

The role of foreign investment in economic growth / an analytical study in the Iraqi economy for the period (2004-2021)

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Abstract : Foreign investment is of great importance in advancing economic development in any country, as it is considered one of the basic economic activities for achieving economic growth, as it plays a role in the process of bridging the emerging financing gap between domestic savings and the necessary investment needs. The economies of the world in general and the Iraqi economy in particular and the advancement of economic sectors dependent mainly on one resource and neglecting the rest of the sectors, by providing a suitable environment to attract foreign investments, and the research problem comes that Iraq's investment environment suffers from instability as an environment that repels foreign investments. The research indicated that The methodology is: the ineffectiveness of foreign investment in Iraq and the low ability of those investments to raise the level of economic sectors and reduce the effects of inflation, the employment of manpower, and the introduction of modern technologies. The Iraqi inflation rate for the period (2004-2021) by adopting the case study method, which is the ideal method in the to study this type of investment. The research concluded that foreign investment is of great importance in advancing the development wheel in any country, as it is considered one of the basic economic activities in achieving economic growth, and plays a role in bridging the financing gap arising from the domestic savings house and the necessary investment needs. The research recommended the need to work on optimal utilization of foreign investments by drawing future plans in order to advance the reality of the activities of the economic sectors and achieve economic growth.

Keywords: foreign investment, economic growth, the Iraqi economy.

Introduction: Investment is one of the most important economic variables that have a major role in achieving the process of economic development and economic growth, especially foreign investment, as it is considered an important means to provide employment opportunities, transfer technology, modernize local industries, develop the export competitiveness of the economy, and achieve optimal use of resources, in addition to the role played by foreign investment. In the process of bridging the emerging financing gap between domestic savings and the investment needs necessary to achieve development and economic growth, and although foreign direct investment began to appear on the economic scene since the middle of the nineteenth century, it occupied a prominent place in the global economy, especially during the last three decades after That important economic changes occurred, perhaps

The most prominent of which is the growing phenomenon of globalization and the realization of multinational corporations control over the dynamics of the global economy.

Therefore, the importance of our choice of the subject of research is highlighted in order to activate the role of investment and attract the FDI in Iraq, as Iraq has become in dire need of it after it was subjected to decades of backwardness and isolation under government regulations.

Search goal:

The aim of the research is to clarify the great importance of foreign investment, and the advancement of the Iraqi economy (economic sectors) in general, and thus the recovery of the Iraqi economy by identifying investment obstacles, providing an appropriate environment for it, and submitting proposals to address these obstacles.

Research problem :

Iraq's investment environment suffers from instability and some economic fluctuations, since the Iraqi economy is a mono-resource and its environment is classified as an investment-repelling environment, due to security conditions and political instability.....The main problem is the following question:

Does foreign investment play an important role in achieving economic growth in Iraq?

Research hypothesis:

The ineffectiveness of foreign direct investment in Iraq, and consequently the low ability of these investments to raise the level of economic sectors, employ manpower and reduce inflation in Iraq, despite the existence of real

potentials of material and human economic resources as basic ingredients for the establishment of the investment process.

Research Methodology :

The research adopted the case study method, which is the ideal way to study this type of investment. This type of approach requires studying and analyzing direct foreign investment flows and indicators of economic growth in Iraq.

The first topic

Theoretical framework for foreign investment and economic growth

First: The theoretical framework for foreign investment

1: The concept of foreign investment

Foreign investment of both types (direct and indirect) has taken on great importance in the global economy, as there are many concepts of foreign investment from the perspective of a number of researchers. Kota defined it as the movement of factors of production (labor - capital - technology) between countries ⁽¹⁾.

Foreign investment or (non-national investment) is considered a complex process that combines economic and legal elements, but the term (foreign investment) is based on the economic language. It can be defined economically as the transfer of capital between two countries in order to operate it in different economic operations, such as buying securities or movable funds that make a profit, or lands that give rent, or in the sense of employing them in productive credit activities such as lending, and unproductive ones such as keeping money in the house or in the bank for deposit. Afraid of the dangers to which she is exposed in conditions of economic and political tension ⁽²⁾. In other words, some economists believe that international investment is the same as foreign investment, as it makes it more comprehensive in expressing the transfer of capital across countries, and from this transfer arises a state of credit and indebtedness in the balance of the state, meaning that international investment, according to this view, represents a net positive and negative change in rights of the state over the rest of the world. Another group of economists defines foreign investment as an economic process that seeks to create capital through the formation of permanent economic projects that help provide different needs and achieve a financial surplus ⁽³⁾. General for invested funds subject to its legal provisions. And defines it as (all types of assets related to economic activities that are acquired for the purpose of establishing permanent economic relations between an investor and an establishment ⁽⁴⁾).

2: Motives for foreign investment

The resort of the investor, whether natural or legal, to invest his technical expertise and technology or his money in other countries or across national borders is due to the availability of a suitable climate for investment in those countries to which he goes, and the investment climate can be expressed in general as combination of economic, political, legal and social factors. The component of the structure in which the investment process takes place, where some affect others and are interrelated and interrelated, in other words, that these elements or factors, if combined, constitute a motive for moving in a specific country for the purpose of investment or a factor for leaving it, that is, they constitute elements of attraction or expulsion for the head money in that country ⁽⁵⁾. Therefore, the motives or objectives for investment exporting countries are:

1- Economic Motives: Economic motives and objectives represent the main engine for making foreign investments that differ from one country to another or from one country to another according to the existing local and international economic conditions in it, including the high and high return. Who is considered The most important reasons that help in making foreign investments in other countries such as investment balances at the local level, as the decision to invest in a foreign country is determined by the motive of increasing returns and reducing risks.

