

The Unconventional Options for Financing the Federal Budget Deficit for Iraq after 2003: An analytical study

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Abstract : The Financial revenues of A Country are usually limited to The Export Earnings of its Natural resources , which are Characterized By Low flexibility to the outside World , Which makes it Occupy a major Position in the Structure of its Exports to its trading Partners , The Best Example of this is the Iraqi Economy which is a model for a Country that occupies Oil revenues from its Total Export about 99% , While No Revenues from other Sources Both represent a very small percentage.

Despite Iraq's possession of Economic fields That can contribute at a good rate to The annual government revenues, Foremost of which is the advancement of The Commodity sectors (agriculture and industry) and productive sectors such as Religious tourism or control over Iraq's airspace as a strategic corridor for aircraft in addition to controlling the official border crossings, and informality, While Implementing Economic reforms and eliminating financial and administrative

INTRODUCTION: The financial revenues of a country are usually limited to the export earnings of its natural resources, which are characterized by low flexibility to the outside world, which makes it occupy a major position in the structure of its exports to its trading partners. The best example of this is the Iraqi economy, which is a model for a country that occupies oil revenues from its total exports of about 99%, while no Revenues from other sources both represent a very small percentage.

Despite Iraq's possession of economic fields that can contribute at a good rate to the annual government revenues, foremost of which is the advancement of the commodity sectors (agriculture and industry) and productive sectors such as religious tourism or control over Iraq's airspace as a strategic corridor for aircraft, in addition to controlling the official border crossings. and informality, while implementing economic reforms and eliminating financial and administrative corruption.

*Research extracted from a master's thesis entitled "Remedies for Iraq's Federal Budget Deficit through Internal and External Loans after 2003: Causes and Repercussions" (unpublished).

The importance of the research:- Finding other funding sources represents the first steps in finding economic diversification, which is the true measure of the government's success in setting a general budget that meets the aspirations of society.

Research problem:- The post-2003 Iraqi governments were not interested in finding suitable alternatives for revenue sources for the federal budget and focused on oil revenues, which made the federal budget exposed to economic shocks in the event of a drop in the price of a barrel of crude oil globally.

Research hypothesis:- Activating other financing sources with the revenues generated from them to supplement the federal budget will be a factor in achieving the stability of the Iraqi economy.

Research Methodology: - The descriptive method was adopted in the analysis coupled with the inductive method to come up with specific results about the subjective capabilities of the Iraqi economy.

The aim of the research: - It is based on the statement of other funding sources that Iraq can work on activating to be other tributaries of the federal budget instead of the main oil resource.

Research limits:- Recent years were chosen because the topic began to be studied after 2003 seriously after the global financial crisis in 2008.

The research has divided as follows :-

First: - money supply.

Second: - taxes.

Third: Sovereign funds.

Fourth: - Customs border crossings.

Fifth: Free zones.

Sixth: Tourism.

Seventh: The airspace.

Eighth: - Activating the role of the private sector in the white paper.

First: - money supply

The money supply differs from one society to another due to banking habits on the one hand and the varying levels of economic and social development between societies. To clarify this, the concept of money supply and its elements must be clarified:-

The concept of money supply: - There are a group of concepts for money supply, including the following:-

-Money supply: It is the quantity of payment means available in the society, which is the total money of all kinds that exist in the society in a certain period of time ⁽¹⁾.

-Money supply: It is the sum of the means of payment of paper money, issued coins, foreign currencies and pseudo-money required by individuals and financial and production companies with the aim of transactions or speculation that leads to an increase in production of goods and services, and then the rate of economic growth ⁽²⁾.

•-Money supply: the sum of payment methods of all kinds, namely the issuing bank, auxiliary currencies, bank money and current deposits with commercial banks ⁽³⁾.

⁽¹⁾Nadhim Al-Shammari,

Money and Banks, Dar Al-Kutub Directorate for Printing and Publishing, University of Mosul, 1988, p. 45.

⁽²⁾Ali Kanaan, Money, Banking and Monetary Policy, 1st Edition, Dar Al-Manhal Lebanese, 2012, pg. 476

Muhammad Aziz, Money and Banks, 1st Edition, Al-Maaref Press, Baghdad, 1968, p. 24. ⁽³⁾

The elements of money supply: - The elements of money supply consist of a variety of local and foreign payment methods, and some are called by narrow or wide money supply:-

1-Narrow Money Supply (M1): The International Monetary Fund relied on the concept of narrow money supply (M1) and it included the following ⁽¹⁾.

-(Paper and coins issued outside the banking system (c) .

-Current accounts (demand deposits) (D) and may vary according to this block from one country to another, but they are limited and cannot be considered different from other accounts.

2-Expanded money supply (M2):- As a result of economic developments, it has become difficult to distinguish between money and quasi-money, and therefore the concept of money supply is no longer limited to the offered means of payment only, and interest has begun to shift to a broader concept of money supply, which actually includes the mentioned elements and deposits. Deferred deposits and deposits with risks, and that the money supply is known in its broad sense as the sum of available cash and quasi-cash funds, demand deposits and time deposits, which are managed through the banking system and the public treasury ⁽²⁾.

3-Modern Money Supply (M3): - The Keynesian school has made a remarkable development of some monetary concepts in Britain and this trend is known as the New Keynesians in order to limit all types of payment in the concept of money supply and include the following:-

M2-

Consumer cards (buying and selling food commodities)

-

Deposits and contributions to investment fund and investment clubs

-

-Savings deposits and certificates of deposit with a return with commercial banks, and there is no doubt that the expansion of the concept of money supply is limited to all monetary activities, whether for the purpose of speculation or purchase because it hides economic values ⁽³⁾.

