



WHAT CHANGES THE IRAQI ECONOMY HAS UNDERGONE?

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Abstract: Research and economic studies in all their aspects show that uncertainty has significant consequences in all areas of the economy. In order to orient ourselves better, we need to look carefully at ways of perceiving the challenges facing the Iraqi economy as a necessary condition for the country's development. There is a lot of research on the state of Iraq from international and local organizations and institutions. Everyone has proven that the most serious challenge for development in Iraq is insecurity. In fact, with this material we have to answer the main question: what is the country facing and what problems are there to solve?

Keywords: Iraq, USA, security, causes, challenges, measures, government.

Reflections on the Iraqi Economy

The Iraqi economy enjoys enormous potential and enormous natural resources through which it can become a major player in the Middle East region. In recent years, the Iraqi economy has gone through difficult economic conditions as a result of exacerbations of structural imbalances and the global health crisis.

Iraq's economy faces a number of economic challenges that threaten Iraq's future and its economic, political and social security, such as poverty, unemployment, inflation, destroyed infrastructure, high production costs, administrative and financial corruption, environmental pollution, water problems, and the deterioration of agricultural, industrial and other production. What increases the seriousness of these challenges is that they intertwine, overlap and expand, inconsistent with the adoption by the state of strategies that will develop appropriate and appropriate solutions to address these challenges due to their security and terrorism concerns, which requires the development of an integrated strategy to address these challenges. The Iraqi economy is going through a critical phase in which it is impossible to withstand the contradictions and adventures of the various political parties.

Following the announcement of the results of last October's legislative elections, the country expects a government from the womb of these results, which will not be able to „judge and err“ in diagnosing and treating economic crises.

Despite the enormous wealth of Iraq, it has suffered for years from a number of structural imbalances in the economic structure, which have recently been reflected in the sharp rise in unemployment and poverty.

Experts attribute the reasons for the decline and the difference between large investments of national resources and modest results to per capita income and guarantees for the economic future, poor planning, the spread of corruption and the loss of a productive mind.

Many of the complications that hinder the lost stability in Iraq are crowded at various levels, but the economy is the cornerstone, otherwise all the consequences remain, experts say.

In the years 2020 and early 2021, the Iraqi economy faced major challenges related to the fall in crude oil prices as a result of the outbreak of the Covid-19 pandemic and the closure restrictions imposed by the decline in global economic activity.

Oil accounts for more than 85% of Iraq's total raw materials, making the country's rent-producing economy vulnerable to fluctuations in the crude market in the absence of consolidating state imports and finding alternatives.

These challenges have led to major risks that have burdened the Iraqi economy in the pre-pandemic crisis, such as high debt levels, doubling internal and external structural and structural problems, high budget deficits and increasing the fragility of public finances, which is generating monetary pressure. policy and exchange rate stability.

According to many researchers: „Iraq has obligations signed with the International Monetary Fund and the Bank that require the country to find solutions so that it can communicate with the outside world through its economic system and not, as some imagine, that the issue is limited to the needs of the interior and the arrangement of the local scene.

„/al-ain.com/article/iraq-economy-new-government-critical/ (Arabic language).

Iraq cannot tolerate more mistakes. Diseases have reached a dangerous stage, and diligence or experimentation will not help.

According to many researchers, the current data confirm the recurrence of the government scenario. It strongly warns: „We will face catastrophic predictions, the smallest of which will be a torn map or a bloody uprising, both of which are bitter and costly options.“

The main economic challenges /ifpmc.org 27/4/2020 Shaho Alkaradagi شاهو القره داغي (Arabic language).

Iraq's Spring 2020 Monitor, entitled „Sailing in a Big Storm” again – Discusses Recent Economic Developments and Policies and highlights some of the country's macroeconomic policy challenges. The report says pre-crisis conditions in Iraq will limit its ability to manage and mitigate the economic and social effects of low oil prices, reduced oil quotas and obstacles created by isolation measures to counter the Covid-19 virus. The dependence of the large Iraqi economy on oil and the broad role of the public sector in economic and trade activities are hampering the creation of jobs that are needed in the private sector for the population, most of whom are young people. In addition, growing public dissatisfaction with poor service delivery, rampant corruption and job losses is still relevant and even combined with the political stalemate over the formation of a new government. According to Saroj Kumar Ja, Mashreq's regional director at the World Bank „Fiscal consolidation and economic diversification through increased private sector involvement are crucial to reducing Iraq's vulnerability to external shocks. The adoption of a reform-oriented growth program will help sustain efforts to restore and sustain the positive improvements made in the electricity and agriculture sectors over the past year. Such a program is essential to create the jobs that young people need and to restore the confidence of Iraqi citizens.