2- Non-economic motives: There are other non-economic motives, which are:

¹(Kota Czin ,R .Michael ",International Business , "George town university : The Dryden press Afar Court Brace Jovanovich College Publisher ,1992.p:360.

²() Muhammad Ali Reda Jassim, Basic Rules of International Economics, University of Baghdad, Al-Jahiz Publishing House, Baghdad, 1st edition, 1967, p. 63.

³ ((See: The report of the United Nations Investment, Technology and Financial Issues Committee, the bilateral investment agreement concluded between Denmark and Lithuania, Paragraph No. (1) of Article 1, on March 24-26, 1999, p. 12.

⁴ ((Duraid Mahmoud Al-Samarrai, Foreign Investment Obstacles and Legal Guarantees, Center for Arab Unity Studies, Lebanon, Beirut 2006, 1st edition, p. 76.

⁵ ((Imad Fayez Amin Agha, Foreign Investment in Jordan, Its Scope and Determinants During the Period 1999-1970, University of Jordan, College of Graduate Studies, Master Thesis, 2002, p. 15.

1. Political goals: Developing countries suffer from a shortage in their domestic savings and their inability to establish and finance their development projects. Foreign capital is of great importance to those countries, and as a result of their need for imported capital, they subject any developing countries to economic pressures exercised by the investing countries and achieve their goal or political objectives. in these countries⁽⁶⁾.

• Strategic goals: These are the goals that the investing countries seek to achieve through:

1- Preserving an important source (hard currency) from sources of revenue, as foreign investment constitutes an important source of financial revenues in foreign currency.

2- Preserving energy sources, and it is considered one of the important strategic goals in today's world, as it is achieved through making investments in this sector, and this can be seen in the huge investments in the oil and gas sector and in large parts of the Arab region.

3- Preserving sources of food security and continuous supplies of raw materials, so that many countries support their local industry by achieving and securing a continuous supply of raw materials through their foreign investments.

3: Types of foreign investment

Foreign investments can be divided into different types so that this division is based on many and many criteria, for example, it can be divided into investments (short, medium, long term) depending on the criterion of the time period within the country hosting the investment, and it can also be classified into private or public investments, depending on The criterion of managing or financing the investment project. Here, foreign investment will be classified according to the criterion of controlling all production, marketing and administrative operations related to the investment project by the foreign investor into two main types⁽⁷⁾:

A- Indirect foreign investment

This type is short-term, extending for several weeks or several months, and is represented by buying and selling stocks, private and governmental bonds, or the national currency in the host country, with the intention of speculation and making profits by taking advantage of the price difference. This is done through financing institutions such as banks, institutional investors, or by individuals or funds. investment. In the light of this type of investment, the foreign investor does not own all or part of the investment project and does not control the management and organization of that project, that is, it is limited to the transfer of cash funds, and it may take the form of foreigners buying shares of companies or giving loans to governments or companies in the form of bonds and treasury bills. Which the foreign investor works to buy.

B- Foreign Direct Investment (FDI)

Foreign direct investment is considered one of the most important forms of international capital flows, as it contributed to the spread of the phenomenon of globalization, as it receives attention from the host country, in which it finds the gains and benefits associated with the process of growth and development in the economy, and thus occupies a great place in the economic literature, especially capitalism. In addition, it involves long-term relationships that reflect the benefit of the investor in another country and he has the right to manage and control his assets, so that the motives of countries differ in attracting foreign direct investment and reflect the contrast and difference in the characteristics of multinational companies or host countries, and there are several definitions of foreign direct investment, we mention Of which :

□ The International Monetary Fund (IMF) defines it as “that type of international investment in which a resident entity in a particular economy (the direct investor) acquires a permanent interest in a resident institution in another economy (the foreign direct investment institution).”

□ As for the United Nations Conference on Trade and Development (UNCTAD), it considers that foreign direct investment is “that investment that involves a long-term relationship that reflects permanent interests and the ability to control management between a company in the mother country (the country to which the investing company belongs) and a company or production unit in another country (the country receiving the investment)⁽⁸⁾).

4 - Forms of foreign investment

Foreign investment takes several forms, which can be explained as follows:

A- Market research investment

This type of investment emerged in developing countries during the past decade of the sixties and seventies when the method of import substitution was followed in the manufacturing sector, where the restrictions imposed in the host

⁶ () Lilia Ben Mansour, Foreign Direct Investment, A Theoretical and Economic Study, University of Khenchela, Algeria, Journal of Economics and Human Development, Volume 10, Issue (10), 2014, p. 105.

⁷ (IMF, "Foreign Direct Investment Statistics: How Countries Measure FDI", Washington D.C,(2001),P.23

⁸ (⁸ UNCTAD, World investment report1998,New York and Genava,1998,p351.

country on imports are reduced, thus investment in the host country becomes less expensive and more beneficial than exporting to it. Thus, we find this type of investment works to increase the capital in the host countries, as well as works to flourish trade in the field of production and consumption.

B - investment seeking efficiency and performance

Foreign companies seek profitability in this type of investment in the host countries, and this type of investment is characterized by its expansionary effects on consumption by importing many production inputs. Therefore, the transportation cost is high in this type of investment in the host countries, which makes investing in it more beneficial than exporting to it. This type of investment takes many forms, including the transfer of labor-intensive production operations by multinational companies to the host country to establish national companies according to a bilateral contract between them.

C- Investment seeking natural resources

Foreign direct investment seeks to take advantage of the natural resources of raw materials owned by many developing countries, especially crude oil and other extractive industries⁽⁹⁾.

