RESEARCH ARTICLE

Import Substitution Policy and Export Promotion Strategy : A Study of the Malaysian Experience and Its Implications for Algeria

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Abstract

Notwithstanding successive economic recovery programs, Algeria has yet to attain the long-anticipated economic take-off envisioned for decades. The sustained surge in oil prices over an entire decade proved insufficient to stimulate broad-based economic growth beyond the hydrocarbons sector. Other sectorsmost notably agriculture, despite substantial financial allocations and institutional supporthave remained unable to satisfy domestic demand, which continues to be constrained by quota-based distribution systems and exchange rate volatility. Drawing upon the Malaysian experience, particularly its phased strategy of import substitution followed by export-oriented growth, this paper aims to propose a set of actionable policy recommendations for fostering economic development and advancing Algeria's non-hydrocarbon exports.

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Introduction

Like other rentier economies, Algeria has, for decades, sought to achieve an economic take-off that would enable it, in the first stage, to meet the needs of its population and, in the second stage to export surplus production. However, this goal has not been realized due to several factors, the most significant of which is the absence of sound economic governance capable of capitalizing on Algeria's abundant economic assetssuch as its favorable climate, vast land area, and availability of raw materials; In addition, the country has not fully leveraged the many advantages offered by foreign direct investment (FDI), including job creation, meeting domestic demand, and generating foreign currency through export activitiesan area that has long remained constrained by the 51/49 ownership rule applied to foreign investments in Algeria.

The 2020 Economic Model, represents one of the strategic frameworks expected to achieve what the 2016 Model failed to deliver. The political leadership's intent appears clear in addressing the shortcomings identified, particularly in fostering economic orientation by reforming and modernizing the banking and monetary system, enhancing mechanisms for enterprise support, promoting exports, integrating universities with their economic environment, and other priorities adopted under the new reform agenda (2020 Model).

Malaysia stands out as one of the most successful development experiences, having transformed in a relatively short period from a colonized state into one of the world's industrial hubs ;this success was achieved through prudent policymaking that focused on developing diverse economic sectors and resolving crises by leveraging domestic expertise and economic capacities, while firmly rejecting structural adjustment prescriptions from the International Monetary Fund and the World Bank. By doing so, Malaysia was able to surpass several of its East Asian counterparts. Consequently, the Malaysian model could hold valuable lessons for addressing the challenges facing the Algerian economy. This study therefore seeks to answer the following central research question :"How can Algeria benefit from the Malaysian experience in implementing import substitution and promoting exports ?"

From this main question, the following sub-questions emerge :

- What is the current state of the Malaysian economy ?
- What factors underpin the success of the Malaysian economy ?
- What is the current state of the Algerian economy ?
- How can Algeria develop its economy and enhance its export performance ?

Significance of the Study :

The significance of this study lies in examining the Malaysian experience as one of the leading export-oriented industrial economies, thereby allowing us to derive potential solutions to the challenge of developing Algeria's economy and promoting non-hydrocarbon exports.

Study Framework :

Section I : Malaysia's Strategic Policy for Advancing Development through Import Substitution and Export Promotion.

1. Overview of Economic Activity in Malaysia

2. The Role of Malaysian Small and Medium-Sized Enterprises (SMEs) in Driving Development

3. Key Success Factors in Malaysia's Development Policy

Section II : Mechanisms for Algeria's Benefit from the Malaysian Experience

1. Current State of the Algerian Economy

2. How Algeria Can Leverage the Malaysian Model to Support Export Promotion

Section I : Malaysia's Development Policy (Import Substitution and Export Promotion)

Malaysia, located in Southeast Asia and composed of 14 states, gained its independence in 1957. Prior to independence, the country's economy was largely dependent on a narrow range of agricultural activitiesmost notably the cultivation of rubber trees for natural rubber production, and oil palm for palm oil production. This era was also characterized by the discovery of tin deposits by the British colonial administration, Following independence, Malaysia embarked on a structural transformation, evolving into an industrial hub specializing in the production and export of these three key commodities: natural rubber, palm oil, and tin (Al-Daraj, 2015, p. 1363).

