



The Role of Free Zones in Attracting Investment

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Abstract: The continuous increase in the number of free zones around the world demonstrates their importance to developing and other countries, which are now competing to attract the largest number of investments, through the numerous advantages and incentives they offer to achieve their goals of integration into the global economy.

Keywords: incentives, taxes, free zone.

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Introduction:

In this article, we will address the rules governing free zones. In the first section, we will propose a study of the role of free zones in attracting investment.

We note that the legislature has incorporated free zones into national public property in order to provide them with a secure and special protection system in exchange for the incentives and facilities granted to economic operators within these zones, which were granted to investors, both local and foreign. This will be addressed in this article through an analysis of the legal texts pertaining to free zones. We will clarify the role of free zones in attracting investment, which falls under three requirements.

Requirement One: The bodies supervising free zones.

Requirement Two: The privileges and management of free zones.

Requirement Three: Models of Arab countries' experiences.

Requirement One: The bodies supervising free zones.

Free zones are managed by specialized bodies established by the state to manage them, oversee their affairs, and provide the necessary facilities. This will be detailed as follows:

First Section: The Algerian Investment Promotion Agency

Also referred to in Article 18 of Law 22/18 as the "Agency," a public institution with legal personality and financial independence. It is placed under the supervision of the Prime Minister, unlike its predecessor, the National Investment Promotion Agency, which was subordinate to the Minister in charge of Investment Promotion when it was called the National Investment Promotion Agency. Its headquarters are in Algiers.

The agency has several decentralized structures established pursuant to Article 6 of Order 01/03 on Investment Development. It was first established pursuant to Legislative Decree No. 93/12 on Investment

Promotion.¹ It was then transformed pursuant to Law 01/03 on Investment Development, which repealed Legislative Decree No. 93/12 and defined its powers and organizational structure (National Investment Promotion Agency). Executive Decree No. 93/12 Its powers and organizational structure (the National Agency for Investment Promotion) are defined by Executive Decree No. 06/356. It is organized as a single window consisting of various offices representing bodies and institutions concerned with investment: the APSI Agency, the Bank of Algeria, the National Center for the Commercial Register, Customs, and the Public and Municipal Property Administration. This single window provides benefits to investors.

The powers and duties of the Algerian Agency for Investment Promotion were expanded to include its role in improving and developing the investment climate with the issuance of Executive Decree 22/298 relating to the management and organization of the Algerian Agency for Investment Development. The legislator's objective, through the expansion of the agency's powers and duties, as stipulated in Article 18 of Decree 22/18, is to embody and establish the principles of transparency, freedom of investment, and equal treatment.

Among the tasks assigned to the agency are:

- * Promoting and enhancing investment in Algeria and abroad, and promoting Algeria's attractiveness, by liaising with Algerian diplomatic and consular missions abroad.
- * Informing and raising awareness among the business community.
- * Ensuring the operation of the digital platform for investors.
- * Registering and processing investment files.
- * Supporting the investor in completing the procedures related to their investment.
- * Managing benefits, including those related to the portfolio of projects declared or registered prior to the date of issuance of this law.
- * Monitoring the progress of investment projects.²

Section Two: The National Advisory Committee for Free Zones

This committee shall be established and chaired by the Minister in charge of Trade or his representative, according to Article

17 of Decree No. 24-168 of May 28, 2024, which states: A National Advisory Committee for Free Zones shall be established and chaired by the Minister in charge of Trade or his representative. It shall be called "the Committee" and shall consist of representatives of the following sectors:

- * A representative of the Ministry of National Defense.
- * A representative of the Minister of the Interior, Local Authorities, and Territorial Planning.
- * A representative of the Minister of Finance.
- * A representative of the Minister of Energy and Mines.
- * Representative of the Minister of Post and Telecommunications.
- * Representative of the Minister of Industry and Pharmaceutical Production.
- * Representative of the Minister of Agriculture and Rural Development.
- * Representative of the Minister of Housing, Urban Planning, and Urbanism.
- * Representative of the Minister of Transport.