4-American money supply (M4): - The American monetary school has expanded in defining the meaning of money, adding payment elements that do not exist in other countries, so this concept was called the American money supply and it includes the following elements:-

-M3

US Treasury Bills

--Deposits of American

individuals in European dollars ⁽⁴⁾

US Treasury commitments

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⁽¹⁾Hani Bani Hussein, The Economics of Money and Banks, Dar Al Kindi for Publishing and Distribution, Amman, 2012, p. 117.

⁽²⁾Salih Muftah, Money and Monetary Policy, 1st Edition, Dar Al-Fajr for Publishing and Distribution, Beirut, 2005, p. 52.

⁽³⁾Bassam Al-Hajjar, Monetary and Banking Economics, 2nd Edition, Dar Al-Manhal Lebanese, Beirut, 2009, p. 70.

⁽⁴⁾Barry Siegel, Money, Banks and the Economy, the Critics' Point of View, translated by Taha Abdullah and Abdel Fattah Abdel Rahman, Dar Al Marikh Publishing, Riyadh, 1987, p. 50.

Analysis of the money supply in Iraq:-

Table No. (1) reviews the size and growth of the money supply, and we read the following- :

1-The narrow money supply (M1) amounted to (10148626) million dinars in 2004, with an increase of (4375025) million dinars over 2003, at a rate of (250.2%), while the money supply in the broad sense (M2) (12254000) million dinars during the same year and with an increase The amount of (8232153) million dinars, for the year 2003, at a rate of (204.7%), and the reason for this is the replacement of the old Iraqi currency with the new one in accordance with Law No. (56) for the year 2004, and the pumping of large amounts of money.

2-The increase in the money supply in its narrow and broad terms is still continuing after 2004, until 2013, and this is due to:-

-Increasing military and military expenditures and increasing the armament of the armed forces for the purpose of confronting the enemies.

Increasing security expenditures and developing security services-

-Increasing investment expenditures and inflating the number and size of projects in Iraq.

-The continuous increase in the current expenditures represented by the increase in the salaries, allowances and wages of employees in the state.

3-The growth rate of money supply in the narrow and broad sense has witnessed a sharp and tangible decline during the last years of the study, especially in 2015, when this percentage amounted to (10-10%), (-9%) respectively and compared to the previous year, and the reason is due to Reducing oil exports and decreasing revenues from those exports due to the ISIS terrorist war, and the drop in global oil prices, and thus the negative impact on the size of the money supply and its growth rate.

4-The size of the money supply in the narrow and broad sense amounted to about (7930527) million dinars and (92105401) million dinars, respectively, in 2018, and this volume increased compared to 2017, by (1768976) and (2664063) million dinars, at a rate of (2.5%).) and (3%), respectively, and this is due to the increase in Iraq's oil exports abroad on the one hand, and the increase in oil prices abroad, and thus the increase in the revenues generated by the state's public treasury from hard currencies and then the local currency.

Table (1) growth rate of money supply (M1) and (M2) in Iraq for the period (2003- 2019)
(Million dinars)

growth rate %annual	Broad Money (Supply (M2	growth rate %annual	Money Supply in the Narrow (Sense (M1	items/years
4.4	4021847	3.8-	2898189	2003
204.7	12254000	250.2	10148626	2004
19.8	14684000	12.3	11399125	2005
43.6	21080000	35.6	15460060	2006
27.9	26956076	40.5	21721167	2007
29.5	34919675	29.8	28189934	2008
30.1	45437918	32.3	37300030	2009
32.9	60386086	38.7	51743489	2010
19.5	72177951	20.7	62473929	2011
4.6	75466360	2.0	63735871	2012
16.2	87679504	15.8	73830964	2013
3.5	90727801	1.5-	72692448	2014
9.0-	82595493	10.0-	65435425	2015
6.6	88081993	8.1	70733027	2016
1.5	89441338	0.6	71161551	2017
3.0	92105401	2.5	72930527	2018
8.8-	1034411	11.5	867707	2019

Sources:- It was prepared based on:-

- World Bank, dataat: <http://data.albanakaldawli.org/indicator/NY.GDP.MKTP.KD.ZG>.

- Central Bank of Iraq, Directorate General of Statistics and Research, Annual Statistical Collection of the Central Bank of Iraq for the period (1990-2003 June), special issue, 2003.

-The Central Bank of Iraq and the evolution of its monetary policy and banking supervision, the Central Bank, Baghdad, 2011.

-The Central Bank of Iraq, the General Directorate of Statistics and Research, the annual economic reports of the Central Bank of Iraq for the years (2004-2018).

- Central Bank of Iraq, Directorate General of Statistics and Research, Annual Statistical Group, Annual Bulletins for the years (2004-2018).

-The Central Bank of Iraq, Directorate General of Statistics and Research, Economic and Statistical Data:-

-at-<http://cbiraq.org/Data/Valus.aspx?dtFrm=12/31/2004&dtTo=05/2>.

Second:- Taxes:-

The concept of tax is a sum of money that the public authority deducts from individuals forcibly and permanently and without direct consideration in order to achieve the goals of society, and thus it represents one of the basic resources on which the state depends in financing its expenses, and that the nature and objectives of taxes have evolved through the development of political, economic and social systems and for tax It has many characteristics (obligatory duty, paid without direct consideration, an amount deducted permanently, contributing to the achievement of the goals of society), and the use of taxes is one of the methods that the state resorts to at the present time and modern financial thought ⁽¹⁾.