D - the investment searcher for strategic assets

It means that foreign companies in the field of research and development aim to invest in developing or developed countries in order to maximize profits.

5 - Sources of financing foreign direct investment

The most important sources of financing foreign direct investment are as follows:

A- The initial or contributed capital: The initial capital is "the amount of financing provided by the foreign investor to purchase a share of a specific project in a country other than his country of origin"⁽¹⁰⁾, or it represents the owned capital that is invested or employed and achieves the minimum returns in institutions. And companies that operate in a foreign country, whether those investments were employed by creating new assets (new projects or companies) or investing in projects or companies that already exist with the percentage of ownership permitted by the law in force in foreign countries.

B - Loans from the parent company to its subsidiaries: These include short and long-term borrowing operations from countries or companies other than the host countries, in addition to lending capital between direct investors, i.e. between parent companies and their subsidiaries.

C - Reinvested Profits: It means the retained or undistributed profits and includes the share of the direct investor. These undistributed profits are supposed to be reinvested in the countries.

The host includes dividends or profits that are not transferred to the direct investor, and these profits are extremely important within the indicators of foreign direct investment and its flows, so that foreign investment returns reinvested relative to the total foreign direct investment in developing countries are constantly declining compared to loans or capital owned during the nineties. .

Second: The theoretical framework of economic growth

1) The concept of economic growth

There are many concepts of economic growth according to the opinions of writers, researchers and those interested in it, as economic growth reflects "the continuous increase in the quantity of goods and services produced by individuals in the vicinity of a particular economy"⁽¹¹⁾.

And also as "a steady annual increase in the economy through the growth of real national income in the long run." It can also be defined as "the occurrence of an increase in the gross domestic product or gross national income, which achieves an increase in the average per capita share of real income. The population growth rate, which results in an increase in the domestic product without achieving economic growth, because the population increase rate is higher than the output growth rate. And that the process of an increase in one of the economic variables, such as the national income, the average per capita income, or the gross domestic product without taking approved measures or confrontation that would affect the resulting increase in one way or another.

2) types of economic growth

There are many criteria that can be used to determine the types of economic growth, as it is in continuous development due to the volume of intellectual support and interest on the part of academics and decision makers at the state level.

⁹ (Hanaa Abdel Ghaffar Al-Samarrai, The Relationship between Foreign Direct Investment and International Trade and Its Economic Effects on Developing Countries, unpublished doctoral dissertation, College of Administration and Economics, University of Baghdad, 1999, p. 15.

¹⁰ (Arrous .J , " Lestheories de lacroissance "editionsduseuil , paris , P 9.

¹¹ () Ahmad Al-Ashqar, Macroeconomics, Dar Al-Thaqafa for Publishing and Distribution, first edition, Amman, Jordan, 2007, p. 74.

A- Classification according to the degree of planning or not

Economic growth is divided according to this criterion into the following types:

1- Natural growth: It means that growth that is determined naturally and spontaneously by the self-powers possessed by the national economy without following scientific planning or state intervention, as happened with the transition from the feudal society to the capitalist society.

3) Transient growth: It is meant that growth that does not have the characteristic of continuity and stability, but rather appears in exceptional circumstances as a result of emergency external factors that usually soon return growth to its previous rate. This pattern of growth is widely spread in developing countries as a result of sudden positive indicators in their foreign trade, but it is fading as quickly as it appeared.

4) Planned growth: It can be defined as that growth that is the result of a comprehensive planning process for resources and community requirements, so that the strength and effectiveness of this type of growth is closely linked to the capabilities of planners and the realism of drawn plans. It is also linked to the effectiveness of implementation, follow-up and public participation in the planning process at all levels.

b- Classification according to the severity of growth

This type of growth is classified into:

1- Widespread growth: It can be obtained by increasing the volume of economic growth factors, such as employing more workers, machinery, or raw materials.

2- Intensive growth: It means that the achieved growth is mainly due to a more efficient use of the productive force, such as increasing the production value, internal restructuring of production, and efficient machinery.

3- Potential growth: It means the maximum possible growth rate for economic indicators, when looking at the available ones, so that maximum utilization is made of all equipment, in addition to qualifying human resources in order to achieve optimal productivity.

4- Accelerated growth: It means that growth is increasing at a constant rate, for example if the gross domestic product is the indicator that expresses economic growth, then accelerated growth is achieved if it increases by a fixed amount between every two successive periods. This type is also called geometric growth.

3- sources of economic growth:

Determining the sources of economic growth contributes to knowing the procedures and mechanisms that must be taken to stimulate economic growth⁽¹²⁾, so that no country can increase income except by increasing or improving the inputs of the productive process within the economy, as the use of new technology or highly skilled human resources leads to economic growth. What is needed, and it is possible to present the sources of economic growth as follows ⁽¹³⁾:

A- Capital: It is divided into two parts

□ Physical capital, which includes the stock of machinery, equipment, and materials used in production, as it takes the form of productive capital.

□ Human capital is represented by the trained and skilled labor force that takes the form of the labor force. When the society's stock of capital increases in both parts, this means that it can increase capital accumulation. □

B- Technological progress: It is considered the second most important source of economic growth, so that this progress can be achieved either by building self-capabilities in developing products and production methods or benefiting from the technical progress achieved in other countries, and in both cases technical progress requires additional investments. And increasing, either in the form of commodities that lead to building institutions and practical capabilities for the purposes of research and development, or in the form of technologically advanced production commodities imported from developed countries.

