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The movement of foreign investments in developing countries and their effects on production and poverty (Iraq is a special case)

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Abstract

The momentum of foreign direct investment (FDI) in developing countries (especially from the United States and Western European countries) began in the 1870s as their economies shifted in obtaining primary products and marketing their industrial products from dependence on inward sources and markets to countries under their control in Asia, Africa and Latin America.

However, with the widening economic and technological gap after the World War II between the two groups of developing and developed countries, foreign direct investment became more necessary and almost inevitable especially with the spread of political conflicts and the absence of advanced credit institutions , proper public budgets and trade imbalances which always threatened by fluctuations in export revenues and finally dissemination of financial and administrative corruption that weakens the government administration and deepens its backwardness.

In light of this reality, international companies lose the element of certainty in their forecasts for investment in developing countries, especially for manufacturing industries, modern technology, advanced agriculture, tourism and credit activities.

Hence, economic development requires radical transformation of developing countries' systems, policies and strategies towards competitive market economies based on institutional regulations supported by stable legislations and led by conscious private sectors under flexible control of state planning bodies.

The movement of foreign investments in developing countries and their effects on production and poverty

(Iraq is a special case)

Preface

Foreign capital began to enter the developing economies, including the Iraqi economy since the second half of the nineteenth century, especially since the seventh decade, which was directed to export primary products to the advanced countries and to import industrial manufactured products from these countries.

Moreover, investment trends have had significant impact on the economic, political and social structures of the dependent countries.

These trends, aimed at transforming social, economic and political structures from semi-closed tribal or tribal systems to semi-feudal regimes that continue within subsistence economies that are sometimes complicated by military issues (domestic, regional and international conflicts), which in turn serve the interests of the dominant countries in promoting markets of their strategic products to ensure more profit flows and to recover the price differentials they incurred particularly in fuel markets.(1)

Accordingly, the research addresses the following topics:

First- Methodological Introduction.

Second- Foreign direct investment in developing economies.

Third- The effects of foreign investments on developing economies.

Fourth- The role of foreign direct investment in Iraq.

Fifth- Conclusions and recommendations.

First- Methodological Introduction

The second half of the nineteenth century witnessed important developments in the international economy that accompanied the emergence of the United States as a major economic power in the world and the transformation of European economies from continental to global economies looking for sources of raw materials and commodity markets outside European countries and the rise of Japan after the Meiji family came to power and the prospects for international trade expanded after the opening of the Suez Canal. These developments have resulted in increased investment flows from rich and economically advanced countries to underdeveloped countries (now known as developing countries) with the aim of transforming the latter into dependent economies that provide primary products (raw and food) and the labour force at cheap prices and reflected by the fluctuations of the dominant economies (2).

Research importance

The research aims to motivate researchers and scientific research centers in developing countries to give serious attention to directing all active investors to focus their activities on investments that ensure productive diversification and achieve increasing rates of advanced technological shifts that are most suitable for the economies in which they are applied.

Research aims

The focus is on three main objectives that are the main themes or topics addressed in this paper:

1. Specification of the reality and trends of foreign direct investment in developing countries.
2. Attention to the Iraqi experience because this experience is characterized by special elements, effects and associations.
3. Recognition of the impacts of foreign direct investment from its characteristics and trends.
4. Determination of the real effective role of joint Arab projects in the economic development and independence of the countries in the (Middle East) Region, including Iraq

Research problem

The research problem can be determined by answering the following questions:

1. What are the factors that pushed foreign capital to the dependent countries and then helped their success?
2. What is the role of international openness and economic liberalization in providing the right environment for the entry and success of foreign direct investment in the developing countries?
3. What are the areas where foreign capital was concentrated in Iraq?
4. What are the effects of FDI on production and poverty in developing countries?

Research method

The historical descriptive analysis was adopted to follow the transformation paths in the location and the impact of foreign direct investment with a focus on Iraq as a special case study which was prepared to generalize to the developing economies in general.

Research hypothesis

FDI is linked to the openness of the host country to capital and trade movements and participation in international agreements.

Second- Foreign Direct Investment in Developing Economies (3):

There are many factors that have helped the entry of foreign capital into the dependent countries, including:

1. The negligence of the dominant governments, such as the Ottoman government's neglect of the economic affairs of the countries under its control (other than the collection of funds to the state treasury), led to a continuous decline in the per capita income of most of the population and a decrease in the volume of capital invested which is mostly directed towards speculation on agricultural lands. Thus, there has always been a huge vacuum for foreign investors to activate their capital in the countries concerned.
2. Transnational corporations (TNCs) are controlling the dependent economy and are supported by the governments of their home countries. They can maneuver and avoid local government controls on a particular

production unit, as long as they cover many economic units of the economy and can avoid much of Legislation opposing its own interests.

