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SHARINGTHE WEALTH PRODUCED BY FOREIGN INVESTMENTS AGAINST LOCAL RESOURCES EXPLOITATION
An investment policy for developing countries to promote Economic Growth

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ABSTRACT: Fighting underdevelopment was expressed in many countries by considerable investment efforts. Unfortunately, some countries eager to eradicate precariousness and unemployment often launched projects which not only had little contribution to economic and social progress, by even delayed it. It is obvious that development is not possible without investments. Unfortunately, local capital is becoming increasingly scarce. Foreign capital is fundamental to meet the ever-increasing basic needs. However, to provide this capital, foreign companies demand the most favorable conditions for their investments. To this end, through certain international institutions, they put developing countries in competition with each other to urge them to offer the best climate of business in order to maximize their profits. Profits are, in many cases, transferred outside in whole, which leads to the increase of underdevelopment. It is the vicious circle that must be broken, but how? This failure of foreign direct investment urges developing countries to act collectively in order to put forward their worldview for the implementation of the new concept of ***the sharing the wealth created by foreign investments*** that must be negotiated with States and international financial institutions. This means that in return for the facilities and tax exemption offered by developing countries to foreign investors, the wealth produced must be shared and the half must remain in developing countries to help them meet the needs of their population and contribute in fighting immigration (among others). This Win-Win solution meets the interests of both parties: On the one side, developed countries need more and more scarce raw materials and to grow their assets to fight against decay. On the other hand, developing countries need this capital to develop. For this purpose, they have to control the investment process; in-depth reforms must be completed in order to attract foreign direct investments and guide them towards the sectors to be promoted.

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1. INTRODUCTION

Neither oil nor gas is eternal. Financial resources are increasingly scarce to cover the basic needs of the population. Governance driven by the priority concern of social appeasement, thanks to the availability of petrodollars, is no longer possible. It is high time to return to a policy of sound management of financial, natural and human resources, drawing on past experience and the successful experiences of other countries.

This rational resource management policy will involve putting in place a short and medium-term development plan. Thus, in the framework of this plan of development and regional planning, the objectives and the means will be fixed along with: a close follow-up of the projects to be implemented, a new institutional framework providing all the facilities to all investors, where the administration will be a support and not a blocking tool, a generalization of e-governance and a reform of the education and university system, in order to make the necessary adjustments.

This article often refers to the Algerian experience.

2. NON-CONTROL OF THE INVESTMENT PROCESS LEADS TO THE DEVELOPMENT OF UNDERDEVELOPMENT

The prime economic objective of all the countries is economic development. To achieve this objective, the mobilization of financial resources is a sine qua non, as it seems that investment generates growth and development.

On this basis, the fight against underdevelopment has pushed many countries to make considerable investment efforts. Indeed, a major investment effort is required; nevertheless, the creation or expansion of any activity does not mean economic growth.

It is important to understand that economic growth cannot be achieved when financing, labor and natural resources are available. Economic growth is not a mechanical process resulting from the presence of factors of production but the product of an optimal thoughtful combination of these factors in the context of a suitable economic, institutional and political environment.

Unfortunately, the natural inclination of some countries to take action to reduce recurrent poverty and end precariousness and unemployment - in short, underdevelopment - has encouraged the launching of projects that have not contributed much to economic and social progress, but on the contrary, even delayed this progress. These numerous, hastily conceived and uncontrolled investments have resulted in many adverse effects on the economy, such as increased investment costs leading to increasing indebtedness and economic dependence, negative effects on human health, destruction of natural environment, rural exodus and emigration. In these conditions, investment, instead of generating the economic growth so much hoped for to reduce poverty, increases underdevelopment.

Unusually, bailouts of publicly owned enterprises are carried out. The lack of rigor in the management of financial resources mobilized for the implementation of investment programs has led some countries to the brink of bankruptcy. The waste of natural and financial resources has led many countries into the spiral of indebtedness, which, instead of laying the foundations for development, have been forced to impose on their populations the restrictive conditions decided by the creditors (World Bank, IMF, etc.).

One of the factors undermining the benefits of industrialization in developing countries is the inability, because of the lack of knowledge, to formulate an investment project in terms that make it possible to assess its real impacts both from the point of view of the entrepreneur and the collective interest.