First : An Overview of the Development of Economic Activity in Malaysia

The period coinciding with Malaysia's independence was characterized by the domination of a small group of foreign nationals, primarily Chinese and Indian communitiesover nearly all economic activity. These groups owned more than 95% of the country's wealth, compared to less than 5% held by the indigenous Malay population, despite the latter constituting over 60% of the total population, This stark imbalance represented a major obstacle to development. However, the vision of Malaysian policymakers at the time took a different direction ; The situation was addressed immediately after the 1967 riots, during which foreign communities expressed their willingness to relinquish part of their assets and rights to the indigenous population in order to safeguard their own safety and that of their property. This pivotal step marked the beginning of a four-decade-long development journey, during which Malaysia achieved record levels in key macroeconomic indicators.

1- Stages of Economic Development in Malaysia

Malaysia's development journey extended over approximately four decades, progressing through several distinct stages, each with its own characteristics, features, and impact on the level of progress achieved ; The following outlines the major milestones that shaped the Malaysian economy :

a. First Stage : Import Substitution Phase

This stage spanned from Malaysia's independence in 1958 to 1985, During this period the country focused on reconstructing its economy in the aftermath of ethnic tensions and civil unrest most notably the 1969 riots triggered by the unequal distribution of economic assets. The main features of this stage included :

- Social Cohesion Efforts : Consolidating unity among the various ethnic groups constituting Malaysian society.
- Development of Import-Substituting Industries : Establishing industries to replace imports, particularly in food processing, household appliances, furniture, and textiles. However, weak domestic demand and the limited size of local markets hindered the success of this policy, yielding modest results and prompting the search for a more effective strategy (Ritchie, 2004, p. 9).
- Adoption of the "New Economic Policy" (NEP) : Following the shortcomings of the import substitution strategy, Malaysia launched the NEP to support export-oriented industrialization, especially in manufacturing sectors such as textiles, electronics, and electrical goods.
- Introduction of Islamic Banking: The first Islamic bank in Malaysia was established in 1983, building on the success of the Tabung Haji (Pilgrims' Fund) model.
- Severe Financial Crisis : A sharp debt crisis emerged as most borrowed funds were directed toward financing heavy industries and large-scale projects, leading to rising inflation rates ; This crisis coincided with a slowdown in economic activity, adversely affecting many enterprises and resulting in an increase in non-performing loans (Kandoz, 2015, p. 261).

b. Second Stage (1986–2001) : Export Promotion Phase

This stage was marked by efforts to recover from the financial crisis that had afflicted the Malaysian economy in the early 1980s. The economic reform agenda under Prime Minister Mahathir Mohamad became increasingly clear, adopting outward-looking policies aimed at strengthening export-oriented industries while preserving the core foundations of the Malaysian economy ; This approach was reflected in the Fifth Malaysia Plan (1986–1990), the Sixth Malaysia Plan (1991–1995), and the Seventh Malaysia Plan (1996–2000). During this period, special emphasis was placed on empowering the private sector and encouraging foreign direct investment (FDI) to actively participate in the development process through a range of incentives designed to:(Al-Aziz & Samir, 2011, p. 167)

- Reduce the financial and administrative burdens on the government;
- Improve production efficience ;
- Accelerate economic growth;
- Stimulate economic expansion ;
- Deepen export orientation in manufacturing activities;
- Modernize Malaysia's economic infrastructure ;
- Strengthen regional economic cooperation within the framework of the ASEAN bloc.

In the early 1990s, with the aim of deepening the reforms initiated by the Malaysian government, a new policy was adopted, known as the New Development Policy (NDP). Through this policy, Prime Minister Mahathir Mohamad sought to position Malaysia among the ranks of major industrialized nations by the year 2020 and to quadruple the average per capita income ; This period witnessed a significant increase in exports of various manufactured products, particularly electronics and textiles; As a result, the government increased spending on infrastructure and capitalized on the economic boom, with GDP growth averaging between 8% and 9% annually starting in 1990 ; Nevertheless, Malaysia was not entirely immune to the 1997 Asian Financial Crisis, though it was affected to a lesser extent than other countries in the region,thanks to its experience and capacity to manage economic crises, Malaysia recovered swiftly, notably rejecting all assistance offers from the International Monetary Fund (IMF) and the World Bank, contrary to the path taken by many of its Asian counterparts.