⁽¹⁾ Taher Al-Janabi, Studies in Public Finance, Higher Education Press, Al-Mustansiriya University, 1990, p. 269.

Taxes are divided according to the method of levying them into direct and indirect taxes:

1- Direct taxes: They are taxes that are paid directly by individuals and companies to the government. This type of tax is based on the principle of ability to pay, as whoever has a higher amount of resources (more salary or more profits) is charged with a higher percentage of taxes.

A- Advantages of direct taxation:-

- * It enables to contribute to the equitable distribution of wealth by taking money from the rich and then using it by the government to finance services for the poor.

- * It directly benefits from the rise in national income, as it represents a great resource for the government in the event of significant economic growth ⁽¹⁾.

B - As for the disadvantages of this type of tax, the most important of them are the following:-

- * These taxes may negatively affect the will to work and save, as the high tax rates on income may make individuals and companies reluctant to work overtime for fear of high tax rates.

- * Individuals and companies are aware of their tax obligations accurately (and in some types of direct taxes they have the responsibility to determine income, such as companies, for example), which may push them to evade tax, for example, company owners can announce profits less than the real profits in order to pay a smaller amount to the government.

2- Indirect taxes: They are taxes that individuals and companies do not pay directly to the government, but are imposed on the production and sale of goods and services. The biggest difference between indirect taxes and their direct counterparts is summarized in the following (2).

A - That its burden can be transferred from one person to another: - that is, if we assume that a tax of 10% is applied to the production of cars, then the car producing companies can simply raise the price of their cars by a percentage that may reach the entire tax rate (10%), in order to preserve At the profit margin, the taxpayer is actually the consumer, not the producer.

B - The one who pays the tax is the final consumer: - that is, if a tax is imposed on car wheels, the wheel factory will raise the price of the wheels that it sells to the car factory to maintain the profit margin. In the same logic, the car producer will raise the price as much as its cost, and therefore the final consumer of the car remains The biggest bearer of the tax burden.

⁽¹⁾ Muhammad Khdhair al-Akkam, Public Finance: Revenues and Expenditures, Syrian Credit University Publications, 2018, p. 115.

⁽²⁾ Khadija Al-Aasar, The Economics of Public Finance, D, Dar Al-Kutub Al-Masryah, Egypt, 2016, p. 134: at-<https://ahmaddan.blogspot.com/2018/10/blog-post-28.html>.

C - Advantages of indirect taxes:-

- * It is included in the prices of goods and services, so the taxpayer does not feel it.

- * Reduces the chances of tax evasion if it is properly managed ⁽¹⁾.

D- Disadvantages of indirect taxes:-

- * Imposing these taxes directly on commodities raises their prices and negatively affects the general rate of prices.

- * These taxes are imposed on goods and services that are shared by the rich and the poor, and therefore are not based on the principle of ability to pay, which makes them unfair to the poorest classes ⁽²⁾.

3- The reality of customs taxes:-

We deal with this type of tax because of its great importance in the lack of public tax revenue and the percentage of its contribution from public revenues, and there is consensus among specialists and that this type of tax is subject to financial and administrative corruption due to the lack of control of the federal government over the official border crossings, as well as the presence of other unofficial ports On the other hand, the differences that exist between the government and the region regarding the size of the revenues of this type of tax, and based on that comes the relative importance of this type of tax related to the imposition of a certain amount of tax on imports from abroad that enter

Iraq without knowing their values and sizes. It would have represented a large financial resource in financing the federal budget, and after the lifting of the siege in 2003, Iraq witnessed a great openness to the outside world, especially in the field of foreign trade, which led to a large flow of imported goods, as shown in Table No. (2). It is noted that the value of customs taxes amounted to About (376539) in 2008, at a rate of (0.91), and the percentage of customs taxes began to rise to (430685) in 2014 and at a rate of about (1%), but in 2018 the value of customs taxes reached About (1601728), at a rate of (3.65%), but in 2019 the percentage of customs taxes reached (952680), at a rate of about (3.84%).

(1) Ahmed

Suleiman Sharif, supply and demand, the price between the hammer and the anvil, 2016:-

-at-<http://www.ida2at.com/your-guide-to-understand-taxes-definition-types-effects>.

(2) Muhammad Khedhair al-Akkam, *Ibid*.

Table (2) The importance of customs taxes for total imports (current prices)

(Million dollars)

% The ratio	The total value of imports	customs tax	Year
%0.26	30952242	81020	2004
%0.34	34568508	118176	2005
%0.71	30648564	219032	2006
%0.90	25265660	229076	2007
%0.91	41530320	376539	2008
%1.31	44971290	590688	2009
%0.99	51380550	507341	2010
%0.67	55929510	373943	2011
%1.38	68800996	947210	2012
%1.21	73117968	884708	2013
%1	43261711	430685	2014
%0.67	48578233	324463	2015
%1.01	57353324	577146	2016
%3.02	37361219	1129153	2017
%3.65	43804511	1601728	2018
%3.84	24803820	952680	2019

Sources:- It was prepared based on:-

- Ministry of Finance, Economic Department, Baghdad, multiple years.

- Central Bank of Iraq, Directorate General of Statistics and Research, Balance of Payments Statistics Department.

Third: Sovereign Funds:

The concept of Sovereign Funds: It is a state-owned fund that often consists of many assets such as land, shares, bonds, or other investment devices. These funds manage state surpluses in order to invest in stocks and bonds.