The reasonable willingness to change the state of the economy, i.e. to move from under development to development, meant that decisions on the implementation of investment programs have been made on the basis of project technical sheets with only a few overall estimates of the investment cost. Therefore, it is not surprising that this leads to slippage. The quality of pre-investment studies has not been matched by an increasingly complex demand. Their level and conciseness do not always allow to make rational decisions in the successive stages of the pre-investment process as one cannot size a project if he does not correctly evaluate the present and future demand. Many project feasibility studies take no account of market research for a number of reasons: high cost, lack of information, but also because they are not used by the banks and the institutions for which they are intended.

In many cases, the feasibility study is seen as a document that the investor has to attach to a request for tax privileges or bank credits. For the investor, the question is not to make sure of the opportunity of the investment; but it is rather an administrative requirement that must be met to access tax benefits and possibly bank loans. In some cases, even this formality has been removed. These studies are no longer required; they have been replaced by forms that are content with some investor identification information and some summary data about the project. These declaration forms cannot even be used to feed a reliable database that can be used as an analytical tool. The concept of investment project is often confused with the notion of investment in the accounting sense of the term.

How can we choose the right technology if no in-depth comparative studies are made? The estimated cost of investing in a project is usually far from the actual cost, as there is a significant delay between the time the feasibility study is completed and the time when the start date of implementation of the project. Comprehensive administrative procedures and formalities constitute an additional obstacle to the concretization of the projects; some of them are:

.The procedure of acquisition of the real estate that can last for months because of the non-availability of a single administrative document called (PR4 BIS) which is used to update the real estate file of the cadastre.

. The building permit which requires at least one month [1] on average to be issued if, no reservation is made by the relevant services;

. The connection to the electricity grid also requires seven months on average.

These inadequacies lead to a misallocation of resources due mainly to extended gestation periods and therefore, a huge increase in the investment.

In-depth studies of investment are essential especially in developing countries, as they allow the economy of scarce financial resources. Indeed, funds are acquired under restrictive conditions in some cases, and it is not allowed to squander them, or manage them inadequately. These studies only can help rationalize the management of resources for investment.

Developing countries have gained unfortunate experience with pre-investment studies, which have often been equated with technical sheets relating to the purchase of equipment. In some cases, projects have been completed on a turnkey basis, without reporting the problems posed by the inclusion of these projects in their environments. In other cases, these same studies are largely based on experience with similar projects in developed countries and have proved inapplicable under local conditions.

Sometimes the cost of some studies has been disproportionately high compared to the planned investment for the project. The estimation of some costs has been made by analogy with what is happening in European countries. In view of the lack of local advisory services and the lack of experience of the existing ones, some developing countries, while contenting with project sketches made by accountants and rejecting studies prepared by economists, constantly refer to the opinion of foreign consultants.

Moreover, failures are not even a source of accumulated experience. Unfortunately, it is noticed that tax privileges are still assigned on the basis of technical sheets rather than fine studies of the feasibility of investments, for example. Therefore, this results in a significant loss on the taxation level.

Training is essential for the acquisition of the knowledge necessary for the formalization of the profitability studies of the projects and their impacts on the economy and the environment. This knowledge must be generalized in management and economics universities. When it comes to selecting investment projects, decision-makers must be careful about feasibility studies. What training and methodology for project analysis and evaluation is needed to streamline the use of scarce financial resources?

The reported failure of the impact of foreign direct or domestic investment in most underdeveloped countries is not entirely attributable to the action of multinational companies (MNCs), but to the lack of mastery of the investment process by developing countries (DCs). In any case, this failure does not affect the Asian countries which, on the contrary, have made progress partly thanks to the implication of foreign investments. As such, we can quote the significant cases of China, Japan, South Korea and Singapore.

In any case, the failure of some developing countries as concerns development cannot be attributed entirely to foreign direct investment (I.D.E). An investment policy needs to be clearly defined, well adapted to the current global context and likely to bring the changes required on the economic and institutional scope.

Most economists are particularly interested in the effects that foreign direct investment (FDI) can have in both developed and developing countries (DCs). Given their limited financial capacity, developing countries cannot renounce to foreign investment to meet their local needs in return for institutional reform.

Developing countries development depends on the availability of capital (foreign and domestic) for investment. Under what conditions can we access it? And how can we take advantage of these assets?

