billion in 2014, according to the same figures. ts have risen to 103 million dollars in 2015 against -18 million dollars in 2014. The authorities are trying to improve the business climate, which remains perfectible. Algeria was ranked 156th out of 190 countries in the World Bank's Doing Business 2017 ranking, a gain of seven places from the previous ranking. In July 2016, the government adopted a new law on investment promotion, which includes prioritizing benefits according to the strategic importance of the sectors concerned. In addition, the government is engaged in economic liberalization and seeking foreign investment in sectors such as infrastructure, telecommunications, energy and water. In 2016, Algeria has concluded several major investment agreements with Saudi Arabia and the United Arab Emirates. The development of the remaining hydrocarbon deposits will require substantial FDI flows in the coming years. In addition, the construction of a steel complex began in 2015, with Qatar holding 49% of the project capital estimated at EUR 2.3 billion. Analysis of factors of attractiveness of FDI in Algeria: Indeed, Algeria presents interesting opportunities for foreign investors, especially compared to reforms initiated from the year 2000 to encourage all forms of private investment. These assets have made it possible to attract FDI flows in sectors that are increasingly diversified and in constant progression. In a few years, the Algeria site managed to welcome companies that had deserted it for more than a decade. It should be remembered that the policy of passive attractiveness tends to harmonize the offer of characteristic of the national territories, by establishing a favourable business climate for investment, and ensuring a sound macroeconomic environment and basic infrastructure. Nevertheless, the attractiveness policy pursued until then was passive. It regrouped all the measures intended to facilitate the establishment and the exercise of the activity of the firms on the territory. These measures are linked both to the attractiveness policy and to the objectives of the general economic policy. It reveals macroeconomic fundamentals (interest rates, inflation, exchange rate), regulatory instruments (relaxation of FDI, labour regulation, environmental regulation, etc.), and government actions in terms of infrastructure and public service provision, or financial and fiscal incentives. Overall, these are measures in relation to the economic policy of the country in question. In this context, Algeria meets more or less the necessary conditions that the foreign investor seeks to establish itself. In fact, it enjoys a strategic geographical position for the development of its investment potential, especially for export-oriented foreign investment, with an estimated domestic market size of 40.4 million, wealth important natural resources (Gas, oil ...) and other non-negligible mineral resources that remain little exploited, an abundance of human resources and an improved security situation. However, despite the reforms undertaken by the Algerian government, and compared to its Maghreb neighbours, such us Morocco and Tunisia, Algeria is still lagging behind. As a summary, we can say that the gap between the potential of Algeria and received FDI shows the failure of the policy of attractiveness conducted so far with fervour. However, the return of major balances does not seem to have a real impact on the attractiveness of the Algeria site. After having entered a stage of passive attractiveness, the country devotes itself to that of active attractiveness, which by definition is meant to be aggressive. However, the initiatives undertaken do not observe satisfactory results, given the investment opportunities. The potentials of the country are not revealed and investors are not targeted. The approach of the confrontation of the offer of territory with the demand of the firms is not undertaken. In addition, the diversification of sectors of activities, so desired, has begun to be perceptible, but remains negligible. Despite an irrevocable will for a policy of openness and liberalization, the quality of institutions does not allow to present the real benefits of localization. The validations applied in this chapter have reinforced the theoretical intuitions that guided this thesis. Moreover, Algeria's commitment to the market economy has been accompanied by the establishment of a regulation guaranteeing the free enterprise and the disengagement of the State from the economic sphere. However, the country attracts only a limited number of foreign investors and cannot take advantage of its proximity to Europe and its resources. On the other hand, the business climate suffocates businesses. They face bureaucracy, corruption, the informal sector and lack of access to information. In addition, investors complain about the lack of qualification of the workforce and the difficult access to financing. These are all elements that make Algeria a poor country for foreign direct investors. In addition, the difficulties in creating a favourable climate for foreign investment in particular and business in general in Algeria, are less attributable to the lack of financial means than attitudes, behaviours and practices that undermine the good functioning of state institutions. In order to eliminate these, or at least to reduce them, the public authorities must take care to fight against rent seeking, establish credibility and maintain the momentum of reforms. It must also diversify the structure of its economy, strengthen its infrastructure and improve the investment climate before granting incentives that only absorb capital that could have been used to enhance structural attractiveness. Algeria continues to activate to strengthen its economic presence at the regional level, to consolidate and intensify cooperation and diversify trade with all countries of the African continent and MENA. After conducting an analysis on the attractiveness of Algeria, it seems interesting to place the country in a context of comparison with other more attractive countries.