¹ Ben Allal Belkacem, *The Role of Free Zones in Attracting Foreign Direct Investment - The Case of Algeria* -, op. cit., p. 93.

² Law No. 22-18, dated July 24, 2022, relating to investment, Official Gazette, No. 50

- * Representative of the Minister of Trade and Export Promotion.
- * Representative of the Minister of Knowledge Economy, Startups, and Small Enterprises.
- * Representative of the Governor of the Bank of Algeria.
- * Representative of the Director General of Internal Security.
- * Representative of the Director General of Documentation and External Security.
- * Representative of the Director General of National Security.
- * Representative of the Director General of Customs.
- * Representative of the Director General of the Algerian Agency for Investment Promotion.³

The committee may also seek the assistance of national and international experts who may assist it in its work, in accordance with applicable legislation and regulations. The nominal list of committee members is determined by a decision of the Minister in charge of Commerce, based on a proposal from the ministerial sectors and bodies to which they belong, for a renewable term of three years.

If a member's term is interrupted, they will be replaced in the same manner

until the expiration of the current term, in addition to the expiration of the term upon the termination of the capacity under which the committee member was appointed.

Article 19 of the aforementioned decree stipulates that the committee shall express its opinion on:⁴

- * Amending the geographical location of the free zone, its boundaries, area, components, operation, and nature, as well as the activities authorized therein.
- * The draft development plan for the free zone.
- * The deadlines for completing development works.
- * Evaluating the impact of free zone activity on the national economy.
- * Proposing the establishment of new free zones.

It can also initiate any proposal that would improve the management of free zones and enhance the performance of their activities.

Requirement Two: The privileges and management of free zones.

Most countries grant customs and tax exemptions to encourage and attract local and foreign investment in these free zones. Algeria, like other countries, seeks to attract both local and foreign investment through the facilities it provides to create a favorable environment for the stability of these projects.

Section One: Free Zone Management

The free zone management privilege is granted by the Minister of Trade, in accordance with Executive Decree No. 24-168 of May 28, 2024, defining the procedures for granting a free zone management privilege. Article 5 states⁵: The free zone management privilege is granted by the Minister of Trade, referred to in the text as "the authority holding the privilege," to a public institution of an industrial and commercial nature, referred to in the text as "the concession holder."

³ Executive Decree No. 24-168, dated May 28, 2024, determining the procedures for granting a free zone management concession, Official Gazette, No. 36.

⁴ Article 19 of Executive Decree 24-168 determines the procedures for granting a free zone management concession, mentioned above.

⁵ Article 5 of Executive Decree No. 24-168 determines the procedures for granting a free zone management concession, mentioned above.

Accordingly, according to the decree, the Minister of Trade is responsible for granting a free zone management concession, as the authority holding the concession for the benefit of a public institution of an industrial or commercial nature. The concession holder is required to pay an annual royalty. This concession is granted based on a specification and agreement for a maximum period of sixty-five (65) years, renewable at the request of either party, within this period, one (1) year before the expiration of the management concession. The management concession may be terminated at any time in the following cases:

*At the request of either party or by agreement thereof. In this latter case, the terms, procedures, and consequences thereof shall be specified in the termination agreement.

* If the concessionaire fails to fulfill its contractual obligations after two (2) ineffective notices from the concessionary authority, the concessionaire shall be responsible for the termination and shall not be entitled to any compensation.

Prior to initiating termination procedures, the concessionaire shall be notified of a first notice by court order at the address specified in the concession contract.

If two (2) months from the date of notification have elapsed without compliance, the concessionaire shall be notified of a second notice, in the same manner and for the same period.

* For any other reason, the concessionaire shall be compensated for the damages with an amount proportional to the value of the materials and the cost of the labor used, with a 10% deduction as compensation for operating expenses.

Article 10 of the aforementioned decree also stipulates that the operating concession may be terminated in the event of force majeure or a sudden accident that permanently prevents the continuation of the activity.⁶

In addition, the concessionaire must complete the necessary development works in accordance with the free zone development plan, which includes:

* Development of roads and parking areas.