3. IN-DEPTH REFORMS IN DEVELOPING COUNTRIES AS A CONDITION OF INTERNATIONALIZATION OF FOREIGN DIRECT INVESTMENT.

Foreign companies internationalize only for maximizing their profit. They set uponly in countries offering the best conditions for capital growth, such as market research, cheap production factors, simplified regulations, reduced taxation and unconstrained capital transfer procedures.

These companies are represented by international institutions that defend their own interests (World Bank, IMF, etc ...) against the receiving countries, and who organize and supervise the setting of competition of the DCs by implementing conditions that favor the establishment of foreign companies.

Very often, developing countries are advised by international organizations in investment financing to engage them to open their economy to foreign capital. For this purpose, the concept of attractiveness is put forward and measured by an attractiveness level indicator that leads to ranking the countries. The best ranking of the country is of course obtained by the total opening of the economy to foreign investments without any administrative, fiscal or financial constraint. All this is done without worrying about the negative externalities on the economy. The ultimate goal is the attraction of foreign capitals and their fructification, with the possibility of expatriating the wealth produced, without constraint, towards the countries of origin or the countries offering the greatest banking flexibility in terms of capital transfer and the minimum of taxation, without regard to the consequences of the negative impacts on national economies, on people and on environment.

It is worth noting that in some particular cases, foreign firms compete with one another to impose their dominance on a given market. These foreign companies are generally driven by the search for new spaces to strengthen their competitiveness in order to adjust their strategic choices. They organize their strategy according to the comparative advantages offered by the different countries.

Facing foreign companies and multinational companies, many developing countries in search of growth, are engaged in fierce competition (bidding) organized by institutions such as Doing Business. These institutions offer the best conditions of attractiveness, which sometimes question the expected effects of these investments on the growth of these countries, which content with the creation of some jobs. This competition is justified by the significant needs of developing countries as foreign investment is seen as the vector of technology, managerial techniques, job creation and access to the world market.

To maximize their profit, foreign companies put the developing countries in competition to obtain the most favorable conditions for their investment. To this end, they require institutional, banking, customs and tax reforms to remove any constraints or obstacles that may hinder the maximization of profit.

At this state, it is understandable. Nevertheless, when it comes to expatriate most of the wealth produced to leave only crumbs and a completely sacked natural environment; it is an unequal exchange, an exploitation of resources without compensation. The exploitation of comparative advantages by foreign companies must be done in exchange for the sharing of the wealth produced and the transfer of technology. International capital will not change its conduct except in the case where the developing countries act as a whole to defend their interests through dialogue with states and international institutions, trying to make the concept of sharing the wealth produced in return for the exploitation of the developing countries potentialities in organized business conditions.

In fact, under certain conditions, foreign capital can be a means of diffusion of knowledge and know-how, of technology with a rational use of production factors, with, as a result, the improvement of the capital productivity and labor. This is the case of the impact of direct foreign investments on the economic growth of Asian countries.

Nevertheless, developing countries aim not to attract capital at any price, on the grounds that they must create employment, button attract capital for developing natural resources, acquiring knowledge and technology, and creating wealth that must be shared. The privileges granted to foreign investors on the grounds that they create employment at the local level is an interesting but not a sufficient argument, because in reality, every investment made in developing countries creates local jobs but also generates jobs abroad. Indeed, the manufacture in developed countries, of equipment for export, creates jobs and wealth in these same countries. In fact, it depends on whether one thinks from the point of view of the interest of the enterprise or from that of the states.

In developing countries, the created jobs are lower-skilled in general. At this stage, it would be fair, when negotiating investment, to estimate not only the impact of the project on direct and indirect jobs created in the developing country, but also its effect on direct and indirect employment abroad if it were to be realized in the countries providing the technology, the objective being to properly assess the contribution of the project for each partner.

If the past experience of developing countries in terms of investment, has not served growth, it must be used, at least, to avoid the mistakes of the past. Based on the case of Algeria, what are the reasons of the failure?

4. FINDING OF FAILURE OF THE INVESTMENT EFFECTS ON THE ALGERIAN ECONOMY

Studies in this area show that expatriate earnings (consisting of dividends and profits) reach considerable levels in comparison with invested capital.