The International Forum of Sovereign Wealth Funds is defined as (special purpose investment funds or arrangements owned by the general government. Sovereign wealth funds established by the general government for macroeconomic purposes work to preserve or manage assets to achieve financial goals and use a set of investment strategies that include investing in foreign financial assets ⁽¹⁾.

Sovereign wealth funds are investment funds owned by states, but they are not affiliated with the ministries of finance or central banks, and that most of their resources come from the revenues of raw materials, especially oil, and the goal is to manage and invest part of the state's financial surpluses according to a profitable business plan in long-term investment operations. Outside the countries of origin, the value of the assets of sovereign funds exceeded four trillion dollars in 2013, and the number of these funds moved from only three in 1969 to 44 in 2008, to nearly 82 funds in 2014.

The areas in which these funds invest vary, the most important of which are real estate, hedge funds, investment funds in the financial markets, bonds, stocks, futures contracts and raw materials, and sometimes criticism is directed at some sovereign funds that political influences control their investment decisions, not economic considerations.

⁽¹⁾ Baida Razzaq Hussein, the impact of oil price changes on monetary stability in Iraq for the period (2003-2016), University of Basra, College of Administration and Economics, 2017, pp. 78-79.

Transparency, as stated by the (Geo Economics) research group, which indicated that most of the major sovereign wealth funds in the world lack transparency and governance, especially the Gulf ones, and the following is a list of the largest sovereign funds in the world ⁽¹⁾.

- 1- Global Pension Fund (Norway), assets valued at \$893 billion, inception in 1990.
 - 2 - Chinese Investment Company, assets value 941 billion dollars, inception date 2007.
 - 3- Abu Dhabi Investment Authority (UAE), assets value 773 billion dollars, date of establishment 1976.
 - 4- The Saudi Arabian Monetary Agency (SAMA), the value of the assets is 757.2 billion dollars, the date of establishment is not specified.
 - 5- Safe Investment Company (China), assets value of 567.9 billion dollars, inception date 1997.
 - 6- The General Investment Authority (Kuwait), the value of the assets is 548 billion dollars, the date of inception 1953.
 - 7- The Hong Kong Monetary Authority Investment Portfolio (China), the value of the assets is 400.2 billion dollars, the date of establishment in 1993.
 - 8- Government Investment Corporation (Singapore), assets valued at 320 billion dollars, inception date 2000.
 - 9-Temasek Holdings Singapore, assets value 177 billion dollars, date of establishment 1974.
 - 10- Qatar Investment Authority (Qatar), assets valued at \$170 billion, inception date 2005.
- Several motives stand for the establishment of sovereign funds, perhaps aiming to provide money for the elderly population, while others aim to invest money in investment and development programs to help diversify income-generating mechanisms, while other funds are designed to mitigate the sudden rise in prices of the country, currency fluctuations and general international economic instability. And resorting to the use of sovereign wealth funds is of great importance in many developing countries for their ability to confront economic instability, especially the financial crisis that the world witnessed in 2008, after many emerging economies that have large economic portfolios for sovereign wealth funds exited from That crisis is relatively sound, and since that time sovereign wealth funds have become a way to diversify economies that depend on single commodities and a way to mitigate currency shocks and avoid the so-called (Dutch disease) *, which depends on a single commodity economy and thus the number of countries that have expressed interest With the establishment of the Sovereign Wealth Fund, and after Iraq's exit from the war of the terrorist organization ISIS, the need to generate revenues to finance the reconstruction efforts is a necessity Irrigation is very urgent and in need of a guarantee that the Iraqi economy, which depends on oil, can diversify its economy, and the current rise in Iraqi oil prices provides the government with the opportunity to finance reconstruction efforts and improve the country's infrastructure. It may lead to a

⁽¹⁾ Dealing with Disruption :IFSWF Annual Review 2017,International Forum of Sovereign Wealth Funds (IFSWF),,2017,pp.3-4.

- * It means the apparent sign between the boom of economic development due to the abundance of natural resources and the decline in the manufacturing or agricultural industries sector, meaning the depletion of natural resources.

sudden collapse in the economy, so there must be a strong mechanism to ensure the use of revenues from oil wealth in the direction of reconstruction, allowing the Iraqi economy to be more sustainable and resilient against price shocks.

Fourth: - Customs border crossings:

Customs tariff laws are one of the financial policy tools that fall within the price tools of trade policy and they are of two types, the first type is imposed in the form of a fixed amount of money on each unit of imported goods in dollars, and the second type is ad valorem fees, which are imposed on the value of the commodity When it enters the market and it is imposed on the commodity (product) regardless of the size of the output, and the Iraqi government began applying the customs tariff law at the beginning of this year to fill the financial deficit that hit the budget, since 2014, due to low oil prices and increased spending on the war against ISIS ISIS is terrorism, but as soon as the government started activating this law, it turned into a hotbed of financial and administrative corruption, and that Iraq is supposed to get about 8 billion dollars from customs annually, while the total amount that Iraq receives now is 600 million dollars annually, especially in recent years, Just as the Customs Law included an exemption rate of 63%, while it specified a rate of 37%, covered by customs duties, and this means that 99% is the outcome of corruption in customs ⁽¹⁾.

At the present time, vigorous measures have been started by the customs administration in order to reduce corruption at the border ports and customs by trying to start the automation system or what is known as the electronic demarcation of goods imported to Iraq, and the establishment of the internal Safra port for customs duties in order to create a state of balance with the Kurdistan region, as the region The customs tariff system does not work, and despite that, corruption still exists in the customs, for example, some authorities set up checks and yards that disrupt the passage of trucks and goods to this internal port except after paying specific amounts, which contributed to raising costs for truck owners and traders themselves. On the other hand, officials mention that there are merchants who import corrupt goods and try to bring them into the country, in addition to the occurrence of many cases of foreign currency diversion abroad under the pretext of obtaining and importing goods from abroad ⁽²⁾.