* Connection to various energy, communication, and water networks.

* Construction of buildings intended for the free zone's management and service provision, as well as those intended for the activities of economic operators.

Section Two: Concession Contracts and Conditions of Activity in Free Zones

Among the most important legal mechanisms adopted by the Algerian state to implement investment projects on its private real estate are concession contracts. Since their emergence, these mechanisms have fluctuated between adopting transferable and non-transferable concessions until the issuance of an order specifying the terms and conditions for granting concessions on state-owned land intended for investment, followed by the adoption of non-transferable concession contracts in free zones.

First: Definition of Concession Contracts

To accurately understand concession contracts, we must be familiar with their basic definitions from various perspectives, both jurisprudential and judicial. Here, we will review the most prominent of these definitions to form a clear and comprehensive picture of them.

1- The Jurisprudential Definition of the Concession Contract

Jurisdictional definitions of the concession contract have varied. Here, we will address what some Algerian jurisprudence scholars, including Dr. Labbad Nasser, have defined as follows: A concession contract is a

⁶ Article 10 of Executive Decree No. 24-168 determines the procedures for granting a free zone management concession, mentioned above.

contract or agreement whereby the granting instrument, whether the state, the province, or the municipality, assigns a natural person or a legal entity under public law, public law, or private law, called the concessionaire, to manage and operate a public facility for a specified period. The concessionaire manages this facility using his own labor and funds, bearing the resulting responsibilities. In exchange for performing this service, i.e., managing the public facility, the concessionaire receives a sum of money specified in the contract, paid by the beneficiaries of the facility's services.⁷

2- Judicial Definition of Concession Contract

The Algerian State Council, in its decision issued on March 9, 2004, Case No. 11950, Index 11950, stated the following:⁸

A concession contract is an administrative contract by which the authority grants the concession to the operator on an exceptional, temporary, and revocable basis. It is permanently personal to the beneficiary, including the right to renew the concession. A concession contract for state property is an administrative contract by which the authority grants the operator the concession to temporarily exploit a property belonging to the national property on an exceptional basis and for a specific, ongoing purpose, in exchange for payment of a royalty. However, the royalty is temporary and revocable. Accordingly, the administrative judiciary is competent to adjudicate the dispute, and this argument must be rejected as it is out of place.

Regarding the legal definition of a concession contract, the legislator did not address its definition, leaving it to jurisprudence and the judiciary. However, it is possible to refer to and rely on some legal and regulatory texts that rely on the concession contract for management, including:⁹

Ministerial Instruction No. 3.94/842 regarding the concession and leasing of local public facilities. The latter defines the concession contract as: A contract by which the competent administrative authority entrusts an individual or a private company with the management and operation of a public facility for a specified period of time using workers and funds provided by the concession holder at his own risk, in exchange for fees paid by the beneficiaries of his services, within the framework of the legal system to which this facility is subject. Under this contract, an individual or a private company undertakes, at his own expense and under his financial responsibility, to perform a public service to the public, commissioned by the administration, in accordance with the conditions set for him. In exchange for permission to operate the project and obtain profits.

Which generates revenue for a period of time specified in the contract, with the project reverting to the administration at the end of the period.

- Law No. 05-12 of 2005 relating to water, as amended and supplemented, states in Article 76: ...which is considered a public law contract for any natural or legal person subject to public or private law who submits a request for it in accordance with the conditions specified in this law and the procedures determined by regulation.

Second: Characteristics of the Concession Contract

From the aforementioned definitions, we conclude that the concession contract enjoys a set of characteristics and features that distinguish it from other contracts, which we summarize as follows:

1- Administrative Contract

⁷ Ashour Ahmed Mustafa, Belkheir Mustafa, The Legal System of the Concession Contract and Its Role in Investment in Algeria, Master's Thesis in Administrative Law, Institute of Law and Political Science, University Center Salhi Ahmed Naama, 2022-2023, pp. 7-9.

⁸ Decision No. 11952, Index No. 11952, issued by the Third Chamber, State Council Journal, Issue 5 of 2004, "Case between the Passenger Transport Police and the Mayor of Oran," Concession Contract, p. 212.