The ex-post analysis of the impact of foreign investments shows that it would be more judicious to intervene at the micro-economic level, i.e. at the level of the investment project itself, by relying on a project selection procedure to deal with any eventuality, instead of waiting for negative impacts to come to fruition to sound the alarm. Why were these projects considered interesting, while they ultimately proved to be economically unprofitable (negative balance of payments impacts, among others). Was this choice of investment projects made by incompetent organizations or in exchange for favors?

Creation of wealth through investment can be anticipated in careful feasibility studies; so, it is necessary at this time, to make the necessary forecasts for added value and set aside the portion meant for local economic agents and the one to be expatriated. Any project whose transfers exceed 50% of the wealth created should be rejected.

This finding of failure relating to foreign investment encourages the establishment of a new concept, ***the sharing of wealth created by foreign investments*** that must be negotiated with states and international financial institutions. That is to say, in return for the facilities and tax exemption granted by developing countries to foreign investors, the wealth produced must be shared so as the half remains in the developing countries to allow them meet the needs of the population and contribute in fighting immigration (among others).

FDI host countries must have absorptive capacity to assimilate the technologies introduced by the multinational companies.

It is therefore essential to make foreign investment generate growth. To this end, it is necessary to create a business climate conducive to investment in developing countries characterized by: the reform of the customs, tax and legal administration and banking; investment in Intelligence and Knowledge through the establishment of a modern university whose training programs focus on foreign languages, mathematics, computer science, technology and management sciences.

These conditions militate in favor of maximizing the profits of foreign companies; it is for these reasons that they intervene only in the countries which present this profile and in the most profitable sectors of activities such as the mining and hydrocarbons sectors in Algeria.

What investment policy is needed to promote economic growth in developing countries?

5. EXPLOITATION OF RESOURCES AGAINST THE SHARING OF PRODUCED RESOURCES: AN INVESTMENT STRATEGY TO PROMOTE ECONOMIC GROWTH.

All the tax privileges sought by developing countries in the context of attractiveness constitute a process that favors maximizing the transfer of wealth from developing to developed countries. Thanks to the attractiveness system induced by the tax privileges granted, underdeveloped countries hope that in return, there will be an impact on employment, income distribution and technical progress diffusion. The example of vehicle assembly in Algeria illustrates our point; locally produced vehicles are intended for the local market at a price higher than the one applied to the same product when imported, despite the tax privileges and all the granted facilities.

The integration rate is very low. One wonders about the benefit of such a formula of investment for the host country (apart from capital transfers) in relation to the importation of the same product. It is an unbalanced contract that just allows the transfer of capital and the creation of employment in equipment supplying countries.

This formula is profitable only if it is accompanied by a local subcontracting industry, governed by a legislation that preserves the interests of the local party, through the 51% / 49% formula relating to the participation in the capital of the company. Otherwise, it will be a mere "cash cow" subcontracting industry in the hands of foreign investors whose sole concern is the exploitation of the resources and the transfer of wealth. Pumping and expatriating wealth leads to poverty and disarray and disengages from the induced effects, while leaving the management of poverty and diseases (in short, all the problems that do not cross borders) to the developing countries. The management of immigration is abandoned to states that reject responsibility on each other.

In the same way, we can draw parallels between this approach in the field of industry and the one applied in the agricultural sector, particularly in some countries. The analysis of the agricultural sector shows an impressive dynamic, as its significant performance creates a surplus that makes it possible to export internationally.

However, it is worth thinking about who gets benefits from agricultural wealth. In fact, foreign capital or concession holders are those who take profit from the exploitation of the land. Local peasants are remunerated just for survival. As for the tax contribution, it is far less than the profits accruing to the capital holders. Such a system of exploitation is not balanced and needs to be reviewed for a fair sharing of wealth and technology.

The type of trade companies created according to the 51%,49[1] shareholding rate, which rate illustrates the balance of power within the managing structures as to the permanent choice of the various options of the company, whose consequences on the impacts on economy are not the same regardless of the implications on the profit to the be shared. The qualification of the executives representing the companies is important since the defense of the interests of underdeveloped countries depends on this category of persons and on their managerial competence. Indeed, beyond the direct creation of wealth and its distribution, there are the decisions concerning employment, purchase of raw materials and equipment, reinvestment, imports and exports, transfer of assets, localization, training, liquidation and environment.

All these strategic questions are decided by the representatives of the management bodies of companies. It is for this reason that the majority guaranteed by the participation in the capital is a fundamental decision if one wishes to frame the capital for a shared growth.