C- Population growth: It means the final increase in the labor force, which is considered by many specialists as one of the positive factors to drive economic growth, as the increase in the labor force means a greater increase in the number of productive workers that coincides with an increase in consumption, i.e. in the volume of demand, and thus Increasing the size of the market, and despite the amount of arguments in favor of this idea, the increasing population growth may lead to negative effects on economic growth. in its emergence.

D - Natural Resources: The abundance of natural resources is considered one of the important determinants in any country to increase the rate of economic growth, such as the provision of energy sources, such as oil, gas and other mineral resources. Poor distribution and wrong exploitation based on unsound economic policies lead to a decline in the economic situation, and thus such countries suffer from the resource curse.

¹²(Abd al-Hamid Abd al-Muttalib, *Economic Feasibility Studies for Investment Decision-Making*, University Publishing House, Alexandria, 1st edition, 2006, p. 68.

¹³(UNCTAD, *World investment report*1998,New York and Geneva,1998,p351.

The second topic:

The reality of foreign direct investment coming to Iraq:

First: the investment environment (climate).

1- The concept of investment environment (climate).

The concept of environment or investment climate is an important factor that links economic, political and legal factors positively or negatively on the investment decision⁽¹⁴⁾ This means that the investment environment is what provides investment and investors with an investment climate that contains a set of tools, indicators and components, and through which it is known whether the investment environment is attractive and encouraging for investment or not. On investment, the International Monetary Fund (IMF) defined it as "a set of special factors in a specific location that determine the incentives and opportunities that allow investors to invest productively and generate decent job opportunities"⁽¹⁵⁾, and according to the definition of the Arab Investment Guarantee Corporation that the investment environment or climate (The sum of the constituent conditions and conditions of the environment in which the investment process takes place and its impact on the chances of success of investment projects and then on their direction and movement and includes economic, political, social, security, legal and administrative conditions, and they are interrelated and affect and are affected by each other to form their outcome factors that attract or expel capital)⁽¹⁶⁾.

As for the World Bank, it defined the investment climate as "reflecting the spatial factors that constitute job opportunities and investment incentives for companies and expanding their scope of work." We also find that the Organization for Security and Cooperation (OSCE) considers that the concept of the investment climate includes three types of main variables (governance and institutions, macroeconomic policies, infrastructure), and is not limited to the availability of tax incentives for companies, but includes other important components such as the rule of law, stability Political, government developments, macroeconomic conditions, regulatory environment.

2 - Components of the environment (investment climate): The term investment environment represents all the factors that affect the attractiveness of investment for investors in every place along with other places, due to the developments that occurred in countries, and these elements, being intertwined, affect and are affected with each other, and are either attractive factors. or investment repellent. It consists of several components or elements, including:

1. The economic environment: Investors and businessmen often follow the economic policy of the state and anticipate the actions or decisions taken that lead to expanding or shrinking the size of the market and affecting production costs and prices. The economic environment includes each of the factors

The economy in the country that affects investment and directs it, and this group includes a group of indicators that indicate the level of performance of the national economy, and the most important of these factors are:

- ☐ The ability to manage the national economy.
- ☐ Availability, efficiency and prices of human and natural resources.
- ☐ Competitiveness of the national economy.
- ☐ The strength of the economy and the prospects for its progress.
- ☐ Stability of the exchange rate.

2. The political environment: Political stability is an important and major factor in attracting investment if it is available, and it has a significant impact on expelling it in the event of its absence. So that political factors are among the factors that most affect the investment environment and its decisions in the country because the investor takes into account the risks he is exposed to, such as the state's interference in economic activities, and the country must feature its political system, present and in the future, so that it can instill confidence among investors, and otherwise No matter how high the investment temptations and incentives are, they prevent them from going to a country that is witnessing instability because of the association of investor confidence with an indicative relationship with political stability.

3. Legal environment and legislation: The legal environment represents legislation and laws that guarantee the investor investment incentives from tax and customs laws and protect him from non-economic risks such as insurance

¹⁴((Warrick Smith & Mary Hallward, Understanding Investment Climate, IMF, 2005, p.1

¹⁵(Muhammad Saqr, Samir Sharaf, Rola Ghazi Ismail, foreign direct investments and their role in the development of developing economies, Tishreen University Journal for Studies and Scientific Research, Economic and Legal Sciences Series, Volume (28), Issue (3), 2006, p. 168.

¹⁶(Naqaa Hussein Ali, The Local Economy in Light of Feasibility Studies and Project Business Environment (Wasit Governorate, a Case Study), Master Thesis, College of Administration and Economics, University of Baghdad, 2018, p. 13.

and sources, in addition to the right of the foreign investor to transfer his profits to any country. Loss of national resources and preservation of the status and sovereignty of the host country. There is also a judicial system qualified to implement laws and resolve disputes and contracts with high efficiency that arise between the investor and the host country.

4. the cultural environment: the cultural environment can be defined as the environmental forces influencing societies so that it consists of individuals who have certain values, customs and traditions. The conditions and living conditions of the members of society, such as the prevailing customs and traditions, health and educational services, and religious and linguistic homogeneity, are all factors affecting the investment environment that the investor takes into account before making his investment decision ⁽¹⁷⁾

Second: Foreign direct investment flows into Iraq:

We can define the concept of foreign direct investment flows, as seen by Bertrand Raymond, as a means of transferring real resources and capital from one country to another, especially in the primitive state when establishing the institution, as seen by Bernard Hurgénier as participating in the establishment of a new institution, or contributing to an existing institution, provided that The foreign party has a real influence in the management of this institution, or it is an institution that establishes a branch for it abroad or increases and expands the capital.