5. The attractiveness of FDI in the Middle East and North Africa (MENA)

The Middle East and North Africa region is currently the scene of very serious unrest. Syria, Iraq, Libya and Yemen are plunged into civil wars to which people pay a heavy price, not to mention the incalculable damage to infrastructure. Fifteen million people had to flee their homelands, often to reach fragile countries or in difficult economic situations, such as Jordan, Lebanon, Djibouti and Tunisia, causing the worst refugee crisis since the Second World War. The conflict in

Yemen has wiped out several years of development. Meanwhile, in Gaza, repeated blockades and escalations of violence are cutting gross domestic product by 40 per cent and creating record unemployment rates worldwide. Relatively stable oil-exporting countries, ie Algeria, Iran and the Gulf Cooperation Council (GCC) states, are facing declining oil prices, chronic unemployment young people and the lack of economic diversification. However, political developments in Tunisia, Morocco and Jordan are signs that citizens are taking an increasingly active role in policy development. In order to study the determinants of the attractiveness of FDI in the MENA region, it is first necessary to give an overview of the economic environment of the countries studied. Indeed, the surveys of UNCTAD (1997) and the Economic Forum Davos (2002), the general economic environment of the host country as a very influential variable on the location choice of foreign investors. To this end, we will try to make an analysis on the economic environment of the MENA countries.

5.1. Description of the region Middle East and North Africa (MENA): MENA is the acronym for Middle East and North Africa, grouping the countries of the Middle East and North Africa. It refers to a large region, ranging from Morocco in north-west Africa to Iran in south-west Asia, which includes Algeria, Bahrain, Djibouti, Egypt, Saudi Arabia and UAE. United Arab Emirates, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Palestine, Qatar, Syria, Tunisia, Turkey and Yemen.The MENA includes several countries that have vast oil and gas reserves natural resources essential to the maintenance of global economic activities. It holds 60% of the world's oil reserves and 45% of the world's natural gas reserves. In addition, the MENA region is an economic region that arbitrates 424 million inhabitants, 85% of whom live in middle income (Morocco, Jordan, Tunisia, Oman, Algeria, Yemen, Egypt and Syria), 8% in high-income countries (Qatar, Bahrain, Saudi Arabia, United Arab Emirates, Kuwait, Libya and Israel) and 7% in low-income countries. MENA is a region of great economic diversity which include both rich Gulf oil economies and resource-poor countries in relation to their populations such as: Egypt, Morocco and Yemen.During recent years, the economic prosperity of the region has been influenced by several factors, such as the political and social instabilities in some countries as a result of the Arab Spring, lower oil prices and the legacy of politics and economic structures.In fact, at the outbreak of the Arab Spring, the region had a number of strengths: A young population, a strong resource base and resilience to economic shocks that allowed it to overcome the 2008 international financial crisis. The region is thus characterized by a cultural diversity as it brings together countries from several regions. , ranging geographically from Morocco to the western spawn of North Africa to Iran in the Persian Gulf, poor s to the rich, stable to unstable and small and large. This allowed us to break it down into several regions. The three North African states of the West namely: Morocco, Algeria and Tunisia constitute the Maghreb region. Let us add Egypt they constitute North Africa. The region of the rising consists of Syria and Jordan. The levant is also generally meant to include

Israel and the Palestinian territories. In addition, we have the Gulf region which is composed of Five members of the Gulf Cooperation Council or GCC (Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates)