It is imperative that Iraq launch a comprehensive, forward-looking economic reform agenda to enable the private sector to stimulate growth and create diversity and job opportunities. Such a program can be based on two pillars – first: tackling comprehensive barriers to private sector-led diversification through financial sustainability and economic governance, financial sector reforms, business environment reforms, improving human capital outcomes, and social labor protection and system The second: improving governance and strengthening private sector participation in selected manufacturing sectors such as agriculture, the food industry, electricity and gas.

The Iraqi Economic Monitor's report also includes a special section highlighting the importance of Iraq's digital transformation and the urgency behind it. The benefits of a strong digital economy are numerous, and using it will help Iraq improve its economic opportunities, especially for its young people, and thus meet the demands of its citizens. The digital transformation of the Iraqi economy requires economic reforms and long-term development priorities that cover the five pillars of the digital economy framework to provide affordable high-speed Internet access, achieve widespread cashless payments, provide digital government services and improve data access and raising the level of skills of young people by providing them with technological knowledge and expanding the digital ecosystem for entrepreneurship. The recent adoption of innovative digital solutions in the fight against the COVID-19 pandemic in different parts of the world is an example of the importance and urgency of digital transformation. www.worldbank.org

Typical Problems to Solve

The development of the Iraqi economy has faced many problems of a complex nature, namely:

FIRST: the collapse of oil prices.

The Iraqi economy is a rent-seeking economy that relies mainly on oil for 95% to meet the country's needs, and oil accounts for almost 99% of Iraq's exports and with falling oil prices, Iraq will suffer from a real economic crisis in the absence of any Another source of revenue generation is oil, as Iraq has failed to diversify its sources of income in recent years despite persistent requests.

Iraq's oil minister confirms that Iraq will reap half of what it earned in 2019 from oil sales in 2020, since last year Iraq earned \$ 78 billion from oil sales worth \$ 61 a barrel while this year the amount will drop to 40 billion.

It is clear that the decline in oil prices will affect the budget for 2020, which amounted to 135 billion dollars with a financial deficit of 40 billion dollars, which estimates the price of one barrel at 56 dollars, while today, the price of a barrel has plummeted to around \$ 20, with expectations that it will be difficult to rise again in light of the current crises, the spread of the Corona virus and declining oil demand due to the disruption of life in most countries.

What is happening today is a natural result of the economic policies that Iraq has pursued in recent years, as it has relied entirely on oil without thinking about the future or preparing for scenarios of falling oil prices, even though Iraq is moving in previous crises, especially in 2014, when oil prices fell.

SECOND: Pervasive corruption and lack of transparency: Iraq ranks 162nd out of 180 countries in Transparency International's 2019 Corruption Perceptions Index.

Official statistics confirm that Iraq lost more than \$ 500 billion as a result of corruption from 2003 to 2019, and it is certain that corruption has doubled these official figures because the government does not take seriously the disclosure of corruption files and real numbers. which prove the participation of all political parties in this case.

The most notorious corruption files are the smuggling of oil through parties and militias, the salaries of officials, defenders and advisers, the economic services of political parties, the seizure of state property, arms deal and foreign exchange auctions, in addition to the files of fictitious or foreign officials. who receive more than one salary and represent a constant bleeding of the state budget.

Corruption affects not only the economic aspect, which in turn leads to the accumulation of wealth for several people at the expense of the majority, who will suffer from poverty, destitution and need, but will gradually lead to violence, political and security problems and weaken public institutions, and government measures to fight corruption in Iraq are for immediate government responses to hold corrupt minors accountable before the election to win votes or respond to popular demands in order to numb and calm the streets, while strategic steps need to be taken within a comprehensive national plan to diagnose and control corruption.

Here it is important to mention Singapore's experience in this area. When Lee Kuan Yew, the founding father of modern-day Singapore, arrived, he decided to launch a strategic campaign to cleanse the country of all forms of corruption, from the election stage to the formation of a government and other stages. Because, according to Lee Kuan Yew, pure government mainly starts from the election stage, and the dirtier the money is the source of the political position, the greater the corruption in the government, because the high cost of elections and political positions pushes the parties that reach the government to get back the money spent on the position and to prepare new money for the next campaign, using the influence and getting closer to officials and influencing them through dirty deals. As a result of these policies, this campaign has succeeded and reflected positively on the state and has become the most developed country in the region and the world.

THIRD: Suspension of reconstruction projects and foreign investment.