⁹ Ashour Ahmed Mustafa, Belkheir Mustafa, The Legal System of the Concession Contract and Its Role in Investment in Algeria, op. cit., p. 11.

According to Article 10 of Order No. 08-04, which states: "The concession referred to in Article 4 above shall be established by an administrative contract prepared by the State Property Administration..."¹⁰

2- It may be concluded through public law methods.

Referring to Article 15 of Order 11-11, which amends Article 3 of Order No. 08-04, the concession is granted on the basis of a specification book by mutual consent, whereas it was previously granted by public auction or by mutual consent, according to Article 3 of Order 08-04 before the amendment.¹¹

3- A fixed-term, long-term concession contract

The concession contract has a long duration specified in Article 4 of the aforementioned Order 08-04. The purpose of the concession term is to cover the costs of the investment project and allow the investor to enjoy a reasonable level of profit. The concession is granted for a minimum of 33 years, renewable, and a maximum of 99 years. The purpose of specifying the term is to ensure that the concession is non-perpetual, and ownership reverts to the administration as state property.

4- A contract relating to a real property right

Referring to Article 2 of Law No. 08-14 containing the National Property Code, which states: "National property includes all movable and immovable property and rights held by the state and its territorial communities in the form of public or private ownership..."

Referring to Articles 17 and 18 of the same law, they precisely define the private property to which various legal dispositions, including concession contracts, are subject.

5- A contract establishing the right to use.

According to the previous legal definitions, the party contracting with the administration in an investment-oriented concession contract benefits from a property intended to be used to implement an investment project.¹²

6- A contract in exchange for a royalty:

The concession is granted in exchange for an annual rental royalty.

Third: Elements of a concession contract

The existence of a concession contract requires a set of elements that prove its existence and formation. These elements distinguish it from other contracts, which we detail as follows:¹³

1/ Consent

The Algerian legislator stipulated the presence of consent as an element of the concession contract, such that a contract cannot exist unless the offer and acceptance are identical. This is considered an obligation, as stipulated in Article 54 of Order No. 10-05 of the Algerian Civil Code, which states: "A contract is an agreement by which one or more persons undertake to grant, do, or refrain from doing something to another person or persons." This consent must be free from any defects that may affect it.

2/ Subject Matter

¹⁰ Article 10 of Order No. 08-04 of September 1, 2008, determines the terms and conditions for granting concessions on lands belonging to the state and intended for the implementation of investment projects, Official Gazette, Issue 49.

¹¹ Article 15 of Law No. 11-11 of July 1, 2011, including the Supplementary Finance Law for 2011, Official Gazette No. 40.

¹² Ashour Ahmed Mustafa, Belkheir Mustafa, The Legal System of the Concession Contract and Its Role in Investment in Algeria, op. cit., p. 18.

¹³ Ashour Ahmed Mustafa, Belkheir Mustafa, The Legal System of the Concession Contract and Its Role in Investment in Algeria, op. cit., pp. 21-22.

The subject matter of the obligation is what the debtor is obligated to do. It may be to give something, perform an action, or refrain from an action. Three conditions are required for the validity of the contract:

- The subject matter must exist or be something capable of existing.
- It must be clearly defined.
- It must be capable of being transacted in any legal manner.

However, if the subject matter of the obligation violates public order and public morals, the contract is void.

3/ Reason

This refers to the motive or incentive for contracting. In a concession contract, the reason for the obligation to grant the concession is justified by the public interest and public benefit through providing and satisfying public needs. The reason for the investor's obligation is to make a profit.

The reason must also be legitimate.

4/ Formality

A concession contract is one of the contracts that requires formalization due to the risk it poses to the interests of both parties. Formality here is considered a cornerstone of the contract, not an element of formality.

Third: Conditions for practicing activity in free zones

These include:

Commercial transactions conducted in the free zone in convertible foreign currencies must be officially priced by the Bank of Algeria, which legally certifies the import of these currencies, or by an accredited commercial bank.