C. Third Stage (2001–2018) : Consolidation of the Outward-Looking Policy

During this stage, Malaysia continued implementing its strategy to position itself among the world's major manufacturing nations by 2020, while maintaining positive growth rates. This period was characterized by the adoption of three consecutive five-year development plans : the Eighth Malaysia Plan (2001–2005), the Ninth Malaysia Plan (2006–2010), and the Tenth Malaysia Plan (2011–2015) ; Throughout this stage, Malaysia achieved significant progress across economic, social, and political spheres. Under its outward-looking policy, the country maintained an average GDP growth rate of approximately 5.7% starting in 2010. Special programs were introduced to sustain these levels of growth, particularly poverty eradication initiatives ; according to statistics from the Central Bank of Malaysia, the proportion of households living below the national poverty linedefined as earning less than USD 8.5 per daydeclined sharply to 1.0% in 2015, down from 50% in 1960 (Al-Hafiz, 2015, p. 534).

Second : The Role of Malaysian Small and Medium Enterprises (SMEs) in Driving Economic Development

The Malaysian government has accorded significant attention to the SME sector, particularly following the establishment of the National SME Development Council in 2004,in 2014 the Council adopted a new definition for SMEs, distinguishing between industrial SMEs as a specific category and other non-industrial SMEs ; according to this definition, any enterprise operating in the industrial sector with an annual turnover of less than MYR 50 million or employing fewer than 200 workers is classified as medium or small. Likewise, enterprises operating in the services sector or other non-industrial sectors with an annual turnover of MYR 20 million or less, or employing fewer than 75 workers, fall within the SME category.By the end of 2020, the total number of SMEs reached 907,065, marking an increase of 261,929 enterprises compared to 2012, with an average annual growth rate of 0.4%. These measures have contributed to enhancing the performance of the Malaysian economy. In addition to diversifying the country's economic structure, SMEs make a significant contribution to the Gross Domestic Product (GDP), as illustrated in the following table :

Table (07) : Contribution of Malaysian SMEs to Gross Domestic Product (GDP

Year	2016	2018	2020	2022	2023
GDP Contribution (%) of SMEs	32.7	33.5	35.9	36.3	36.6

Source : Annual Reports of Malaysian Small and Medium Enterprises for the Years 2016, 2018, 2020, 2022, and 2024.

As shown in Table (07), Malaysian small and medium-sized enterprises (SMEs) have made a considerable contribution to the Gross Domestic Product (GDP), with growth rates varying over time, reaching 36.6% in 2023 compared to 32.7% in 2016. Moreover, the services sector holds the lion's share of this contribution, ranging between 17% and 21% over the same period. The following table presents the breakdown of this contribution by economic activity.

Table (08): Sectoral Contribution of Malaysian Small and Medium Enterprises (SMEs) to GDP

Sector	2016	2018	2020	2022	2023
Service	17	20.6	21.1	21.4	21.8
Industry	8.1	7.9	7.8	7.9	7.9
Agruculture	3.4	3.2	4.5	4.3	1.4
Construction	0.7	1.00	2	2.1	2.1
Mining	1	0.1	0.4	0.5	0.2

Source : Annual Reports of Malaysian Small and Medium Enterprises (SMEs) for the Years 2016, 2018, 2020, 2022, and 2024.

Based on the data presented in Table (08), it is evident that the services sector records the highest contribution to Malaysia's Gross Domestic Product (GDP), accounting for over 50% of the country's small and medium-sized enterprises (SMEs). The remaining share is distributed among other sectors, with industry ranking second. This reflects the government's focus on this type of enterprise through its import-substitution policies in areas such as food products, textiles, and electronics, among others. The recorded results underscore the government's sustained interest in SMEs, as over the past seven years, the GDP growth rate of SMEs has consistently exceeded that of the overall national GDP (see Table 09).

Table (09): Growth of Total Gross Domestic Product (GDP) and GDP of Malaysian Small and Medium Enterprises (SMEs)

Year	Total GDP Growth (%)	SME GDP Growth (%)
2016	7.4	8.3
217	5.1	7.00
218	5.6	6.00
2019	4.7	6.3
2020	4.1	5.2
2023	5	6.1
2024	4.2	5.2

Source : Annual Reports of Malaysian Small and Medium Enterprises (SMEs) for the Years 2016, 2018, 2020, 2022, and 2024.