The necessity for these investments lies in most of the economic and service production institutions in Iraq, as they suffer from low productivity, poor quality, underdevelopment, and increased costs. Bad performance, and the other part is unable to work and lost for a while. The looting and theft operations in some industrial establishments, including spare parts, equipment and various materials, have doubled the dilemma of these establishments, and the issue of their rehabilitation has become impossible if they rely on their own capabilities ⁽¹⁸⁾.

Table (1)
shows the volume of financial flows of foreign direct investment incoming to Iraq for the period (2004-2021)
(values are billion dinars)

Contribution of the volume of financial flows of foreign investment to the gross domestic product (4% (4)/(1))	% gross domestic product at current prices (3)	% growth rate (2)	The volume of financial flows of foreign direct investment (1)	the years
0.82	53235358.7	--	435,900	2004
1.03	73533598.6	73.7	756,975.7	2005
0.59	95587954.8	(25.8)	561,861	2006
1.36	111455813.4	168.9	1,511,149	2007
1.42	155982257.6	46.5	2,213,850	2008
1.34	139330219.6	(15.5)	1,870,011	2009
1.01	162064566.2	(12.6)	1,633,554	2010
1.01	217327107.7	34.8	2,202,291	2011
1.56	254225490.7	80.0	3,964,866.4	2012
(1.00)	273587529.2	(168.7)	(2,722,959.8)	2013
(4.55)	266420384.5	344.7	(12,109,916)	2014
(4.51)	199715699.9	(25.6)	(9,013,298)	2015
(3.78)	196924141.70	(17.4)	(7,444,521)	2016
(2.61)	225722375.50	(20.9)	(5,887,908)	2017
(2.32)	25106 4479.90	(1.3)	(5,813,269)	2018
(1.37)	266190571.30	(37.0)	(3,659,964)	2019
(1.58)	219768798.20	(5.1)	(3,475,200)	2020
(1.27)	301439533.40	(9.8)	(3,814,980)	2021

Source: Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, separate years.

¹⁷(Ali Mawat Al-Sudani, Ahmed Jaseb Abbas, Foreign Investment and its Impact on the Economic Environment (An Evaluation View of the Iraqi Investment Law), Journal of Administration and Economics, Volume No, Issue (80), 2010, p. 147.

¹⁸(Suhad Ahmed Rashid, The Reality and Effects of Foreign Direct Investment in Iraq's Economy, Gulf Economics Journal, University of Basra, Volume (28), Issue (20), 2011, p. 202.

Table (1) shows the volume of foreign direct investment inflows into Iraq at current prices for the period (2004-2021), as it increased from (435,900) billion dinars in 2004 to (756,975.7) billion dinars in 2005, with an annual growth rate of a positive value of (73.7%). (This increase is due to the increase in global demand for crude oil, as the total expected demand in 2005 reached 84 million barrels per day, an increase of 1.8%, or 1.5 million barrels per day, compared to 2004, and the lifting of sanctions on the Iraqi economy. The gross domestic product was recorded in the years (2006, 2007 (2008, an increase as it reached (95587954.8, 111455813.4, 155982257.6) million dinars, respectively. negative annual growth (25.8% in 2006 and in 2007 the annual growth rate reached a positive value (168.9%) and the annual growth rate reached a positive value (46.5%) in 2008, due to the continued high demand for crude oil and the increase in the share of crude oil exports in Iraq relative to OPEC countries in 2008. 2008 and amounted to (11.2471127%) (47), and in 2009 the gross domestic product decreased to (139330219.6) million dinars, with a growth rate of a negative value (15.5%). During that period, the effects of which were reflected in the collapse of oil prices and output. After the recovery of crude oil prices and political, security and economic stability, the gross domestic product witnessed an improvement.

Significantly, as it increased in the years (2010, 2011, 2012, 2013), as the GDP reached (162064566.2, 217327107.7, 254225490.7, 273587529.2) million dinars, respectively, but it declined during the years (2014, 2015, 2016). Where it reached (266420384.5) respectively , 199715699.9 , 19624141.70) million dinars due to the deterioration of the political, security and economic conditions as a result of the entry of terrorist groups into some regions of Iraq and the increase in military spending, i.e. the increase in current spending over investment spending in total public spending, the non-approval of the state's general budget in 2014 and the destruction that the country witnessed after ending its war with These totals, as the years 2015 and 2016 witnessed the reconstruction of the affected areas and the attempt to return the displaced families to their areas. In contrast, the volume of financial flows of foreign investment incoming to Iraq decreased, as it decreased in the years (2013-2021) to negative values, respectively (2,722,959.8) (12,109,916). (9,013,298) 7,444,521) (5,887,908) (5,813,269) (3,659,964) (3,475,200) (3,814,980) million dinars, with an annual growth rate of negative value (168.7%), 344.7% positive value, (25.6%) negative value, and 17%. 4)) value negative, (20.9%) a negative value, (1.3%) a negative value, (37.0%) a negative value, (5.1%) a negative value, and (9.8%) a negative value, respectively, due to the factors and conditions mentioned above. When looking at table (1), we find that the GDP has gradually increased for the years (2017, 2018, 2019) to (225722375.50, 251064479.90 and 266190571.30) million dinars, respectively, due to the improvement in the security situation and the improvement in global crude oil prices after the decline in the period. However, it decreased again in 2020 and reached (219,768,798.20) million dinars due to the increase in current spending on investment spending as a result of the Corona pandemic (COVID-19) that affected most countries of the world and a drop in global crude oil prices, reaching its lowest level at a price of (17.7). Dollars per barrel as a result of the decrease in demand for it, which was caused by the sharp decline in oil consumption as a result of the precautionary measures to stop the spread of the Corona virus. However, the gross domestic product rose again in 2021, reaching (301439533.40) million dinars as a result of Due to the rise in global crude oil, as the price of Brent crude oil in October 2021 reached (84) dollars per barrel, bringing Iraq's oil exports to 3.43 million barrels per day.