Exchange legislation and regulations apply to capital movements within the free zone, between these zones and the customs territory, or abroad.

The ability to freely export and import goods and services, in accordance with the tax, customs, and exchange regulations specified in this law for operators operating in the free zone.¹⁴

Supplying goods and services to operators located in the free zone from the customs territory must be subject to foreign trade regulation and exchange control, as well as the tax and customs regulations applicable to exports.¹⁵

Section Three: Investment Incentives in Free Zones

Free zones are characterized by a system that primarily provides greater incentives to investors than investment under general rules. This is due to the unique nature of these zones, which seek to create a more flexible investment environment to create wealth and create jobs.

1- Privileges Under Law No. 22-15

When we read the provisions of Law No. 22-15, we find that the Algerian legislator has provided free zones with a number of privileges, which we detail as follows:

1-1: Privileges of an Economic Nature

¹⁴ Amal Mashti, The Legal Framework for Free Zones in Algerian Legislation: Between Enactment and Repeal "Law 22-15 on Free Zones, Any Addition," op. cit., p. 662.

¹⁵ Amal Mashti, The Legal Framework for Free Zones in Algerian Legislation: Between Enactment and Repeal "Law 22-15 on Free Zones, Any Addition," op. cit., p. 662.

Economic privileges garnered the largest share of the provisions of Law No. 22-15, through the articles contained in Chapter Three, entitled "Activity in Free Zones," particularly those related to foreign trade and exchanges within the free zone.¹⁶

1-1-1: Economic Privileges in the Field of Foreign Trade

The privileges enjoyed by investors in the free zone vary and diversify depending on the direction of the goods, merchandise, and services. These operations are determined and take two main forms:

The first concerns the import of goods and services to and from the free zone, and the second concerns services and goods destined for the customs territory in the form of sales and disposal, which the legislator considers foreign trade operations.

A- Freedom to import and export goods and services to and from the free zone

Article 13 of Law No. 22-15 states: "Operators operating in the free zone may freely export and import goods and services in accordance with the tax, customs, and exchange regulations stipulated in this law." This applies equally to imports from foreign countries or the national territory, which includes both the customs territory and the free zone. In the case of exports, freedom includes all goods and services, regardless of their nature. However, they fall under two legal regimes. While operators located within the free zone are subject to the tax and exchange regulations stipulated in the provisions of Law No. 22-15, operators contracting with investors are subject to the customs and tax regulations of the foreign country or to national legislation.¹⁷

In addition, the freedom of import and export in the free zone is not granted in general. However, it excludes goods and commodities granted in an absolute manner, those that violate public order or public morals, those that contravene public hygiene and health regulations, or those that infringe upon intellectual property rights or industrial property rights. Foreign trade procedures are also exempt if the investor proves that goods and services acquired from abroad are actually incorporated into his investment project located in the free zone. Here, the legislator considers this trade to be national trade, according to Investment Law No. 22-18.

B- Disposal of goods at a specific rate

Article 15 of the aforementioned law stipulates that "the disposal of goods imported from the free zone into the customs territory shall not exceed 20 percent of the turnover of each producer of goods or services." Disposal, as defined in the text, refers to the sale of goods in the customs territory. This is not mandatory for the producer, who has the freedom to choose. However, the legislator has set limits on the quantity that the investor may not exceed if he wishes to sell the goods and merchandise produced. The limit is set at 20 percent of his turnover, which is expressed as the amount of sales of goods and services made by the producer during a single tax year.

1-1-2: Tax Benefits

Article 8 of Law No. 22-15 states: "Activities conducted in the free zone are exempt from all duties, taxes, fees, and deductions of a fiscal, quasi-fiscal, and customs nature, except for those listed below."¹⁸

- Duties and fees related to passenger vehicles and cars, and to the construction of vehicles and cars related to operation.
- Contributions and subscriptions to the Algerian social security system.

¹⁶ Saleh Zamal, "The Legal System for Investment in Free Zones: A Reading of the Provisions of Law No. 22-15," *Al-Nibras Journal of Legal Studies*, Volume 7, Issue 1, June 2003, p. 88.