It is evident that small and medium-sized enterprises (SMEs) have made a significant contribution to the Gross Domestic Product (GDP) during the same period, with growth rates exceeding those of the overall GDP. This contribution ranged between 6% and 8.3%, reaching its highest level in 2017. In comparison, the GDP growth rate fluctuated between 4.2% and 7.4%, and was consistently lower than the growth rate of SME contribution. Furthermore, the remarkable development of SMEs has facilitated an increase in employment at rates surpassing those of large enterprises. Table (10) illustrates the evolution of employment in Malaysia.

Table (10) : Employment Distribution between Small and Medium Enterprises (SMEs) and Large Enterprises in Malaysia

Year	SMEs	Large Enterprises	Total
2016	4.854.142	3.606.829	8.460.971
2017	5.159.953	3.801.597	8.961.550
2018	6.274.502	3.360.612	9.935.104
2020	6.625.875	3.474.873	10.100.748
2023	6.765.018	3.426.225	10.191.243

Source : Compiled by the researcher based on the Annual Reports of Malaysian Small and Medium Enterprises (SMEs) for the years 2016, 2017, 2018, 2019, 2020, 2022, and 2024.

Economic enterprises, regardless of their type, contribute to reducing the unemployment problem in Malaysia. This contribution increased by 20% from 2016 to 2022, reaching a total of 10, 191,243 workers. Small and medium-sized enterprises (SMEs) have made particularly significant contributions, surpassing those of large enterprises during the same period. This can be attributed to the growing attention directed toward SMEs, as the National Council contributed to increasing their number immediately after commencing operations. Moreover, the adoption of a new definition for SMEs led to the reclassification of a considerable number of large enterprisesexceeding 8,000 unitsinto the SME category. The government's move toward privatization programs further reduced the number of public economic enterprises, thereby diminishing employment opportunities within these entities.

Based on the preceding data, it is evident that the Malaysian government places growing emphasis on SMEs, offering them a variety of financial and support programs under both the conventional and Islamic financial systems. This approach aims to mobilize the entire Malaysian population, both Muslims and non-Muslims, to achieve comprehensive development.

Third: Success Factors of the Malaysian Development Policy

Despite the ethnic diversity of Malaysian society, which might suggest differences in cultures and ideological orientationsthis has not prevented Malaysia from becoming one of the world's leading industrial hubs and a notable success story in transitioning from agriculture and the production of certain basic agricultural goods to a fully-fledged industrial center. Today, Malaysia exports significant proportions of its products, particularly in the fields of electronics and household appliances. This achievement is the result of a set of key factors, which can be summarized as follows:

1 – The Development-Oriented Vision of Decision-Makers

The Malaysian people have played a significant role in enabling the country to become one of the world's major industrial hubs. However, much of the credit goes to the decision-makers who have alternated in power, particularly for their prudent policies. The Malaysian experience would not have succeeded without the developmental vision and outlook of all those who have been involved in shaping national policy. Each of them worked on formulating plans tailored to the requirements of every stage of development, focusing on poverty alleviation through the fair distribution of resources in order to eliminate social class disparities within Malaysian societycomposed primarily of diverse ethnic and religious groups. This diversity was regarded as a source of enrichment rather than an obstacle to the development process (Aldurj, 2015, p. 161). They placed emphasis on the Malaysian individual and on local plans to advance the development process (Sawahlia, Rahmoun, & Maqss, 2018, p. 169), while also capitalizing on regional blocs such as ASEAN, which gave the Malaysian experience an international dimension.

The success of any developmental experience requires the convergence of multiple efforts, the formulation of well-structured plans, effective monitoring of their implementation, and coordinated action across political, social, and economic domains. Despite the relative recency of its independence, Malaysia was able, within four decades and through wise leadership, to achieve a series of remarkable accomplishments. These include lifting the Malaysian people out of poverty, transforming the nation into a fully-fledged industrial state specializing in high-tech, precision industries, benefiting from foreign direct investment (FDI), and emerging as a leader in Islamic banking.