Fifth: Free Zones:

The establishment of free zones requires several components, and they are of two types: some of them are natural gifts such as climate, natural resources, geographical location, possession of sea coasts and how close they are to international shipping lines, and there are other components that depend on human effort and activity, and these free zones are exempt from customs duties. Import restrictions provide an environment for global investments, export promotion, technology transfer, job opportunities, etc., including transit, transit trade and distribution. For example, creating an investment climate, creating production requirements, having infrastructure, providing logistics services, and the size of the local market. Free zones are one of the important pillars that It is based on the national economy, especially in developing countries, and it is defined as small provinces located within the political borders of the country, but they are considered outside the customs

⁽¹⁾ Alaa Hussein Alwan, Ali Nehme Betty, The Role of Customs Administration in Increasing the Revenues of the General Customs Authority (Applied Study), Al-Nahrain University, Ministry of Finance, College of Business Economics, 2016, p. 37.

⁽²⁾ Ihab Ali Al-Nawab: The Border Crossings of Iraq, The Lost Resource, 2017:
- at-<http://annabaa.org/Arabic/economic/articles/12387>.

borders. It is worth noting that the General Authority for Iraqi Free Zones was established under Law No. (3) of 1998 for the purpose of keeping pace with global developments represented by increasing interdependence In international economic relations within a framework of economic freedom with the aim of isolating these developments from the course of the Iraqi economy and its specificity, and pushing the wheel of economic development forward, by attracting national capital and establishing industrial projects that use modern technology ⁽¹⁾.

1- Previous experiences of free zones in Iraq:-

Iraq witnessed the first experience of establishing a free zone in the port of Umm Qasr, which was allowed to be established in accordance with Resolution No. 173 of 1969, which amended Customs Law No. 56 of 1931, and the area allocated to it reached (7500) square meters, and its activity was limited to commercial storage, which was limited, which made It did not help its continuation for long, but the most prominent legislation in this field was (the Public Authority for Free Zones Law) No. 3 of 1998, and its aim at the time was not to promote economic freedom and encourage the private sector, but rather to contribute to lifting the siege on Iraq and tempting neighboring countries to completely bypass it. Since 1997, Iraq has witnessed the opening of three free zones, which are ⁽²⁾:-

* Khor Al-Zubair Free Zone in Basra in 1997, with an area of (1,000,000) square meters. It was previously established by the above-mentioned law, and to be expanded at a later stage to (19,500,000) square meters, and then to (100,000,000) square meters in a third phase. Near the waters of the Arabian Gulf.

* Fleifel Free Zone in Nineveh in 1999, with an area of 4,900,000 square meters, located near the city of Mosul at the contract of land roads and railways leading to Turkey, Syria and Jordan.

* The free zone in Al-Qaim in 2001, with an area of (300,000) square meters, and is linked to the land roads leading to Turkey through Mosul and Basra through Baghdad and Jordan via the Al-Qaim-Akashat road, which connects with the international road between Rutba and Trebil ⁽³⁾.

* The free zone specialized in the oil and gas axis in Khor Al-Zubair:- It is under construction and has an area of about (11) million square meters and is specialized in providing logistical services to companies operating in the oil and gas sector.

* Free Zone of the City Center Company in Baghdad:- This zone specializes in car trading exclusively.

However, these experiments were not able to achieve results comparable to what has been achieved in the experiences of the neighboring Gulf countries, due to several reasons, including ⁽⁴⁾:

- Weak experience in managing free zones.
- Infrastructure is not completed at the required level.
- The lack of adequate political stability.

⁽¹⁾ Mahdi Talib Ibrahim Al-Tai, The Economic Importance of Establishing a Free Zone in the Kurdistan Region (Sulaymaniyah), Journal of Administration and Economics, Al-Mustansiriya University, No. 57, Baghdad, 2005, p. 18.

⁽²⁾ at-<http://freezones.mof.gov.ig>.

⁽³⁾ Ahmed Ibrihi Ali, Foreign Investment in the World of Free Economy and Financial Openness, first edition, House of Wisdom, Baghdad, 2011, p. 223.

⁽⁴⁾ Ibid , p. 224.

2- The possibility of establishing free zones in light of the projects of Al-Faw Grand Port and the Dry Canal:

This can be explained through the following paragraphs:-

A - The reality of the transformation process in Iraq: Based on the concepts discussed in the previous paragraphs, the transition from a central economy to a free economy in Iraq will necessarily require the economic units of the private sector to play a leading role in economic activity by adopting the market mechanism system, but the success of these units This task in light of the current reality is unlikely, for two reasons, which is that the economic units are not prepared to perform this role, as well as the presence of many difficulties and obstacles that prevent them from being able to perform it, even if they are prepared for it. The economic environment left by the central economic system, which weakened the spirit of initiative and spread confidence in the role of the state and reliance on it in determining the nature and directions of the path of these.

Economic units, on the other hand, there are many difficulties and obstacles that prevent economic units from performing their role, such as the collapse of infrastructure and the material production base, as well as the failure of the state's administrative bodies to absorb the transformation process, whether at the procedural or legislative level, and the presentation of political considerations over economic policies Financial and improving the privileges of working in the public sector covered by oil revenues caused a rise in wage rates, which made most workers in this sector consider themselves unemployed while waiting for a job opportunity in the public sector ⁽¹⁾.