Table N ° 02: Some economic indicators on MENA countries in 2016

Country	POP M	PIB USD	PIB USD	OPEP	OMC
Algeria	40,4	214	4,34	Yes	No
Bahrain	1,38	35	23,89	No	In 1995
Egypt.	92	331	3,30	No	In 1995
Jordan	9,53	37,62	5,60	No	In 2000
Koweït	4,1	121	29,98	No	In 1995
Morocco	35,28	97,1	3,07	No	In 1995
Oman	4,3	77,8	15,67	No	In 2000
Saudi Arabia	31,05	753	20,13	Yes	In 2005
Syria	17,18	22,41	2,80	No	No
EAU	9,86	356	35,39	Yes	In 1996
Tunisia	11,3	43,02	3,98	No	In 1995
Turkey	79,81	734	9,29	No	In 1995
Israel/Palestine	8,58 4,6	299,1 12,54	35,70 26,61	No	In 1995
Yemen	26,8	39,1	1,23	No	In 2000
Iraq	38,14	169,5	5,82	Yes	No
Qatar	2,67	192	78,82	Yes	In 1996
Libya	6,43	43,5	4,75	Yes	No
Iran	80,67	87,1	5,04	Yes	No

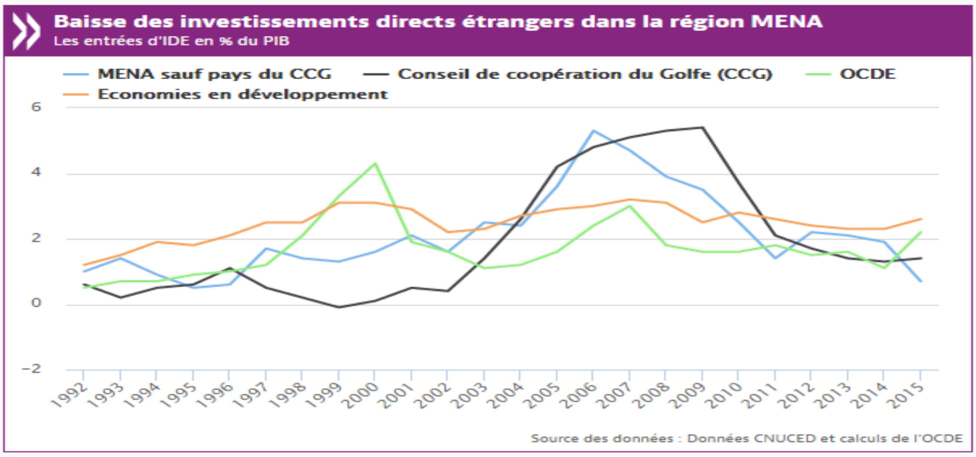
Source: personal development through IMF / World economic outlook database data, 2016.

From the table above, we can see that the three economies (Saudi Arabia, UAE and Algeria) in terms of overall GDP in the region are all members of OPEC (Organization of Petroleum Exporting Countries) .Egypt is the most populous country with 92 million inhabitants in 2016, and that has relatively low levels of per capita income. In contrast, the Gulf countries (Bahrain, Kuwait and the KAUs) have the highest levels of per capita income despite their small acreage .Among the countries, there are 11 countries that are already members of the WTO. Other countries such as Algeria, Syria, Iraq, Libya and Iran are still negotiating their membership of this organization. WTO membership is very important for these countries, since Commit to a rules-based framework that promotes foreign trade and international investment.