2 – Reliance on Planning as a Key Element for Achieving Development

In management science, planning is widely recognized as the first and most essential function in the administrative process. From this standpoint, Malaysia has placed great emphasis on planning, formulating a long-term vision to position the country among the world's leading manufacturing nations by 2020. To achieve this, a range of policies and strategies have been implemented since independence, supported by successive five-year development programs. In its efforts to eradicate poverty and combat illiteracy, Malaysia developed a plan aimed at eliminating social disparities and integrating all segments of its populationregardless of their affiliations or cultural backgroundsto work collectively towards advancing the nation and ensuring the well-being of all its citizens without exception.

3 – Political Stability

Malaysia's system of governance has enabled successive policymakers to design strategies free from the disruptions and imbalances often found in societies characterized by sectarian diversity. Despite being a nation composed of three main ethnic and religious communities, Malaysia has successfullymobilized all groups in support of the development process. Moreover, as a peaceful state that seeks coexistence with all its neighbors, Malaysia has been able to reduce military expenditure and channel the country's resources entirely toward driving economic growth and advancing national development.

4 – Stability of Economic Policies

Malaysian policymakers have worked to create favorable conditions for the establishment of a highly developed industrial state. They have adopted various strategies to advance key economic sectors of high importance, relying on a set of economic policies that can be summarized as follows :

a – Increasing Focus on Small and Medium Enterprises (SMEs) :

This sector represents the lion's share of the total number of active enterprises in Malaysia and contributes significantly to the country's macroeconomic indicators. The Malaysian government has accorded this sector particular importance, especially in the following areas :

- Establishment of a supreme supervisoryauthority: To develop the SME sectorconsidered one of the pillars of Malaysia's development, particularly after the privatization processes affecting various economic enterprisesthe government established in 2004 the "National SME Development Council" (Sawahlia, Rahmoun, & Maqss, 2018, p. 169). This body is tasked not only with supervision, monitoring, and oversight but also with identifying mechanisms and frameworks for SME development.

- Redefinition of SMEs:In 2014, following extensive studies on the realities and evolution of Malaysian SMEs, as well as the key obstacles hindering their growth, the National SME Development Council redefined SMEs to ensure that support reaches its rightful beneficiaries (Allah, 2017, p. 127). Given the industrial sector's status as one of Malaysia's most vital sectors, it has played a central role in national policies and strategies since independence, starting from the import substitution policy to the Malaysia Vision 2020. The government has, therefore, granted this sector special attention, defining SMEs as follows:

For the industrial sector: enterprises that meet the following criteria:

- Number of employees : 5 to 150
- Capital : RM 250,000 to RM 25 million

For other sectors:

- Number of employees: 5 to 50
- Capital : RM 200,000 to RM 5 million

This redefinition of Malaysian SMEs, distinguishing the industrial sector from other sectors, is expected to increase the number of SMEs in industry, thereby allowing a larger proportion of industrial enterprises to benefit from various support and assistance programs from which they were previously excluded. Such measures are likely to contribute to the government's policy objective of transforming Malaysia into an industrialized nation by 2020.

b – Reliance on Business Incubators for the Development of the SME Sector : Given that business incubators are among the most important mechanisms developed in the 20th century for fostering strategic sectors, and following the success of various SME support programs aimed at promoting export-oriented industrial projects, the Malaysian government, in its new plan, adopted the use of business incubators to develop specialized sectors such as equipment manufacturing companies and e-commerce enterprises (Allah, 2017, p. 146). One of the most notable incubators established was the Malaysian Technology Development Corporation (MTDC), founded in 1997 to facilitate the transfer and commercialization of creative ideas from Malaysian universities and research centers. Among its key achievements are the following (Qataf, 2015, p. 177) :

❖ **Technology Incubator:**Hosts 31 companies, most of which operate in the technology sector. Established in 1997, it finances a range of projects in the field of technology.
❖ **Technology Innovation Center :**Opened in February 1999, hosting a number of enterprises specialized in precision technology.
❖ **Smart Technology Center :**Established in 1999, housing 10 companies specializing in biotechnology, pharmaceutical manufacturing, and chemical engineering applications.

c – Strengthening the Private Sector

Malaysia has worked to engage private actors in various development processes by providing a conducive investment environment. Political stability, supportive legislation, and the establishment of dedicated support institutions have all contributed to integrating private stakeholders into the Malaysian government's development plans.