Third: Projects, project cost, number of jobs and foreign companies coming to Iraq for the period (2004-2021)

The foreign direct investments coming to Iraq for the period (2004-2021) were distributed in terms of the number of projects, the cost of projects, the number of jobs provided by those projects, and the number of companies coming with those projects.

Table (2)
shows projects, project cost, number of jobs and foreign companies coming to Iraq for the period (2004-2021)

Number of companies	number of jobs	The cost of the project (Million dinars)	Number of projects	the year
5	172	243,232.2	5	2004
8	1364	2,642,437.2	9	2005
5	1654	6,938,029.8	5	2006
3	593	594,619	3	2007
17	6379	15,285,670.4	19	2008
22	10678	9,177,246	24	2009
38	5970	4,923,243	48	2010
30	6025	10,215,387	34	2011
27	1696	1,140,114	34	2012
45	9561	11,924,915	53	2013
24	1676	2,705,703	26	2014
13	938	971,159	15	2015
12	720	2,895,508	12	2016
11	810	3,138,387	11	2017
12	69	3,392,095	11	2018
8	152	2,519,349	13	2019
1	97	1,275.60	1	2020
6	317	1,629,068	7	2021
287	48871	77,202,189.2	330	Total

Source: The Arab Corporation for Guaranteeing Investment and Export Credit (2021) Investment Climate, in the Arab Countries, Kuwait, for the period (2004-2021).

It is noted from table (2) that the total number of projects is (330) investment projects, with a cost of (77,202,189.2) trillion dinars throughout the research period, and (48871) workers were employed by (287) investment companies. It is noted from table (2) that the highest number of incoming projects to Iraq in 2008 was represented by a cost amounting to (6,938,029.8) million dinars, and the number of projects amounted to (19) projects, the number of jobs (6379) jobs, and the number of companies (17) companies, and that the lowest number of foreign projects coming to Iraq Iraq in 2020, which consisted of (1) investment company, with a cost of (1,275.60) million dinars, the number of jobs amounted to (1) job, and the number of companies (1) investment company, and in 2021 the number of investment projects amounted to (7) projects, with a cost amounting to (1,629,068). million dinars, the number of jobs (317) and the number of companies (1) investment company The value of crude oil exports amounted to (109.7) trillion dinars for the year 2021 (49), equivalent to (75.7) billion dollars, an increase of (120.8%) over the year 2020, as it reached (49.7) trillion dinars, equivalent to (41.8) billion dollars ⁽¹⁹⁾.

The third topic:

The reality of the Iraqi economy after 2003:

First: the Gross Domestic Product

1- Feudal contribution

The contribution of the economic sectors to the GDP is among the main indicators through which the sector that occupies the forefront among the economic sectors is known, and whether the economy is rentier or not, and the oil sector is the main pillar in building and growing the national economy.

A- The oil sector

Oil exports represent the largest proportion of the country's imports, as Iraq is characterized by the huge oil reserves and low production costs in this sector with the lack of depth in the wells compared to other countries.

b- The agricultural sector

¹⁹(The Arab Corporation for the Guarantee of Investment and Export Credit (2021) Investment Climate, in the Arab Countries, Kuwait, for the period (2004-2021).)

Despite the importance of the agricultural sector, its contribution to the gross domestic product remained low during the study period (2004-2021), as the agricultural sector in Iraq faces a number of challenges that prevented the development of this sector as it contributed to obstructing sustainable agricultural development, including: (the problem of resources The fact that the farmer depends mainly on the traditional sources represented in the surface water of the Tigris and Euphrates rivers and rainwater and groundwater, agricultural pests that weaken agricultural performance, the problem of soil salinity, the problem of agricultural technology, which is considered one of the basic and important elements for the events of the agricultural development process, the policy of dumping agricultural products in the Iraqi markets.

C - the manufacturing sector

The absence of diversification of Iraqi production due to the dominance of the oil sector over the Iraqi economy, which is exposed to fluctuations in oil prices in global markets, has led to a decline in the performance of this sector due to security and political instability and rampant administrative and financial corruption in state institutions, which has caused a decline in foreign investment in this sector.

D - the service sector

This sector represents a percentage of its contribution to the gross domestic product that exceeds the percentage of the contribution of each of the agricultural and industrial sectors in this output, as it formed high percentages during the study period (2004-2021) and the reason for this increase is the large size of the public sector in the Iraqi economy in addition to the high volume of public spending As a result of the increase in oil revenues, especially after 2003, as most of these expenditures are public services.