Changes need to be made in the regulation of investments.

5.1. Changing the way in which institutions operate in relation to investment

Institutional reform is a requirement of the international bodies responsible for institutional reform in developing countries, to make them conform to the conditions of attractiveness of the international firms. These reforms have positively changed the habits and the administrative organization of the developing countries as they managed to impose some changes in these countries, particularly as concerns the deadlines and the procedures which are often complex and useless; large and recurrent files on identification of investors required by each administration though useless, except to delay the investment... Meaningless constraints!

In developing countries, rational management of time is an essential problem. Time is the greatest resource; no operation can be profitable if time is not controlled. A year consists of 365 days, less the leave annual, less public holidays of all religions combined, less days of breakdown and maintenance of machinery, less tolerated hours of arrival at work, less days of strikes, less work stoppages for accidents or illness, less the days of reception of the administration once or twice a week. How many days are left for actual work? In these conditions, can one speak of labor productivity? The mastery of time is the first factor of profitability! The first battle is to recover lost time through systematic computerization of all administrative structures.

Companies in the host country contribute in the capital stock up to a minimum of 51%. The remaining 49% of the share capital may be divided between one or more foreign companies or investors. The purpose of this division is to preserve sovereignty over all decision.

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[1] 51% / 49% rate of participation in the share capital of a company.

5.1.1 Computerization of the trade register:

The transition from the traditional administrative mode of issuing the Trade Register (R.C.), to the online formula has revealed huge reluctance from operators as they are losing a part of their power of decision. At the same time; the online edition of the trade register made it clear that computerization is an excellent tool to save time, without jeopardizing the effectiveness of the concerned structure and that it is possible to have this same document in the day, while a period of at least 20 days and several trips were required before. The result was unnecessary preliminary costs for investors, especially if they were foreigners (hotel costs, catering, travel, translation, etc ...).

5.1.2 Acquisition of immovable property by the Algerian company:

The real estate acquisition procedure provides that notary deeds must be published at the land conservation. When the land is registered, the notary is required to present a document called PR4bis duly informed to be sent to the land registry. If the situation of the property is not updated at the land register (operation to be legally accomplished by the land conservator in collaboration with the land registry), the acquisition of the property is suspended until this operation is performed. This administrative operation, which falls under the cadastre and land conservation, can delay the acquisition of the property for months and in some cases for more than a year, each blaming the other for not accomplishing the task incumbent on him. In the meantime, the investor cannot undertake any action since the building permit is subordinated to the presentation of the deed of ownership. Mean while, building materials prices increase and impact the cost of the project as well as the lead times.

5.1.3 The building permit:

The building permit: Fortunately, the deadlines have been reconsidered as they are currently limited to two months instead of 06 months before, if no reservation is issued by the services concerned.

5.1.4 Connection to the various networks:

Connection to sanitation, telephone and water networks also require a lot of time because there are procedures to be respected and which are not marked out by deadlines.

5.1.5 Days of reception:

Each administration defines its days of reception independently: very often, reception is scheduled on the same days; consequently, the investor can proceed only with an administrative procedure per week and so, he needs as many weeks as the number of procedures he has to undertake.

5.1.6 Exequatur:

Exequatur has a strong political dimension attached to sovereignty because its purpose is the recognition and enforcement in one State, of a judgment or power of attorney drawn up in another State. Hence, one can understand the natural wariness that the authorities of a State may have.

Nevertheless, the civil code needs to be soften through international agreements to facilitate the mutual recognition of administrative documents from third countries. A foreign investor cannot but note the existing slowness when validating his administrative documents after agreement of the competent court which, sometimes, require extended delays (case of proxies) and which requires the absence of the person concerned by the investment because she cannot delegate her powers.

5.1.7 Regulated activities:

The practice of some activities requires administrative authorizations that may take several months. For example, to mention just one activity, the practice of the restoration activity requires a large file, needs among other things, that the person be the owner or tenant of a commercial space for the practice of the activity. It often happens that the authorization is given 6 to 8 months after the filing of the application, i.e. that the lease is practically due at the time of obtaining the license to practice the activity. Lost incurred by the investor in terms of rent and time seems does not seem to worry anyone. What can be said if it were a complex activity?