¹⁷ Article 13 of Decree No. 22-15, dated July 20, 2022, sets the rules governing free zones, aforementioned.

¹⁸ Article 8 of Decree No. 22-15, sets the rules governing free zones, aforementioned.

The text of this article gives the tax system in the free zone two fundamental advantages:

A- General exemption from paying tax and customs duties:

This exemption includes all types of taxes related to economic activities conducted within the free zone, such as corporate profits tax, turnover tax, gross income tax, and other taxes related to various economic activities.

The exemption also includes customs duties, defined in the Customs Law (Law No. 79-07 of July 21, 1979), which are "customs duties and all duties, fees, duties, or various other taxes collected by the customs administration, with the exception of duties and taxes determined by the customs administration." Its amount is based on the approximate cost of the services provided.

Exemption from customs duties is one of the factors that distinguishes free zones from customs territory, given that the general rules applied in customs territory give customs officers discretionary authority to inspect goods and determine customs duties and taxes upon receiving the detailed declaration.

B- Failure to Specify a Tax Exemption for a Specific Period

Contrary to the general investment system, whose provisions stipulate tax exemptions and/or reductions for a limited period, the legislator, within the provisions of Law 22-15, exempts investors in free zones from all forms of taxation without restricting them to a specific period. This privilege is nullified by other legislation in this area, which restricts exemptions to a specific period.¹⁹

2- Investment Guarantees in Free Zones

Investment projects in the host country face a number of risks that may result from measures taken by the state. In order to avoid these risks and encourage foreign investment, the legislator seeks to limit the state's injustice by establishing a set of guarantees to reassure investors about their funds and investments. We will discuss them as follows: The following:

1-2- Legal Guarantees

These include:

A- Legislative Stability (Legal Freeze)

Article 13 of Law No. 22-18 addresses this by stating that the effects resulting from a future revision or repeal of this law shall not apply to investments made within the framework of the law unless the investor explicitly requests it. This means any amendment or repeal in which the investor has invested shall not be applied unless the investor explicitly requests it. The importance of this guarantee lies in the fact that it gives the investor subject to the provisions of the Investment Law the freedom to choose between the privileges of the system in which they have invested or the new privileges included in the provisions of the law that repealed the previous law.²⁰

B- Guarantee of Exploitation

This guarantee is included within the provisions of the Investment Law, according to Article 10 of Law No. 22-18, which states: "The investment made may not be subject to exploitation by the administration except in the cases stipulated by law. Exploitation shall result in fair and equitable compensation in accordance with applicable legislation." Exploitation is the measure taken by the state in cases stipulated by law and is pursuant to an administrative decision in favor of the investor. Public benefit, as exploitation is the directing of the production and services of the investment project for the benefit of the state for the public interest, whereby the investor's hand is raised for the benefit of the state, given that exploitation is of a temporary

¹⁹ Amal Mashti, "The Legal Framework for Free Zones in Algerian Legislation: Between Enshrinement and Abrogation," "Law No. 22-15 on Free Zones, Any Addition," op. cit., p. 662.

²⁰ Law No. 22-18 of July 24, on Investment, aforementioned.

nature, usually for 6 months, renewable once, and the state bears any damage that may befall the property subject to exploitation with fair and equitable compensation.

K- Guarantee of National Treatment:

We deduce this guarantee by analyzing the provisions of Article 3 of Law 22-18, which states: "This law establishes the following principles:

- * Freedom of investment: Every natural or legal person, whether national or foreign, resident or non-resident, who wishes to invest is free to choose their investment, subject to compliance with applicable legislation and regulations.

- * Transparency and equality in dealing with investors. We can infer from the text of this article that investors, whether local or foreign, are treated equally and without discrimination. Therefore, this principle is known as the principle of fair or equitable treatment or the principle of non-discriminatory treatment between investors, meaning that investors are subject to the same obligations and enjoy the same rights.