5.2 The FDI in the MENA region:

Over the last 20 years, foreign direct investment has grown dramatically and unprecedented in the past decade. The growing integration of national economies into the world economy, the process of economic liberalization in several countries, particularly developing countries, and international competition. To this end, the developing countries are recording in their national territory of FDI inflow increasingly important. In fact, foreign investment favours in one way or another to the creation of a climate of favourable for investment, especially in terms of competitiveness and complementarily. This element therefore represents a key factor for the economic progress of the MENA countries. In fact, FDI has had a growing trend over time. This trend can be explained by the large-scale privatization programs that have been put in place by these countries in recent decades. However, the various reforms implemented in this framework have led to a considerable improvement of the business climate and consequently increase FDI inflows to the MENA region. The liberalization of FDI policies has continued. Among the measures that have been taken, we can mention the lowering of the tax on foreign companies, the privatization of state-owned enterprises, the liberalization of the exchange rate regime, the improvement of investor access. In this context, the region has signed 15 new agreements two new bilateral investment treaties and 12 new double taxation treaties in 2008.Furthermore, free trade agreements with investment provisions have been concluded between Turkey and Chile and between GCC and Singapore. This improvement is largely due to investments made in the oil and gas industries in Algeria and the Gulf GCC countries, agriculture, industry and tourism in Morocco, Tunisia and Turkey. Nevertheless, the evolution of the economies of the region in the attractiveness of foreign capital remains very low compared to its potential and its performance superior to other countries. We can also observe that the economies of the region record a low rate of FDI flows compared to the rest of the world. This low rate is mainly linked to the existence of several economic obstacles. We can also note that Algeria has the lowest rate in the attractiveness of FDI during this period. This low rate is linked to the crisis period. The political and social instability experienced by the country during the 1990s in the 1990s, as well as certain economic and financial obstacles. However, FDI in the MENA region fell by 16% in 2011. This decline in FDI flows is the result not only of the risks caused by the political upheavals experienced by several countries in this region, but also the slowdown economic crisis and the financial crisis that has affected a large part of the OECD countries. According to the report of the Multilateral Investment Guarantee Agency (MIGA) subsidiary of the World Bank (2011), the negative effect of the political turmoil on foreign investment in several MENA countries, the investor's attitude towards This is due in large part to the political instability that is intensifying and not prolonged, and to the risks of insolvency of the country, rising inflation and the deepening of inflation. In addition, this situation also affected tourism and other economic activities in the MENA region, whose growth rate fell sharply to 1.7% in 2011 compared with 3, 6% in 2010.In fact, the continuing unrest in several countries affected by the Arab Spring has had a real impact on growth but also on FDI in MENA. According to the report of the ban than global (2014), economic growth in 2013 will be 2.8%, which is half the rate of 5.6% in 2012. FDI in the region has fallen by 50% since 2008 , reaching its lowest historical level (-1% of GDP) in 2015. Regulatory and administrative barriers are an important deterrent. The instability and insecurity that prevails in the region also present on FDI, as well as on tourism, which shows a sharp decline in Tunisia and Egypt. Trade between the region countries are rare and represent only 10% of total trade in the region (Picture N ° 01)

Picture N ° 01: Decline of foreign direct investment in the MENA region (FDI inflows as% of GDP)



As in 2015, the region's budget deficit remains unchanged at 9.1% of GDP in 2016. However, the three sub-groups of countries (GCC states, oil-exporting developing countries and oil importers) will continue to record large deficits in 2016. In oil-exporting countries, growth will remain sluggish, led by the sharp slowdown in the GCC states, which should see their growth fall to 1.8%, or two times lower than in 2015. The persistent weakness of oil prices requires Governments to take austerity measures, which translate into lower spending especially investment, as is the case in Algeria.In Algeria and Oman, the growth rate would be 3.7% in 2016 compared to 5% and 7% respectively in 2015.The economic activity of oil-exporting developing countries in the MENA is doubly affected by the collapse of oil prices and civil wars.For oil-importing developing countries the results remain poor as they have been hit hard by terrorist attacks, the contagion of regional conflicts and a slowdown in financial flows from the Gulf countries. Overall, their growth fell to 2.6% in 2016, before rebounding somewhat, to 3.5% on average.

• For Egypt, the significant variables are: the economic growth rate, the Gross Domestic Product, the annual change in the exchange rate and finally, the value of the national stock of foreign exchange reserves relative to the stock of external debt. Note that the rate of economic growth is, among the significant variables, the one that has the highest s weight on foreign direct investment received by Egypt. In addition, Egypt is a leading economic and political power in the Middle East. Due to its large population (89 million inhabitants in 2016), its influence on the Arab countries, its geographical position (Suez Canal), Egypt plays a strategic role in the Middle East region. In addition, Western countries (first the United States, then Europe) provide substantial political and financial assistance. The Egyptian economic growth rate offers foreign investors a guarantee of profitability and viability for their investments. Thus, the higher the rate of growth in the country, the more international donors are expected to invest their capital in this country .