All these administrative burdens, as well as the lack of organization, result in an additional cost to be borne by the investor and, on another side, slow the national economy. In fact, if the investor does not change destination to go to countries that have more facilities, he will be forced to reevaluate his project and reintroduce his application for credit from banks. For the national economy, losses are expressed by the general economic loss and employment in particular. An unachieved project means lost jobs.

The attractiveness of the investment necessarily involves a softening of the administrative procedures and computerization of the different structures. Beyond the imperative institutional changes to make the investor/administration relationship more flexible, and to move towards diversification of the economy, a clear project evaluation procedure to safeguard our interests becomes a serious need.

5.1.8. The market:

Algeria represents a large market (annual imports) with an approximate value ranging between 30 and 60 billion dollars / year, depending on the year. The existence of this market is in itself a source of wealth that must be valued. Our policy of importing finished products for final consumption should instead be transformed into an import substitution industrialization policy.

Imports of products are entrusted to foreign partners with a 70% shareholding and 30% to the Algerian partner (currently 50%). This has led to a flood of the market with foreign products, as gadgets often useless and not meeting the standards of safety and health, with regard to counterfeit products which considerably impact the balance of payments.

5.1.9 The tourism sector

Tourism is a sector of activity that requires huge investments in infrastructure and specialized management along with an adequate social and cultural political environment. Investment in the tourism sector is an asset but also a sector where the investment risks is relatively high. As an example, we can cite the case of Tunisia and Egypt where an incident on the public road is enough for a boycott to be decreed against these countries, depriving them of their most important source of income; that is the reason why investments must be diversified.

5.2.0 Investment projects selection

On what basis is it decided that a project is worthwhile and what are the issues that need to be addressed in order to make the most of it? No project selection procedure is currently defined.

Beyond the project selection indicators that are needed and whose purpose is to synthesize information and serve as a decision support tool that can be suggested, it is important not to lose sight of a project. The development and evaluation of projects are technico-economic considerations. The technique of designing projects is in fact structured around political variables that must directly refer to the content of the selected development strategy.

5.2.0.1- Technical and technological choices:

We must formalize the technical and technological options towards which we want to orient our economy.

5.2.0.2. Choice of raw materials:

What are the raw materials to be imported and those to be exported? Which raw materials must be valorized at the national level for the export of finished products in order to maximize the added value? Which are the strategic materials (in the process of exhaustion that must be conserved (e.g. produced phosphate in a process of rarefaction, necessary for the production of fertilizers which are essential for the satisfaction of the food needs of populations in constant growth).

5.2.0.3- Choice of location:

The location of projects must be based on a Land Use Plan.

5.2- Reform the investment code to encourage partnership

In the context of a new investment code or investment policy, it is necessary to focus on the constraints that hinder the activity of the investor while preserving the interest of the host country.

5.2.1-Changes in the administrative environment:

- To reform the legislative framework for investments.

- To fight administrative blockages by reducing delays and making the administrative partner more accountable.

- To generalize the computerization of the administrative structures by setting up inter-connected computer platforms of the administration: Justice, Customs, Taxes, CNAS, CASNOS, TradeRegister, Notaries, Cadastre, Land Conservation.

- To remove all reluctance regarding the use of IT Portals, which most often result in "the network does not work".

-To prohibit the requirement of additional files outside the one provided by law.

- To generalize skills training in evaluation and management of investment projects in the faculties of economics, management and commerce.

- To define a project evaluation procedure.

- To encourage the creation of consulting firms specializing in engineering.

- To encourage the creation of specialized procurement offices and specifications.

-To training executives in the field of international arbitration.

-To encourage ICT.

-Develop the necessary structures for the production of statistics

Tax incentives for investors

-Establish a list of business sectors that can benefit from tax benefits.

- List of strategic sectors prohibited to foreign investors to preserve national independence (for example, in Mexico: petroleum and petrochemical, nuclear, electricity, railway, and telecom);

-The distribution must be reserved for local businesses.

-For foreign investors, require a minimum capital giving access to tax privileges in order to discourage small investors (e.g. making biscuits). Currently the minimum capital has been reduced to the symbolic Dinar. This change made in the context of improving the business climate is problematic. How to believe that an investor who has only a minimum capital of 1 Dinars can develop a viable economic activity? What are the guarantees vis-à-vis third parties? This is a suggestion from Doing Business to improve the business climate!

-Encourage foreign companies whose production is intended for export from mines and hydrocarbons.