d – Orientation Toward Foreign Direct Investment (FDI)

Due to the cautious policy adopted by the Malaysian government, foreign investment prior to the mid-1980s ranged between 18% and 30% (Omar, 2019, p. 343). However, in order to strengthen certain sectorsparticularly manufacturingand to acquire technology from abroad, Malaysia opened up to foreign direct investment under specific regulations aligned with its development needs. By the late 1980s, FDI had reached 70% (Omar, 2019, p. 343), with the majority concentrated in the production of electronic and electrical machinery, while remaining very limited in other sectors. To attract foreign investments, Malaysia offered a range of incentives, including tax exemptions, reduction of tariff protection, and lowering of import duties. Conversely, to protect its economyespecially emerging industriesthe Malaysian state imposed several regulations (Mahmoud, 2000, p. 48):

- Foreign investments must not involve products that saturate the domestic market;
- The company must export at least 50% of its production;
- The number of foreign workers is limited, such that enterprises with paid-up capital exceeding USD 2 million may employ no more than five foreign workers;
- If the export share exceeds 80% and the foreign company employs no fewer than 350 workers, it is entitled to hold up to 100% ownership rights.

Section II : Mechanisms for Algeria's Benefit from the Malaysian Experience

In pursuit of sustained economic expansion and the attainment of record growth trajectories, Malaysia implemented a series of structural policies, commencing with the institutionalization of the principle that the nation constitutes a shared asset for all citizens irrespective of ethnic affiliation. Subsequently, the country embarked on import-substitution industrialization, particularly in strategic sectors such as agri-food processing, household appliances, and electronics manufacturing. This strategic shift facilitated industrial specialization and significant capacity expansion, which, over time, generated production surplusesposing a new macroeconomic challenge. In response, Malaysia adopted an export-led growth strategy, actively integrating into regional trade blocs, most notably the Association of Southeast Asian Nations (ASEAN); Moreover, the government pursued a targeted foreign direct investment (FDI) attraction policy framework, underpinned by regulatory safeguards designed to ensure that inflows of foreign capital and technology transfers served Malaysia's national development priorities above all.

This developmental trajectorywidely regarded as a replicable modeloffers valuable policy lessons for Algeria, whose economy has yet to achieve structural transformation despite multiple fiscal stimulus packages and recovery programs. This section will first provide a macroeconomic overview of Algeria in the post-COVID-19 period, followed by an analytical discussion on policy pathways for adopting an export-oriented industrialization strategy inspired by the Malaysian experience.

First: An Overview of the Algerian Economy

Despite the Algerian government's efforts to revitalize the national economy through successive national recovery programs, and notwithstanding the country's substantial economic potential, the anticipated economic take-off has yet to materialize. Algeria remains constrained by an economic policy framework heavily dependent on global crude oil pricesa revenue source that is no longer sufficient to meet all fiscal and development needs, particularly in the aftermath of inflationary pressures affecting most industrialized nations, which constitute the primary markets for Algerian exports. This structural vulnerability was further exacerbated by the COVID-19 pandemic and the subsequent surge in global prices for essential commodities.

Like many other developing countries dependent on oil revenues, Algeria sought to formulate economic policies that would move away from reliance on the hydrocarbons sector. This orientation was embodied in past recovery plans, most notably the so-called "New Economic Model" launched in 2016, through which the Algerian government aimed to implement structural reforms to the economy. This plan, approved in 2016 as part of the national economic diversification policy, sought to achieve a 6.5% growth rate in non-hydrocarbon sectors, particularly in industry (Bouaziz & Mounsef, 2017, p. 91); To achieve this goal, the government outlined three main phases:

- The first phase, covering the period from 2016 to 2019, focused on initiating the new development policy with a gradual growth trajectory in the value added of various sectors toward targeted levels.
- The second phase, from 2020 to 2025, was conceived as a transitional period aimed at realigning the national economy.

- The third phase, extending from 2026 to 2030, was envisioned as the stabilization stage, during which the national economy's capacities would be fully utilized, and all macroeconomic variables would converge toward an equilibrium point (Eddine, 2020, p. 173); However, this model failed to achieve its intended objectives and was discontinued at the beginning of 2020, primarily due to the decline in oil prices.

