

Obstacles to Investment in Iraq

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Abstract:

Creating the right environment is one of the most important factors for attracting capital and investors. Also, the requirements that attract investment may be related to such as the availability of manpower, natural resources and market needs, and these are present in Iraq. There are requirements that the state must provide through appropriate legislation and laws, which require clarity and simplification, in addition to security and political stability because the capital operates in safe and stable conditions. Investment is of great importance to the Iraqi economy, for its role in the development and transfer of technology and modern technologies to contribute to the development of Iraq, increase and diversify its production base, and bypass the unilateral aspect that depends entirely on the export of crude oil, there are some obstacles that still remain and need to be resolved. Some obstacles to foreign investment in Iraq. The objective of the study is knowing the obstacles of the Iraqi investment environment.

Keywords: investment, investment obstacles, investment environment.

Research problem

The Iraqi economy suffers from the lack of a suitable environment to attract investments, some of which are related to security instability and weak infrastructure, and all of this was reflected in the arrival of investments to Iraq.

Research Hypothesis

Despite the efforts of the Iraqi government to provide the appropriate investment environment and achieve successes in this, it still suffers from obstacles that reduced it to gain the confidence of local and foreign investors.

Research Methodology

In order to achieve the objectives of the research, it is divided into three main axes:

The first axis: investment - the investment environment (conceptual framework).

First: the concept of investment

Investment is defined as (the process of capital formation and accumulation) (Ranson, 1987). Accordingly, it is clear that investment is the investment of surplus funds with individuals, companies and even governments and organizations in various assets aimed at

obtaining additional resources in the future and with the least possible risk (Jones, 2000).

Second, the importance of investing

In general, the importance of investment at the economic level can be summarized as follows:

1. Investment contributes to increasing national production.
2. Investment contributes to increasing national wealth (fixed capital formation).

3. Investment, especially foreign investment, is described as a channel for technology transfer through technological multipliers (Gibescu, 2013).

Third: the concept of the investment environment.

In the context of globalization, the whole world has become an open space to attract investment, and the ability of any country to gain investor confidence depends on its ability to provide optimal conditions for the investor, whether in terms of safety, returns, facilities, and others (Smith and Hallward-Driemeier, 2005).

The second axis: the reality of the investment environment in Iraq

First: the political and security system:

We also mentioned that the political climate is one of the main factors affecting the investment decision, and the positive impact is achieved in light of political and security stability within the host country.

The investment environment in Iraq was affected by the current unstable political and security conditions, which were reflected in the uncertainty about the future for investors and even affected the flight of national capital abroad (Ali, 2018).

Second: Investment Law and Other Laws

After 2003, a trend emerged in economic policy based on drawing up a national strategy to encourage investment and giving it a role in restructuring and reform. This was translated by the issuance of Investment Law No. 13 of 2006 and its subsequent amendments in 2010 with regard to ownership and others. This law is appreciated by many specialists. It is very good and fulfills the purpose and meets the objectives of the investors. He focused on equality in privileges and rights between the local and foreign investor and opened the door to foreign investment. The aforementioned law granted many advantages and guarantees to investors (Alexander and Böhmer, 2016).

The third axis: Problems and Obstacles in the Iraqi Investment Environment

The main problem is not in the investment law itself. Rather, there are some obstacles to investment, including (Al and Hassan, 2020):

1. The political aspect: The ruling political elites must transform from a state of conflict and division, and the predominance of special interests, and making national interests supreme.
2. The banking and financial sector. Financial intermediation and investment institutions are two inseparable factors for making growth and development, in Iraq the absence of financial intermediation.
3. The weakness of central planning still constitutes an obstacle to reform strategies. The current systems are cumbersome and confusing, and the mechanisms for settling disputes are still not transparent and unreliable.
4. Administrative and financial corruption is a dangerous phenomenon that is increasing in most state institutions. This is reflected in the costs of the invested capital.

Conclusions:

1. There is an investment gap in the advancement of the Iraqi economy that must be filled from sources of local investment or foreign investment, and this requires working to create the appropriate investment climate.
2. Iraq possesses natural and human resources that constitute a basic supportive pillar for creating a good investment environment.
3. The set of indicators related to the investment environment such as the economic system and a set of macroeconomic variables and economic policies with their current indicators showed that they are in the interest of the investment environment that attracts investment, and work must be done to improve it.
4. Some international indicators, especially the business environment index for investment projects, showed a lag in the investment environment, while the state risk index showed Iraq as a high-risk country.
5. There are some factors and obstacles in the field of the financial and banking sector due to its strong relationship with the private sector and investors, and reforms and restructuring of this

sector must be introduced to support investment operations.

Data Availability:

The data used to support the results of this study has been included in the article.

Conflict of Interest:

The authors declare that they have no conflicts of interest.

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