Table (3)
shows the contribution of economic sectors to the gross domestic product in Iraq at current prices for the period (2004-2021)

%the total	rest of the sectors	Services sector	Industrial sector	agricultural sector	The oil sector	the year
100	22.98	10.37	1.76	6.93	57.96	2004
100	25.12	8.85	1.32	6.88	57.83	2005
100	25.95	11.22	1.54	5.82	55.47	2006
100	27.44	12.83	1.63	4.92	53.18	2007
100	26.67	12.41	1.49	3.45	55.98	2008
100	35.24	17.86	2.4	4.38	40.12	2009
100	34	15.9	2.3	5	42.8	2010
100	26.51	13.1	1.83	4.15	54.41	2011
100	27	14.8	1.7	4.1	52.4	2012
100	30.8	16	2.7	4	46.5	2013
100	32.1	14.8	2.9	4.1	46.1	2014
100	41.96	22.48	1.81	3.92	29.83	2015
100	38.5	23.8	2.2	5.1	30.4	2016
100	37.40	19.3	2.3	3.3	37.7	2017
100	33.0	17.0	1.8	1.9	46.3	2018
100	32.84	19.06	2.0	3.3	42.8	2019
100	35.90	25.0	3.0	5.8	30.3	2020
100	27.91	21.05	2.03	3.90	45.11	2021
100	31.18	16.44	2.04	4.50	45.84	SMA

Source: Republic of Iraq, Central Bank of Iraq, Department of Statistics and Research, annual economic report, for separate years, Zeina Jabbar Abdul-Hussein Al-Daami, Productivity of public spending in Iraq and the problem of time discrepancy during the fiscal year, master's thesis, College of Administration and Economics, University of Karbala, 2018 , p. 43.

It is clear that the oil sector is the dominant sector, as it occupies the first place in contributing to the gross domestic product and reflects the rents of the Iraqi economy, followed by the services sector, as it ranks second in terms of its contribution to the gross domestic product for the reasons mentioned previously, while the agricultural sector suffers from a decline during the study period. As for the manufacturing sector, despite its importance in the development of the economy, its contribution to the GDP is very small.

From table (3) it is noted that in 2004 the contribution of the oil sector amounted to (57.96%) of the GDP, and during the period (2005-2007) the percentage of the oil sector's contribution to the GDP decreased to reach, respectively (57.83%, 55.47%, 53.18%)) respectively, and the reason is due to the prevailing poor political and economic conditions and the increase in sabotage of transport lines abroad and oil wells, then the percentage of the oil sector's contribution to the GDP rose again during 2008 to reach (55.98%) due to the rise in oil prices and the increase

in the quantities exported during that period. During the years, then it decreased again during the years (2009). The percentage of the oil sector's contribution to the GDP decreased and amounted to (40.12%). Oil and other commodities, and the years (2010-2011) witnessed an increase in the Gross Domestic Product (GDP) at current prices, and the percentage of the oil sector's contribution to the output increased, amounting to (42.8%, 54.41%), respectively, due to the return of high oil prices and the increase in the quantities produced from it, and during the years of the study period (2012-2020) The percentage of the oil sector's contribution to the GDP decreased due to the decline in global crude oil prices, and the spread of the Corona epidemic that struck the entire world and paralyzed the economic movement. In the year (2020) it reached (30.3%), and in (2021) the percentage of The oil sector, in terms of gross domestic product, increased, reaching (45.11%), and the reason is due to the recovery in oil prices and the increase in the required quantities exported by Iraq⁽²⁰⁾

The percentage of the contribution of the agricultural sector to the GDP was (6.93%) in 2004, but this percentage gradually decreased during the years (2005-2009) as it reached (4.38%) in 2009. The reason for the decrease in this percentage during the mentioned period is due to the problems and obstacles that the Including the agricultural economy represented by the scarcity of water, the high salinity of the land, the deterioration of irrigation and drainage networks, in addition to the spread of diseases and epidemics and the lack of use of modern technologies. In 2010, the percentage of the agricultural sector's contribution to the GDP increased slightly, reaching (5%), and this is due to the serious government contribution. In reforming the agricultural reality, in both its plant and animal parts, and the Ministry of Agriculture directed towards cultivating wheat and barley crops and supporting them by the Ministry of Water Resources by providing the necessary water quotas for most of the governorates. (3.92%), and in 2016 that percentage increased to (5.1%), as a result of continued government support for the agricultural sector. The percentage of the contribution of the agricultural sector to reach (5.8%) due to the increase in the cultivation of strategic crops (wheat and barley) as a result of the launch of the National Program for the Development of Wheat Cultivation, and in 2021 the percentage of that contribution decreased to reach (3.90%). Iraq suffers from it, and to the lack of support provided for fertilizers and seeds, which had clear repercussions on the sector's contribution

Agricultural Gross Domestic Product (). As for the manufacturing sector, in 2004 the percentage of the manufacturing sector's contribution to the GDP was (1.76%), and in 2005 its contribution decreased to (1.32%) because this sector includes some small and medium productive industries. Work and this is one of the most important reasons for the spread of unemployment in a large way, and these rates continued to fluctuate in the rise and fall during the period of the study. During the years (2009-2021), the contribution of the manufacturing sector reached (2.03%) in 2021, and this was due to the lack of government support for this sector as well as its inability to compete with imported goods, in addition to the security instability, which caused a decrease in foreign investment in this sector. sector.

However, the services sector recorded the highest percentage of contribution to the GDP during the year 2020, as it amounted to (25.0%) as a result of the increase in public services, including health, due to the spread of the Corona epidemic. They amounted to (22.48%) (23.8%), respectively, and the reason is due to the increase in government spending on defense and confronting terrorist gangs, which resulted in displacement and destruction, and this requires an increase in spending in order to provide public services to all citizens.

As for the rest of the economic sectors, it included some commodity activities, including (electricity, water, building and construction) and the total distribution activities, including (transportation, communications, storage, wholesale and retail trade, hotels and the like, banks and insurance).

By looking at Table (3), it is clear that the oil sector is the predominant sector, which occupies the first place, as the arithmetic average of this sector reached (45.84%), the percentage of its contribution to the gross domestic product and reflects the rents of the Iraqi economy, followed by the services sector, as it ranks second, as the arithmetic average for it reached (16.44% of its contribution to the GDP. As for the manufacturing sector, despite its importance in the development of the economy, the arithmetic average of it was (2.04%), its contribution to the GDP, which is a very small percentage.