• For Morocco, the country retains a special place in the ranking of volumes foreign direct investment (FDI) flows in North African countries. In 2015, the country recorded an inflow of $ 3.162 billion in foreign direct investment. It is ahead of Tunisia and Algeria and accounts for nearly a quarter of total North African FDI. It should be noted that the main arguments that pushed the authorities to become open to foreign investment are:

- Financing the growth of production capacity;
- The insertion of the country into the world economy ;
- The implantation of foreign companies spurs competition and allows to offer consumers better and cheaper quality products ;
- The acquisition of new technologies and the dissemination of industrial and managerial know-how.

• For Tunisia, foreign direct investment account for 10% of productive investments, generate one third of exports and more than 15% of total employment. In addition, Tunisia is one of the top 11 destinations for FDI inflows into Africa. After their downturn in recent years as a result of the global recession, the socio-political revolution that has erupted in the country and the crisis in the euro zone, FDI has rebounded. However, the government hopes for the resumption of foreign investment with the promulgation of the new Investment Code and the tax decisions it contains.

• According to the analysis of the attractiveness of FDI in Saudi Arabia, we can see that the climate for foreign investment in the kingdom has improved significantly. The country offers several opportunities for foreign investors such as economic stability, the important local market and high purchasing power (with a population exceeding 27 million), strong infrastructure, a well-regulated banking system. However, although the country has introduced reforms to encourage foreign investment, the legal framework for resolving trade disputes is sometimes considered inadequate. There is also a lack of transparency in the enforcement of intellectual property legislation and the government imposes quotas on Saudi employees in companies.

• Bahrain, on the other hand, is characterized by an open economic and regulatory environment and attractive for foreign capital. It benefits from the most accommodating tax regulations in the Gulf, a highly educated and skilled population, a strategic geographic location in the northern Gulf with good means of communication with Saudi Arabia, easy access to other Gulf markets and operating costs among the most competitive in the region. However, corruption and government intervention in bidding processes and disputes can be a hindrance to FDI .

• As for the United Arab Emirates, the political and economic stability of the country attracting FDI fleeing the revolutions of the "Arab Spring". the United Arab Emirates are among the most dynamic markets in terms of foreign trade. they are among the top 16 exporters and top 20 world importers of goods. Benefiting from political stability in a boiling region, the United Arab Emirates (UAE) has shown some resilience in the face of declining hydrocarbon prices. In addition, the country has a strategic geographic position, making the country a potential platform for outreach throughout the Gulf, Iran, Asia and the Middle East, a strong and profitable banking sector and favorable regulations for foreign investment, low-cost foreign labor, very good transport and manufacturing infrastructure (financed by hydrocarbon revenues) and access to energy at lower cost. However, the prohibition (outside the free zone) of holding more than 49% of the capital of a local company for an investor abroad constitutes a major obstacle for the international investor.

• For Jordan, the attractiveness of the country is mainly based on the quality of infrastructure, the solidity and dynamism of the banking system, as well as the economic openness that has allowed the creation of free zones and public-private partnerships. Nevertheless, problems related to bureaucracy, corruption or investment protection and its energy dependence on countries in the region are seen as barriers to FDI.

• Kuwait is also a rich country, a Welfare state almost totally financed by oil revenues and citizens benefit from a high per capita income. Despite its good economic and financial health, Kuwait wants to move from a cash economy to a more open and diversified economy. The authorities are concerned about the hypertrophy of the public sector, financed by the oil rent, whose limits are already being felt in terms of job creation and investment.

• Foreign direct investment in Qatar, whose flows have were particularly important between 2005 and 2010, have played a leading role in the development of the Qatari economy by allowing the exploitation and development of the country's important natural resources, and accompanying its policy of economic diversification. To this end, Qatar's goal is to become a leading country in terms of business environment and foreign investment. However, Qatar is expected to remain an attractive country for FDI, particularly because of its political stability and economic potential. With the completion of major investment projects in infrastructure (rail transport, port, new cities ...), the preparation of the World Cup football 2022 and the desire to diversify the Qatari economy by the authorities, FDI is expected to increase, particularly in non-hydrocarbon sectors.