B - The proposed role of the free zones in Iraq: The free zones may constitute a way to overcome many of the difficulties facing the transformation process and a suitable starting point if they are well prepared for this purpose, especially that Iraq has natural ingredients that increase the possibility of the success of these zones. Just as Iraq is a strategic corridor for trade between East and West, as its importance outweighs the importance of the Suez Canal, and the existence of the dry canal and its global commercial importance will enable the establishment of many effective free zones on a large scale, especially that this channel will extend from the ports of Basra, south of Iraq to its north, and where it is linked to the ports of Turkey and Syria on the Mediterranean, and branching eastward, where it meets the railway line that will connect China to this sea through Iran and in the west to reach a port Aqaba, Jordan .

This possibility to establish more than one free zone will allow the application of more than one model for the economic transformation process and subject it to study and evaluation, and then inform the successful ones to be repeated and withdrawn to other regions. In 2013, China announced its initiative to establish the new Silk Road, which is a network of ports And the railways that will connect nearly 65 countries around the world, and to understand its impact on the Iraqi economy, it is necessary to know the reasons for this project. There are explanations put forward to show the reasons behind China's initiative, which are as follows:-

1-The external reason: the control of the US Navy's fleets over the Chinese energy and trade corridors in the event of military tensions.

⁽¹⁾Ayman Al-Nahrawi, International Trade Logistics, first edition, Dar Al-Fikr Al-Jamii, Alexandria, 2008, p. 87.

2-The internal reason:- Where the government aims from this project to support the interior and western regions of China with low growth. And such projects, need huge capital to establish the necessary infrastructure, especially the countries that these roads will pass through are mostly countries with growth rates A modest economy, so China established several investment banks, including (the Asian Investment Bank), which the Iraqi government decided to join in order to obtain the necessary financing to build the railways and the required infrastructure. Previously, the team of enthusiasts continues its endeavors to obtain financing from (the Asian Investment Bank) for the construction and development of the Iraqi railways, and the country faces here three sequential risks (the risks of corruption, the risks of low returns, and the risks of non-payment), and that this project can be excellent and present real opportunities and not deceptive for the Iraqi economy if the enthusiasts can provide the following:

3-* Guarantees about the completion of the project and efficiently.

* Calculations that show that the project will be profitable and generate returns that cover its costs, but if the enthusiasts fail, the best and least dangerous alternative for Iraq's finances and sovereignty is to open the way for companies, whether Iraqi or foreign, to invest and build the railway network across Iraq, and thus the government You can guarantee that these companies are the ones that bear the risks of borrowing and the risks of miscalculation, and that these projects will not only pay the costs of their establishment, but will be profitable and employ thousands of individuals ⁽¹⁾.

Sixth: Tourism:

Iraq is one of the countries that possesses the tourism potential that qualifies it to occupy an advanced tourist center with the ranks of advanced tourist countries. It is rich in a distinguished civilizational heritage, which embraces the shrines of the prophets, the pure imams, and the evacuated Companions. As this sector occupies the first place among the productive economic sectors of many countries, whether Arab or foreign, and Iraq has a comparative advantage in this field, especially religious tourism, as there are almost three countries in the world in terms of size

and magnitude, which are Saudi Arabia, France and Iraq. It can be said that Iraq has characteristics that are not available in other countries, namely ⁽²⁾:-

- 1- The holy shrines are located in large cities, which leads to the provision of housing and public facilities for tourists.
- 2- It has the advantage that it is not limited to a specific time period during the year, which makes the pressure on tourist facilities less severe, with the exception of the month of Muharram.

⁽¹⁾ Haider Mortada, Economic Articles, May 2, 2019:-

at: <https://m.annabaa.org/Arabic/economicarticles/19132>

⁽²⁾ Youssef Mahmoud Manhal, The Feasibility of Iraq's Accession to the World Trade Organization, PhD thesis in Economics, College of Administration and Economics, University of Baghdad, 2006, p. 235.

The process of developing the tourism sector has significant repercussions and effects that appear in all aspects of the national economy and lead to the following:

- Promoting and developing small industries and crafts.
- Increasing public revenues by imposing direct and indirect taxes imposed on tourism companies, restaurants, hotels, telecommunications and transport companies, as well as activating the sales tax.
- Activate advertising services.
- Activate and expand building and construction services.
- Developing and stimulating foreign and domestic trade to meet the increased demand from tourists.
- Activate other sectors and activities, such as the banking sector and insurance companies.
- Pushes the agricultural sector to expand production to meet the increasing demand for commodities and food products.
- That the expansion of the previous activities will lead to the alleviation of unemployment.

Obstacles and challenges facing the tourism sector in Iraq:

The obstacles facing the tourism sector vary according to the degree of economic and civilized progress in the countries of the world. In Iraq, the tourism sector has faced problems and obstacles that have reduced the impact of tourism in the failure to achieve development, including the performance of government policies as well as the siege and wars, and despite what Iraq contains of the elements and economic resources for advancement In the tourism sector, however, it did not receive the required attention. We review the most important obstacles, including the following: -

1- Weak tourism planning: - the absence of a tourism information and statistics system, the lack of good systems, the lack of expansion of tourist facilities, as well as the establishment of hotels or work to improve services in a good way, as well as the absence of a clear strategy on the system of the tourism sector and its development.

2- The obvious neglect of the tourist and archaeological areas: - There is a clear negligence regarding religious sites in the work of maintenance, reconstruction and development, as well as the search for antiquities inside Iraq.