After the end of Islamic State in Iraq and the Levant (ISIL), economic losses to Iraq were estimated at more than \$ 100 billion, while the World Bank estimated the cost of rebuilding devastated areas at \$ 88.2 billion, despite a promise from the international community, to give Iraq \$ 30 billion at a conference in Kuwait in 2018, but countries that have pledged aid have failed to meet their obligations due to poor security conditions, militia proliferation, extortion operations and armed factions and groups with large impact in ISIS-exempt areas.

Survival and concentration of militias in liberated areas hampered efforts to rebuild those areas, and due to smuggling operations and security breaches in the shadow of militias, ISIS has been able to reorganize its ranks in many areas and resume terrorist attacks against people and security forces. This means a lack of stability in these areas in the next phase, which will disrupt all internal and external efforts to restore life in these devastated areas in the war on terror.

In addition, Iraq has become an environment that expels national capital and fails to attract foreign capital to Iraq due to security problems, corruption and the reluctance of foreign companies to enter Iraq due to the many obstacles and problems they face.

Iraq is ranked 172 out of 190 countries in the World Bank's 2020 Ease of Doing Business Index for 2020, which is based on a variety of evaluation criteria, including Ease of Starting a Business, Protecting Investors, Paying Taxes and Dealing with default.

In addition to the main challenges, Iraq faces the challenge of external and domestic debt, estimated at more than \$ 130 billion, a high poverty rate of up to 20%, equivalent to 7 million citizens across Iraq, the spread of unemployment among young people's dependence on foreign imports and many other challenges, which is facing the Iraqi economy and requires real efforts to overcome them amid escalating popular anger.

Choice of Options to Deal with Emerging Challenges

Deteriorating economic problems put Iraq's decision-makers to the real test of rescuing Iraq from collapse. Iran is the first beneficiary of the continuation of the situation in Iraq as it is, as relations between the two countries are based on draining the Iraqi economy in favor of reviving the Iranian economy, and Iraqi leaders need to reconsider the nature of relations with Iran rebuild on the basis of common interests and friendship based on mutual respect, and put an end to the current equation, which is causing great damage to Iraq.

In connection with this step, which also strengthens national sovereignty, the next Iraqi government must take serious steps towards reforms, fighting corruption, increasing transparency, punishing corruption, trying to recover money looted abroad, controlling border crossings and an end to oil smuggling in order to regain confidence on the Iraqi streets and give a positive image to the outside world, with a real will for reform and change in Iraq, and we need to benefit from global experience and seek help from an external expert, to help get out of the current crises.

The next step requires more courage in the process of making critical decisions by political decision-makers in Iraq. It is important to focus on national interests at the expense of personal and party interests and the foreign agenda, and if the Iraqi government fails to deal properly with these crises, the waves of challenges, Iraq's ship could be sunk.

Despite improving the outlook for the Iraqi economy and the recovery of global oil markets, the effects of the Corona virus and the challenges of climate change are new sources of risk. The economy is expected to recover gradually amid high oil prices and increasing production quotas of the OPEC + alliance, which is planned to be phased out in 2022. Oil GDP will be the main driver of growth in the medium term. Despite expectations of improving oil-free GDP, it will remain at an average growth rate below 3% over the years 2021–2023 due to the modified generations of the Coronavirus pandemic, in addition to the challenges facing the Iraqi economy, most notably of water and electricity, which affects agriculture and industry¹.

Finally, it can be said that Iraq's national security system faces a number of challenges that can be categorized as visible and invisible challenges, the most dangerous of which are those that appear in the invisible image². This would affect strategic security (of the individual and the state), which means that these challenges involve most governmental and non-governmental sectors and institutions that revolve around the basic infrastructure of the state to achieve citizens' cognitive security, and these challenges vary from cyber threats to the state's digital system, the population is growing without this increase be-

¹ Hussein Al tome. H. The Iraqi economy in 2021: facts and figures. media.office@cbi.iq
البنك المركزي العراقي (Central Bank of Iraq).

² Z. Ali Alali. التحديات غير المرئية للأمن الوطني العراقي (The Invisible Challenges to Iraq's National Security). Al-Bayan Center for Planning and Studies, 26.06.2018.

ing affected by strategic planning, which is in line with developments and challenges facing formal and informal state institutions, which pose a major challenge to Iraq's strategic security system; therefore, there was an urgent need to focus and dominate research and anticipation efforts in this area, especially in light of the marked increase in the challenges facing Iraq's strategic security system.

Iraq is facing and continues to face the greatest and most dangerous security threats and challenges since 2003 that no other country in the world has faced. However, it still achieves brilliant victories on many levels, including the fight against terrorist organizations and their sleeping cells. The final victory will be achieved and the Iraqi state will be rebuilt on new and developed foundations that will lead to the maintenance of Iraq's national security and the strengthening of the work of its institutions and agencies in order to achieve the supreme strategic goals of the state and interests.

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