-Encourage local businesses whose production is intended to substitute for import.

-Generalize the rule of participation in the share capital (49% / 51%) and the right of pre-emption.

-Privileges for companies that transfer technology (creation of training institutes).

- A commitment for Algerian import companies to substitute their import activity after a period determined by an alternative industry.

-Reduce the rate of participation in the capital of foreign companies whose object is the import and resale in the state to 10%.

Tax benefits up to full tax exemption in the investment phase: This can be considered if we agree on the principle of wealth sharing according to the equity participation formula of (49% / 51%) and the pre-emptive right which preserves the sovereignty of the country as well as the principle of the transfer of wealth created to the tune of 50% of the added value created;

Creation of free zones: is a way to encourage trade and improve the attractiveness of investments. They should be created in the north and along the southern borders to make Algeria a hub with the African continent.

6. CONCLUSION

Facing the bidding process put in place by international institutions with the view to make developing countries compete with each other and then; be more and more attractive by trying to obtain the best investment conditions allowing profits to be maximized, through the exploitation of the resources and the transfer of capital abroad, developing countries have to put a group action strategy in order to defend their interests by refusing to sell off their resources and protecting their economies, while respecting the interests of their partners. This strategy consists of sharing with States and international institutions (World Bank, International Monetary Fund ...), the idea that the exploitation of the underdeveloped countries wealth, as it stands today, is disastrous for Economies. What companies gain from side, the states lose a good part of it from another side, with no efficiency. Let us quote for instance, the phenomenon of immigration that the States try to stem by devoting entire budgets without result. Indeed, we must tackle the causes at the origin of these evils and not the effects. Then, the idea of *another exchange relationship must be debated*; it is about the sharing of wealth created by foreign investment in return for the exploitation of the developing countries resources. It is necessary to put an end to the transfer of all if not most of the wealth created by foreign investment while always leaving these countries at the same starting point: poverty, disease, environment destruction, immigration, underdevelopment in a word. Of course, this should not exempt developing countries from their responsibilities. The attractiveness conditions demanded by developed countries are legitimate, only the matter of capital expatriation is open to discussion. It must be admitted that the developing countries' economies are unstructured, drowned in a binding bureaucracy and unaccompanied by investing. Deadlines for response to solicitations are non-existent and appeal is random. Mindsets have to change. The official must be in the service of development under the law. How much should be the financial incentives and for whom? Financial incentives represent a shortfall for the state budget. The State gives up this resource to attract wealth-creating companies likely to disseminate know-how, management and technology. Companies belonging to sectors of activity classified as deserving to be encouraged and supported by the State without expatriating of capital exceeding 50% of the wealth produced by the investments made. Firms that specialize in importing and resale in the state must be governed by a legal arsenal. Should they be opened to the market and let them dump international used clothes, obsolete computer equipment, in short the waste of consumer companies, so turn the country into an open dump in the name of freedom of trade. Many experiences in African countries have shown that this path does not lead to development; this is why the rule relating to the participation in the capital of foreign companies that practice importing in the state that may hold up to 70% of the capital stock at a given time (rate currently reduced to 50%), thus, granting an unjustified privilege to foreign importers. This rule is expensive for the Algerian economy and must be revised downwards as soon as possible.

The attractiveness of foreign capital is a necessity for the internal development of developing countries under the condition to :

- create an attractive climate for business;
- Direct investment through the establishment of a transparent procedure for the selection of investment projects towards the sectors of activity to be promoted by protecting other sectors of activity against massive imports.
-substitute progressively planned imports by an import substitution industry.
- Share the financial wealth produced in return for the exploitation of local resources.

All the efforts of organization, improvement of the business climate and control of the investment process are necessary but not sufficient, because the only real strategy is to change the existing exchange ratio, through dialogue and consultation between developing countries on the one side and the developed countries on the other side, within a balanced exchange relationship: "the exploitation of resources against the sharing of the created wealth ".

For this purpose, developing countries must not behave like a passive entity, undergoing their competition to sell off their resources; they must aware that they are holders of strategic resources which are essential to the growth of the developed countries and to their development; that their exploitation should not lead to one-way reforms of developing economies but also to a sharing of the wealth created with the transfer of technology. For this purpose, developing countries must organize themselves to act in concert and create an organization whose mission is to establish a classification of companies that offer the best comparative advantages for developing countries.

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