3- Weak tourist awareness: - The lack of popular awareness of the importance of tourism among members of society in order to preserve its tourist attractions and the modest quality of infrastructure such as communications and electricity ⁽¹⁾.

4- Migration of professional tourist cadres: - The migration process was due to wars and the economic blockade after 2003, the destruction of tourist sites, theft of antiquities and the destruction of archaeological museums.

Lack of interest in the health and environmental situation: - It is necessary to provide health and environmental security, in addition to the requirements of tourism security in the country ⁽²⁾.

(1) Abbas Haider, Hamada Abboud, The Strategy for Tourism Development in Iraq, Al-Qadisiyah Magazine, Vol. 11, No. 3, 2008, p. 256.

(2) Hussein Qassem Jabbar, Karim Salem Khalaf, Development of the Tourism Sector in Iraq Obstacles, Challenges and Requirements, Al-Qadisiyah University, College of Administration and Economics, Journal 18, No. 1, 2016, p. 159.

Requirements for the advancement of the tourism sector:-

Tourism and its money has an important, historical and cultural impact that plays an important role in social and economic development in many countries of the developing and developed world, and economic evidence and indicators indicate that tourism will be one of the necessary and basic pillars of economies and services in the current century, and that there are three industries that will lead economies The services, which are tourism, travel, wireless

communications and information technology, and that tourism and the establishment of investment projects have become necessary, and there are a set of challenges facing the Iraqi tourism sector, including the following:-

- 1- Giving priority to the tourism sector, as it is an economic strategy that works on reforming the country, absorbing the manpower working in the country, as well as eliminating unemployment.
 - 2- Establishing specialized offices to activate the tourism activity, adopting modern methods, and facilitating entry procedures for the state, including obtaining entry visas.
 - 3- Working on building industries that support the tourism activity and providing all its requirements at the highest level of quality, as well as developing sectors related to tourism.
 - 4- Preserving the historical, cultural and natural heritage and rehabilitating it appropriately in order to preserve the civilization of Iraq.
 - 5- Raising the efficiency of workers in the tourism sector by opening tourism institutes and sending missions abroad to participate in tourism and hotel courses.
- 1- Encouraging Arab and foreign investment in the tourism sector by issuing laws and regulations that support the investment process, as well as encouraging foreign investment.

Seventh: Airspace:

Air transport is considered the fastest and most advanced way to move between landmarks, and it is a field that falls within the travel and transport sector, which represents one of the most prominent sectors of production services, especially as we are contemporary with modern technology, and after the development in air safety and air travel insurance, and that individuals have become They tend towards aviation, and although Iraq is one of the first workers in the field of civil aviation in the region and one of the founders of international organizations specialized in international aviation, but today's rescue is stumbling and facing great difficulties and challenges due to financial and administrative corruption, and partisan authorities have taken control of this vital sector and trying to disrupt the sector And giving an alternative to it serves narrow partisan interests, in addition to the lack of cadres and experiences working in this field that left work after 2003 and migrated outside Iraq, and after Iraq in the seventies and eighties of the last century provided air services to neighboring countries, including Saudi Arabia and Jordan, and controlling the atmosphere of those States, but these countries have become the ones who control and are the highest and advanced framework by a large difference from the Iraqi civil aviation, and despite the importance of The Iraqi air sector, however, we find that Iraqi air navigation is facing difficulties in developing and advancing a reality that matches and parallels its views in neighboring countries ⁽¹⁾.

⁽¹⁾ Anas Abdul-Ridha, Muhammad Al-Zubaidi, The Economic Importance of the Iraqi Airspace for the Period (2004-2018), Journal of Administration and Economics, Volume 9, Issue 33, Karbala, 2020, pp. 131-145.

Eighth: Activating the role of the private sector in the white paper:

According to the reports of international organizations, Iraq has become one of the most corrupt countries in the world according to a report by Transparency International, and it ranked at the end of the list of countries in terms of quality of life, health and education, including the least developed countries, and where the unemployment rate recorded a high level compared to other countries. The neighboring region, and the contribution of the oil sector is the largest in generating the gross domestic product, according to Table No. (2) which was referred to, while its contribution to revenues amounted to about 95 percent, and the consequences of Iraq's dependence on oil are much higher than its views in the Middle East and North Africa, which are severe weaknesses in the face of adverse changes in oil prices, and in order to advance the reality of the Iraqi economy and develop its capabilities, the development of productive capacities in the agricultural, industrial, service and other sectors is the main factor for achieving economic growth and it is able to mobilize local resources in order to finance economic activity and not Relying on foreign aid or aid, and working to attract foreign direct and indirect investments that can support the development process, and through capacity development Productivity Iraq will be able to compete in international markets for goods and services that go beyond the scope of primary commodities and that do not depend on the availability of special preferences with regard to access to markets.

It is also known that Iraq suffers from several pressures as a result of the financial and economic crises it is facing as a result of the drop in oil prices and the devastating effects the world has witnessed and a sharp economic decline during the global closure imposed globally due to the spread of the pandemic (coved-19), and that the transition from the current level is low productivity and low Income to a high level of productivity and income is done by addressing the factors that led to the low labor productivity in Iraq, which was recorded in 2018, less than half of what it was in the seventies of the last century due to the dominance of the unproductive public sector, in addition to the decline in the tradable goods sector and the negative effects For the non-competitive exchange rate of the Iraqi dinar, especially

against the exchange rates of the currencies of Iraq's trading partners on the agricultural and basic industries sectors in Iraq over the past decades.