This plan initially faced a series of obstacles, the first of which was the COVID-19 pandemic that struck the entire world, with heightened severity for rentier economies. This was followed by a sharp decline in oil prices to their lowest levels due to full and partial lockdown policies and quarantine programs implemented by many countries. As a result, OPEC, in agreement with non-member oil-exporting countries, adopted a set of measures, the foremost being the reduction of global oil production over a 24-month period, starting in May 2020 and ending in early April 2022; The agreement stipulated a cut in production by 10 million barrels per day during the first phase (May–June 2020), followed by a reduction of 8 million barrels per day in the second phase (July–December 2020), and a further cut of 6 million barrels per day in the third phase (January 2021 to April 2022).

In addition to the impact of COVID-19 on oil prices and production, it also affected all aspects of economic life due to the measures taken by the Algerian governmentfirst to contain the virus, and later to search for treatment. This entailed substantial financial losses, not only because of the high costs of healthcare and patient care but also due to the slowdown in economic growth. This period saw rising inflation rates, subsequent increases in the prices of essential consumer goods, and a decline in GDP from USD 173.76 billion in 2018 to USD 155.31 billion in 2021, representing a drop of 66.6%. The period also witnessed a decline in tax revenues as most businesses ceased operations (Fni & Dabbabish, 2022, p. 398).

Second: How Algeria Can Benefit from the Malaysian Experience in Supporting an Export-Oriented Strategy

Despite the various policies adopted by successive Algerian governments to achieve economic takeoff, such a breakthrough has yet to materialize. In this context, the Malaysian experience stands out as one of the most successful models from which Algeria could draw valuable lessons, particularly through:

1- Providing an Enabling Investment Climate

Given that the financing challenges faced by Algerian enterprises are the outcome of a set of factors leading to the absence of an adequate investment climatea reality reflected in the shutdown of no fewer than 34,471 enterprises in 2016 (Algerian Ministry of Energy and Mines, 2016)an examination of the drivers behind Malaysia's success reveals that revitalizing the national economy requires the creation of a conducive investment environment, particularly through:

- Formulating short-, medium-, and long-term plans for the development of the national economy, based on in-depth studies of the recurring failures of previous policies. The aim of these plans should be to guide and strengthen economic enterprises so that they can first meet domestic needs, and subsequently acquire the expertise and positioning to penetrate foreign markets. This is precisely what Malaysia achieved when transitioning from one economic policy framework to another.
- Revisiting the import policy that has saturated domestic markets with foreign goods at the expense of local products, which have been gradually disappearing. This could involve imposing certain restrictions, such as raising tariff rates on goods that can be produced locally, thereby encouraging domestic production.
- Redefining small and medium-sized enterprises (SMEs) and distinguishing the industrial and agricultural sectors from other sectors, given the strategic importance of each to the national economy.
- Leveraging business incubators to foster the growth of economic enterprises, particularly in specialized sectors such as agro-food industries, agriculture, and other key areas.
- Granting targeted incentives to SMEs, especially in their early years, such as tax exemptions, customs duty waivers on machinery and equipment, and duty-free import of raw materials used in the production process.

2- Promoting Foreign Direct Investment (FDI)

Most Algerian enterprises rely primarily on the ideas and initiatives of their managers, which often leads to the discontinuation of operations at various stages of their lifecycle. This underscores the importance of technology acquisition as a critical factor for the sustainability and growth of these enterprises. Such technology can either be purchasedoften at costs beyond the financial capacity of domestic firmsor obtained at no cost through the strategic encouragement of foreign direct investment (FDI). This was precisely the approach adopted by Malaysian Prime Minister Mahathir Mohamad, who actively promoted FDI under conditions designed to serve the Malaysian economy and society first and foremost.

Encouraging FDI under specific conditionssuch as the nature of the activity, ownership structure based on turnover and export capacity, employment levels (particularly in terms of the number of engineers and specialists), human capital development, and other criteria that primarily benefit the national economy—offers multiple advantages. Beyond acquiring advanced technology without direct costs, such a policy would help the state find immediate solutions, particularly in terms of:

- Increasing the number of economic enterprises.
- Developing strategic sectors, such as the agro-food industry and petrochemicals.
- Contributing to job creation.
- Enhancing value added and GDP.
- Reducing the import bill.
- Strengthening the national currency by exporting surplus production.
- Diversifying the national economy beyond the hydrocarbons sector.