2-2- Judicial Guarantees:

If a dispute arises between an investor and the state due to a measure taken by the state, jurisdiction to resolve this dispute rests with the competent national judiciary, which is responsible for adjudicating this dispute depending on the type of case.²¹

As an exception, the dispute between the investor and the state may be resolved through alternative means—mediation, conciliation, Arbitration - The legal basis that gives the investor the presumption of resorting to alternative means is provided for in Article 12 of the aforementioned Investment Law, which states: "Any dispute arising from the application of the provisions of this law between the foreign investor and the Algerian state, whether caused by the investor or due to a measure taken by the Algerian state against him, shall be subject to the competent Algerian judicial authorities, unless there are bilateral or multilateral agreements ratified by the Algerian state whose provisions relate to conciliation, mediation, and arbitration, or unless an agreement is concluded between the agency mentioned in Article 18 below, acting on behalf of the state, and the investor, allowing the parties to resort to arbitration."

Here, according to the text of the article, we find the Algerian legislator providing three foundations, as follows:

- * In the event that there is a multilateral agreement calling for mediation, conciliation, and arbitration, and the investor's state and Algeria are members of the International Center for Settlement of Investment Disputes (ICSID), the Washington Convention.

- * A bilateral agreement: If there is no multilateral agreement, the investor's state and Algeria may conclude an agreement providing for recourse to conciliation, mediation, and arbitration.

- * If there is no multilateral or bilateral agreement, the investor may conclude an agreement between The Algerian Investment Agency, in the name of the state, stipulates resorting to reconciliation, mediation and arbitration. In addition, in the event of a multilateral agreement, a bilateral agreement or arbitration, the principle, which is resorting to the national judiciary, is abolished and the exception becomes the principle.²²

Requirement Three: Models of Arab countries' experiences.

In this section, we will address some examples of pioneering legislation in the field of free zones, citing examples, but not limited to them.

²¹ Law No. 22-18 on Investment, aforementioned.

²² Law No. 22-18 on Investment, aforementioned.

Section One: Free Zones in Egypt

Egypt introduced the concept of free zones in the second half of the twelfth century, when the city of Alexandria was a center of trade, serving as a route for trade from Europe to Asia and vice versa. Trade traveled overland from Alexandria to the Red Sea ports.

The first free zone in Egypt was established in 1902, following a special agreement between the Egyptian government and the Suez Canal Company. This agreement stipulated the establishment of a land free zone to expand and maintain the Port Said port according to trade needs, with the aim of taking advantage of Egypt's distinguished geographical location, which is considered one of the best on the world's geographical map, both ancient and modern. This was especially true after the construction of the Suez Canal, which made Egypt a central point between the world's north and south.²³

The concept of free zones evolved and was not formalized in legal legislation until 1952, when Law No. 306 of 1952 was issued regarding the Free Zones System. The purpose of this law was to ease restrictions on foreign trade and encourage transit and the establishment of certain industries, subjecting them to only the most limited customs restrictions and procedures. In 1963, Customs Law No. 66 of 1963 was issued, and Chapter Four was devoted to free zones.

Law No. 51 of 1966 was also issued regarding the organization of the Port Said Free Zone. Due to the war in 1967, the zone's activities ceased. In the early 1970s, the state adopted a policy of economic openness with the aim of attracting investments and driving economic development. To this end, successive investment laws were issued, beginning with Law No. 65 of 1971 Concerning Arab Capital Investment and Free Zones, followed by Law No. 43 of 1974 Concerning Arab and Foreign Capital and Free Zones, as well as Investment Law No. 230 of 1989, and finally Investment Guarantees and Incentives Law No. 8 of 1997.²⁴

A fourth chapter, titled Investment Procedures, was added by Law No. 13 of 2024. According to these laws, investment projects are established through two systems, each with its own conditions and privileges that attract and encourage local and foreign investment. These two systems are known as the Investment System and the Free Zones System.²⁵

Section Two: Free Zones in the United Arab Emirates

The United Arab Emirates comprises seven emirates: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Fujairah, Ajman, and Umm Al Quwain. Each emirate has its own free zones. Dubai is the first emirate to pioneer the free zone model, due to the attractive privileges and investment incentives it offers to foreign companies, including the opportunity to own a full percentage of subsidiaries without imposing any taxes.