• After analyzing the state of play of foreign direct investment in Syria in recent years, particularly with the outbreak of the civil war in March 2011, we can to see a clear decrease see disappearance of FDI flows to the country with a stagnation of the stock of FDI since 2012 with 10743 million USD. In addition, the country has not registered any Greenfield operations since then, which explains the influence of political and social stability as well as country risk on the decision to locate FDI abroad. So, we can conclude that political and social stability is a determining factor for the attractiveness of foreign investors.

• Finally, Turkey is a leading economic power in the Middle East region. She is the first recipient of FDI in the West Asia region, ahead of the United Arab Emirates. The government has introduced many legislative reforms to attract foreign investment. The development of public-private partnerships for major infrastructure projects, administrative rationalization measures, strengthening of intellectual property, the end of FDI screening, structural reforms for future EU membership have improved the influx of FDI. In light of the lessons learned from the analysis of attractiveness factors, the lack of foreign direct investment in Algeria can be explained by a fragile economic structure (based exclusively on hydrocarbons). All these elements represent obstacles and disincentives to the establishment of foreign firms. Indeed, and unlike its Maghreb neighbours, Algeria is unable to take advantage of the advantages offered either by its geographical proximity to Europe or by its energy reserves to attract more foreign capital. The country continues to accumulate blunders in terms of economic strategy, the 2009 Supplementary Finance Act is another proof of this perplexity of the government. However, the perception that private operators have of the investment climate in Algeria remains critical because of the slowing down of the process of liberalization and decentralization of the economic system, problems of access to economic land, excessive dependence on the energy sector, the weight of the informal economy, difficulties in repatriating capital, bureaucracy, the inefficiency of the judicial system, and delays in infrastructure. Thus, the good performance in terms of FDI obtained in recent years would be attributable to cyclical causes, rather than a real policy of investment promotion set up by the Algerian authorities. The obstacles that characterize the economic system have therefore, delay the economic development of the country and prevent the effective valuation of its investment potential. However, despite the restoration of macroeconomic balances, economic growth remains modest in relation to demographic dynamics and the unemployment rate. For this purpose, Algeria needs a new structure to promote the contribution of investments. This structure must be dynamic, highly visible and must offer services corresponding to the real needs of the investors. In the light of these considerations, the Algerian Government should accelerate the reforms and invest much more in the improvement of the business climate. putting in place a real policy of promoting FDI, in order to benefit from their positive impact on economic growth, job creation, innovation and technology transfer. Moreover, it is apparent from the analysis of other countries MENA, the factors that explain the attractiveness of FDI are: infrastructure endowments, the degree of economic openness, political stability and the size of the market. The key findings of this analysis are summarized as follows:

- Infrastructure endowments contribute to FDI flows in MENA countries. Host country infrastructure and accompanying services can significantly influence the country's attractiveness to FDI. Good infrastructure, particularly in transport and telecommunications, is often presented as a potential determinant of FDI inflows (Bouklia and Zatla 2001, Asiedu 2002). Conversely, poorly developed infrastructure increases the costs of production in the host country and consequently reduces the profitability of investments.
- Political and social stability also affect the attractiveness of FDI in host countries. the MENA region. Political stability provides a favorable environment for investment. In general, democratic regimes, rules of law and property rights provide a climate of confidence for foreign investors.
- The degree of economic openness of the host country contributes significantly to FDI flows in the MENA region. Trade openness increases the productivity of FDI projects as it facilitates unrestricted access to all types of inputs.
- The size of the market positively influences FDI flows to MENA. Several empirical studies have shown that rising incomes have a signal of an increase in market size and purchasing power. These results are confirmed by numerous studies (Kravis and Lipsey 1982, Chakrabarti 2001, Alsan et al., 2004).
- Finally, there is an inverse and insignificant link between inflation and that of FDI flows in developing countries. Indeed, high inflation can introduce distortions in the choice of investment by disadvantaging long-term investments.

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