3- Developing the Activities of Support and Mentorship Institutions

As previously noted, the support institutions established by the Algerian government to develop the enterprise sectorwhether small, medium, or largehave increasingly been met with disinterest from many project owners, particularly university graduates. The challenges faced by Algerian SMEs often begin at the startup phase, due to a lack of expertise, inadequate training, and absence of initiative. Failures that occur after this stage are frequently linked to the weakness of economic and financial feasibility studies conducted at the level of these support bodies.To overcome these issues, the following measures should be undertaken:

- Establishing a central body or office to manage all support and mentorship programs, endowed with financial and administrative autonomy. This body should have representation at the decentralized level (provinces) and the local level (municipalities or districts) to monitor and mentor projects initiated through entrepreneurship support mechanisms.
- Given the insufficient expertise of staff within support agencies, capacity-building training programs in SME support and mentorship should be organizedpreferably abroad, in countries with advanced experience in this field. Partnerships with universities could also be developed to train specialized cadres in entrepreneurial support.
- To combat bureaucratic obstacles, it is essential to reduce documentary requirements, accelerate the processing of applications submitted to agencies, hold regular qualification committee sessions, and expedite the transfer of approved files for financing. The creation of a centralized public database would also be a positive step toward reducing project implementation timeframes.
- Revising the financial structure of support mechanisms is necessary, particularly in light of inflation and exchange rate fluctuations of the Algerian dinar against other currencies. This would involve adjusting financial ratios in certain programs to align with current economic realities.
- Strengthening the role of mentors by extending support until the success of the projectsand potentially beyond.
- Since many young entrepreneurs are unemployed and their personal financial contribution often serves as a barrier to project realization, reconsidering or even eliminating this requirement could serve as a significant boost to enterprise creation.
- In light of the reluctance of banks to finance such enterprises, establishing a national bank dedicated to funding projects certified by entrepreneurship support bodies is crucial. To maximize its reach and attract more stakeholders, this bank could operate as an Islamic bank or offer Islamic finance windows if it follows a conventional model. Public banks could also be authorized to open Islamic banking windows without restrictive conditions, thus appealing to entrepreneurs who avoid traditional interest-based financing.

- Due to the limited managerial experience of SME operators, training programs should be organized to familiarize them with the principles of efficient and effective management.

4- **Establishing a National Authority for the Development of Small and Medium Enterprises (SMEs)**

Following Malaysia's examplethrough the creation of a High Council for the promotion of SMEs ("National SME Development Council")Algeria could establish a national body, under the supervision of a key ministry involved in economic affairs, tasked with overseeing the SME sector. This authority would be responsible for monitoring and coordinating the activities of all relevant institutions engaged in SME development. Its mission would include defining the various support, monitoring, and mentorship mechanisms, as well as identifying and implementing solutions to enhance the growth and competitiveness of SMEs.

Conclusion

The success of Malaysia's experience and the remarkable advancement of its economy were by no means coincidental. Every Malaysian leader who came to power maintained a vision aligned with that of their predecessors. The process began with uniting all segments of Malaysian society under a single flag and shared national objective, which fostered political stabilitya necessary precondition for launching comprehensive development efforts. Malaysia progressed from producing goods to meet domestic needs to achieving export capacity, in line with sequential plans and a forward-looking vision that served both the economic aspirations and cultural values of its people.

A conducive investment climatedeliberately fostered by Malaysian policymakersprovided fertile ground for attracting foreign investment under regulations that safeguarded Malaysia's economic interests while enabling the transfer of know-how over time. SMEs played a pivotal role in fulfilling the country's socio-economic development goals, overcoming financing challenges thanks to this favorable investment environment. Ultimately, SMEs in Malaysia gained access to multiple sources of funding, whether aligned with religious principles or based on cost competitiveness, thereby ensuring their sustainable growth and contribution to the national economy.

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Conflict of Interest

The author declares no known financial or non-financial conflicts of interest that could have appeared to influence the work reported in this paper. The research was conducted independently, without any commercial or institutional bias.

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