And that some measures showed that the productivity of the work of the Conference Board in 2018 reached 47 percent of the productivity of the Iraqi worker, than it was in 1970, which shows a decrease in productivity than it was before 2003. To achieve economic reform in Iraq and its exit from various crises, the Iraqi government launched The white paper, the final report of the Emergency Cell for Economic Reform (October 2020), with the aim of managing the financial situation in light of the current financial crisis and developing the necessary solutions to achieve financial reform, improve the performance of financial institutions and develop the economic reform program stipulated in the Domestic and External Borrowing Law No. 5 of 2020, With the aim of restructuring the Iraqi economy to face the upcoming challenges, the White Paper neglected in theory a balanced diagnosis of the economic and financial problem of Iraq's economy, as stated in the White Paper, and we must emphasize what was stated in the White Paper that there is a similar need to focus on the nature of the private sector and institutions In the framework of which private sector projects are regulated, and from this perspective, Iraq suffers from a serious and clear institutional weakness in the local financial systems Large liquid and illiquid financial reserves, but credit level The provision to the private sector and to projects is very weak and unable to enhance the productive capacities of the Iraqi economy. It is noteworthy that the Iraqi economy represents the main pillar for building the Iraqi economy next to the main sector, the public sector, as it is not possible to build an economy without the presence of an active and dynamic private sector, and the Iraqi economy cannot rise without it, as the paper prepared by the Iraqi government confirmed this important aspect and the state must support it And its adoption in the early stages of the renaissance of the private sector (¹).

The Conclusions :

- 1- Oil revenues dominate the public revenues in Iraq since the completion of the nationalization process and the transformation of Iraq into a rentier state with distinction, as the contribution of oil exports to total exports is about 99%, and this is a very clear indication of the failure to achieve economic diversification, and it stands behind the state of the Iraqi economy The country's entry into regional wars and subjection to international sanctions.
- 2- Most observers of the Iraqi economic issue agree that many obstacles stand in the way of the advancement of the Iraqi economy, and at the forefront of those reasons after 2003 is financial and administrative corruption of all kinds, which has become systematic corruption within the body of the Iraqi state.
- 3- Iraq is exposed to the phenomenon of commercial dumping by all the neighboring countries of Iraq, this contributed to killing the Iraqi industry and removing it from competition, and this caused the bleeding of Iraqi funds derived from oil exports.
- 4- Although Iraq possesses all the ingredients of tourism, which is one of the productive sectors that represent a financial resource if this sector is taken care of, as is the case in many countries of the world, Iraq is different from those countries because the tourism sector in Iraq extends over a period Sunnah regarding religious tourism.
- 5- The weakness of Iraq's tendency to establish free trade zones for several reasons, foremost of which is Iraq's exposure to wars and international sanctions, which created an atmosphere unprepared for this purpose, as well as almost absolute dependence, and accordingly, the infrastructure for the establishment of these zones was neglected.
- 6- The lack of the private sector's contribution to the rebuilding and reconstruction of Iraq as a result of the public sector's dominance over the various productive economic sectors.
- 7- The geographical location of Iraq, which represents this site, the heart of the earth, is an airspace for the passage of global aviation, but as a result of the three Gulf wars, Iraq lost many of the advantages of this site to the migration of scientific and administrative competencies after Iraq was one of the founders of international organizations specialized in international aviation.

The Recommendations :

- 1- It is necessary to carry out economic diversification in Iraq and to work seriously to get rid of the dominance of the extractive sector to contribute to the formation of the gross domestic product of Iraq. There are many oil-producing countries neighboring Iraq that have succeeded in bringing about economic diversification.

(1) Thamer Mahmoud Al-Ani, White Paper and Economic and Financial Reform in Iraq, Director of the Department of Economic Relations at the League of Arab States, Professor of Econometrics at the University of Baghdad previously:-

at-<https://aawsat.com/home/article/2576366>.

- 2- Activating the laws to reduce administrative and financial corruption, which has become a systematic corruption, and it is not enough for small operations that it must affect the large heads that have seized public money without being held accountable.

- 3- Reforming the tax system of Iraq to include the categories covered without favoritism by the responsible authorities to reduce tax evasion, as revenues from taxes still do not represent a significant percentage in the federal budget.

- 4- Controlling the official and unofficial border ports to limit the entry of goods and merchandise into the Iraqi market without paying import duties, with the need to activate the Border Ports Law No. (30) of 2016.
- 5- Unification of customs duties between the ports of the region and the Border Ports Authority, with the necessity of returning the tax amounts on goods and merchandise to the state treasury.
- 6- The Central Bank deducts customs duties from commercial remittances directly, in an amount equal to the value of the import bill, in a way that guarantees the public right.
- 7- The electronic link between the border outlets, i.e. doing (automation) between the relevant authorities (the Border Ports Authority, the Central Bank, the Ministry of Planning and the Ministry of Trade) so that the value of imports is accurately controlled so that the numbers are unified for later use in economic and statistical analysis and issued in official reports to put However, researchers and those interested in analysis and strategic planning.
- 8- Reducing the resort to external or internal loans to finance the deficit of the federal budgets, which is considered a financing option with a financial risk or for future generations because of the dangerous indicators it bears on economic and social development events.
- 9- It would be very necessary to resort to other financing options that could provide Iraq with financial resources comparable to the revenues of oil exports if they were exploited well and away from financial and administrative corruption, foremost of which is activating the tourism sector and exploiting the airspace of aircraft in the sky of Iraq, establishing free trade zones as well as activating The economic and financial reforms that the white paper came with had been applied in a scientific and non-selective way.

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