Among the most important free zones in Dubai are:

Jebel Ali Free Zone

Dubai is considered one of the most prominent countries known for trade, as it represents an important transit point for goods transiting to the countries of the Arabian Gulf, the Arabian Peninsula, Asia, and Africa. The openness of its rulers and their efforts to transform their emirate into a global economic center added another advantage, combined with the most advanced modern management methods. This accelerated the difficulty of the turbulent developments witnessed by this emirate in the field of economic development. Thus, it can be said that the Emirate of Dubai, with its leadership and will, occupied a distinguished position on the global economic map, and entered the twenty-first century, rapidly emerging from the bottle of the Third World into the spacious world of developed countries. Among the actions undertaken by Sheikh Rashid to strengthen the emirate's position in the field of economics and

²³ Abdel Fattah Mohamed Abdel Fattah, *Investment Systems in Banking in Light of International Experiences and Global Economic Changes*, op. cit., p. 60.

²⁴ Abdel Fattah Mohamed Abdel Fattah, op. cit., p. 61.

²⁵ Muqatil Iman, *The Role of Free Zones in Attracting Investment*, *Journal of Economics and Law*, Issue 2, December 2018, p. 126.

international trade, was the establishment of Jebel Ali Port in 1979, followed by the establishment of the Jebel Ali Free Zone, covering an area of 100 square kilometers, fully fenced, making it one of the largest free zones in the world. On the legal level related to the establishment of the Jebel Ali Free Zone, Decree No. 1 of 1980 was issued, followed by the issuance of Decree Law No. 1 of 1985 established the Jebel Ali Port Free Zone Authority. The Authority's responsibilities included issuing licenses to companies wishing to operate and providing assistance and technical expertise, such as assistance in supplying energy sources and manpower, including recruitment, issuing residence visas, and providing housing, transportation, and the necessary infrastructure. In addition to Dubai's distinguished investment climate and the numerous measures taken by the Dubai government to ensure the greatest possible success for the Jebel Ali Free Zone, this has positioned it as the best free zone in the Middle East²⁶. It was also ranked by the European Union of Free Zones as the most advanced free zone in the world in 2004, due to its pioneering role in industry and the significant growth it has achieved.²⁷

Dubai Airport Free Zone

Established in 1996, Dubai Airport Free Zone (DAFZA) has become the most distinguished free zone destination for global companies. Its industries range from aviation and automotive to fashion and beauty, as well as consumer goods and information and communications technology.

Dubai Airport Free Zone boasts a unique location and state-of-the-art facilities, along with its connectivity and proximity to Dubai International Airport. Among many key advantages, companies based in DAFZA benefit from 24/7 support, round-the-clock customer service, and rapid cargo clearance through a dedicated logistics center.²⁸

Dubai Internet City

Dubai Internet City is the largest technology infrastructure in the Middle East, built within a free zone to support the business development of regional and global information and communications companies.

Dubai Internet City is a strategic base for companies targeting emerging markets in a vast region extending from the Middle East to the Indian subcontinent, from Africa to the CIS countries. Many of the world's leading technology and telecommunications companies operate within Dubai Internet City, including Microsoft and others.

In addition, the Dubai Internet Free Zone was developed specifically to help ICT companies explore opportunities to expand their businesses worldwide from their base in the Middle East.

Conclusion:

Free zones are among the most important mechanisms adopted by the state to attract foreign investment. These zones are managed by specialized bodies that organize and develop them in a manner that suits their nature. To establish any free zone, a set of political, security, legislative, and other requirements must be met. However, these zones may face several obstacles that prevent them from achieving their goals and may lead to their failure.

²⁶ Muqatil Iman, *The Role of Free Zones in Attracting Investment*, op. cit., p. 127.

²⁷ Muqatil Iman, op. cit., p. 127.

²⁸ Abdel Fattah Mohamed Abdel Fattah, op. cit., p. 49.