Second: the rate of inflation

The rate of inflation is one of the factors affecting the investment environment at the macro level and has an inverse relationship with the investment flows of the host country. The Iraqi economy has witnessed this dangerous phenomenon represented by the continuous rise in price rates due to the inflexibility of the aggregate supply and its failure to respond to the pressures of aggregate demand and the abundance of Cash liquidity in exchange for scarcity of goods and services, security instability, and increased spending this year are among the most pressures that exacerbate the problem of inflation in Iraq and maximize the monetary impact of the general budget, as current spending constituted a rate that exceeded (70%) of total public spending, which led to inconsistent economic results.

²⁰(Republic of Iraq, Central Bank of Iraq, Department of Statistics and Research, Annual Economic Report, for different years.

Desirable as the deterioration of macroeconomic indicators as a result of the decline in the purchasing power of disposable income, which left negative effects on economic growth in the long term.

Table (4)
shows annual inflation rates in Iraq for the period (2004-2021)

annual change %	% Inflation rate	the year
-	27.0	2004
37.04	37.0	2005
43.78	53.2	2006
(42.11)	30.8	2007
(91.23)	2.7	2008
3.70	2.8	2009
(14.29)	2.4	2010
120.83	5.3	2011
7.55	5.7	2012
(75.44)	1.4	2013
78.57	2.5	2014
(44)	1.4	2015
7.14	1.5	2016
(86.67)	0.2	2017
100	0.4	2018
(125)	(0.1)	2019
(700)	0.6	2020
900	6.0	2021

Source: Central Bank of Iraq, Directorate of Statistics and Research, annual reports, for separate years.

It is noted from Table (4) that inflation rates rose gradually during the years (2004-2006). These rates were recorded (27.0%, 37.0%, 53.2%), respectively, to reach the highest rate achieved during the research period, amounting to (53.2%) in 2006, with a rate of change annual amounted to (43.8) and the reason is due to the rise in prices of most foodstuffs and fuel, the deterioration of economic sectors, and the depreciation of the local currency against the foreign exchange rate, and this leads to a rise in inflation rates (59), however, inflation rates decreased again in 2007 to (30.8%) This decline continued during the years (2009, 2008, 2010), when inflation rates reached (2.7%, 2.8%, and 2.4%), respectively. With the increase in the value of the Iraqi dinar against other foreign currencies, but in 2011 and 2012 inflation rates rose again as a result of the increase in total imports, reaching (59) billion dollars in 2012, so the inflation rate rose to (5.7%), after which inflation rates decreased again for the years (2013-2020) due to the decrease in food prices, the decrease in the exchange rates of the dollar against the Iraqi dinar, the provision of a more stable environment for the implementation of development policies, the gradual recovery of investments for reconstruction, the strengthening of the role of the private sector, and the positive growth of non-oil output, with the exception of 2014, when inflation rates increased by (2.5). %) As a result of the entry of terrorist forces into the country, the increase in military spending, and the rise in global oil prices, which amounted to (115) dollars per barrel, due to fears of the continuation of the battles in Iraq against terrorist groups, which will reduce the oil supply from the second largest producer of crude in OPEC. In the year 2021, the inflation rate rose to (6.0%) due to the results of the Corona crisis globally, which affected the world in 2020 as well, as a result of the recovery of domestic demand in Iraq and the decline in the currency value of the Iraqi dinar in exchange for the high exchange rates of the dollar, as it reached (1460) dinars against (1) dollars, This led to inflationary pressures in the country, despite the fact that the past eight years had witnessed the stability of inflation from low levels due to the decline in import prices and weak demand.

Conclusions:

Foreign investment is of great importance in advancing economic development in any country, as it is considered one of the basic economic activities in achieving economic growth, as it plays a role in the process of bridging the emerging financing gap between domestic saving and the necessary investment needs.

2- The decrease in the volume of foreign direct financial flows coming to Iraq in recent years, and the volume of those flows was negative values due to the poor investment environment (climate) in Iraq.

3- The Iraqi economy has been exposed to major crises since the founding of the Iraqi state and the discovery of oil raises the utmost importance for the search for diversification of the financial resources of the state, as the Iraqi economy is considered one-sided economics due to its dependence on oil production mainly, as oil constitutes the largest percentage of the gross domestic product and constitutes about (98%) percent of total exports.

4- The increase in inflation rates in Iraq to (6.0%) in 2021 due to the results of the Corona crisis globally, which affected the world in 2020 as well, as a result of the recovery of domestic demand in Iraq and the decline in the currency value of the Iraqi dinar in exchange for the high exchange rates of the dollar, as it amounted to (1460) dinars compared to (1) dollars, which led to inflationary pressures in the country despite the fact that the past eight years had witnessed inflation stabilizing from low levels due to the decline in import prices and weak domestic demand.

Recommendations:

- 1- The need to make optimal use of foreign investments by drawing up future plans in order to advance the activities of the economic sectors and achieve economic growth.
- 2- Providing an appropriate investment environment in order to attract foreign capital and direct investment in the public and private sectors, and the banking sector in particular, in order to reach the stage of a diversified economy.
- 3- The need to pay attention to other economic sectors such as the agricultural and industrial sectors, the services sector and the tourism sector in Iraq, and not to depend on one sector (oil) for most of its resources, as it is exposed to fluctuations in international prices and its economy is exposed to collapse because it is a rentier economy.
- 4- Working to reduce inflation rates in Iraq by raising the value of the Iraqi dinar against other foreign currencies, especially the dollar, reducing current spending, and raising the value of investment spending in the state's general budget.

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