3. Nowadays, China (4) has entered its momentum in international trade supported by its government and the largest industrial production sector in history where it has managed to lift hundreds of millions of its people out of poverty by combining state intervention with economic incentives to attract private investment. China has demanded more and more oil and raw materials. For example, trade between the African continent and China amounted to $ 106.8 billion in 2008. Here, China has provided loans secured by oil and other resources, and the countries concerned have charged Chinese companies to build roads railways, hospitals, schools and water systems

Third; Impact of foreign investments on developing economies (5)

The effects of foreign direct investment on the economic growth of host countries, especially developing countries, depend on the local conditions of these countries and the levels of their openness to the world economy. In general, several factors and channels can be identified, such as:

1. The role of foreign direct investment in technology transfer and acquisition.
2. Foreign direct investment, the integration of world economies and the prevalence of market competition.
3. Foreign direct investment and development policy turmoil and its dependence.

1. The Role of Foreign Direct Investment in Technology Transfer and Acquisition

Transnational corporations (TNCs), which are the most economically advanced and technology-based companies, use FDI to transfer technology across different countries and contribute to the growth of the GDP of their home countries by transferring their profits and assisting the countries in which they operate through increasing the productivity of their associated enterprises, where the costs of research and development are low. Information flows and other assistances to the enterprises concerned, make concerned firms more competitive particularly with improvement of the quality and quantity of products purchased by TNCs especially raw materials and Intermediate products.

On the other hand, foreign direct investment through technological transformations initiated and intervened in its various productive activities helps to enhance the capabilities of the workforce by training them in new technological methods, developing their expertise and increasing their knowledge of performance, all of which contribute to preparing them with high competencies to integrate into the activities of international companies operating in developing countries as well as in local companies, they would later become advanced as technical and managerial cadres in local enterprises and to be key channels for the diffusion of new technologies.

However, the host country is dependent on technologies introduced by TNCs and developed countries according to their predetermined goals and interests, with less interest from local companies in producing more sophisticated technologies than in the country concerned, making them a pioneer of new transformations. Relatively and sometimes late. In such cases, subsidiarity of transnational enterprises continues. Semi-isolated locations in developing countries are technology-linked to these enterprises, and thus the relationships of enterprises concerned with the economies of host countries are concentrated in revenue from dividends, rents and wages.

Here, in the absence of conditions (in foreign investment contracts) to impose training, increased reliance on local human resources and the dissemination of technological knowledge, the impact of these investments is often limited to the mentioned revenues, preventing any significant technological progress.

The use of modern, capital-intensive technology by transnational corporations often leads to less reliance on the workforce employed in local enterprises and the possibility of replacing them with fewer numbers and increasing unemployment.

In any case, skilled migrant workers can remove local workers in front of them. Local firms are unable to prepare, develop and thus absorb the unemployed of these local workers, and are therefore more dependent on government subsidies or often on limited credit facilities, if any, at a time when TNCs can finance through financial markets. Thus, by competing for financing, foreign direct investment (FDI) causes the loss of domestic savings that can provide loans to local businesses, and some local companies withdraw from investments needed to develop them, which may eventually lead to their total disappearance.

2. Foreign direct investment, the integration of world economies and the prevalence of market competition:

Integration of the global economy is achieved through the opening up of the world's economies to each other

and their integration through the various productive, financial, commercial and technological organizations which are intertwined with the aim of exchanging, disseminating and promoting goods, capital, services, and information. Transnational corporations have comparative advantages resulting from their accumulated experience in marketing, networking, and creating and developing international conglomerates. Connectivity to TNC networks is a very important factor as there is a possibility that local enterprises can learn through the operation or integration of these networks.

Thus, FDI plays an important role in enhancing the productivity of different factors of production, which increases the accumulation of capital in the host country, especially after the emergence and intensification of competition with the adoption of a market economy system and openness to TNCs.

In some cases, local enterprises benefit from improvements that help to gain a larger market share and to be equipped for TNCs. Existing enterprises are obliged by TNCs to develop their production methods. This increases productivity, reduces prices and achieves a more efficient allocation of resources. However, market competition increases R&D expenditure and thus increases competition pressures, which intensifies the positive effects on the host country. When there is a highly protected market, TNCs work with the authorities in the host country to maintain the situation, maintaining their positions and existing resources, thus causing competition to close down local enterprises that are unable to embrace the advantages of foreign companies, thus reducing the number of enterprises already operating. This leads to less market competition and the occurrence of the concentration of local enterprises, which helps to achieve the gains of capacity savings. Here, TNCs increase their income in particular through their direct investments, large production volumes, and their competitiveness with the less efficient local companies. Finally, they are dominated by markets and resources at all local and regional levels, all of which deepens the uniqueness of TNCs in controlling the global economy, and the prevailing competition results in a monopoly and a stronger focus in favour of FDI and its TNCs

3. Foreign Direct Investment and Development Policy Turmoil

Foreign direct investment can operate in a developing economy with structural distortions and an inadequate environment for the planning and implementation of strategic development processes, because TNCs with high investment production, trade and financing capabilities can restructure the existing regulations that do not match Targeted economic and technological transformations, which can be achieved through competitive pressures, advanced models of leading economic organizations, employment of local manpower, training and preparation of scientific, technological and administrative processes. In this regard, local authorities must respond and initiate with a firm will to the targeted targeted transformations. For example, the radical Chinese socialist system has become a market economy system, despite the continuation of the Communist Party as a ruling political authority. It became possible to establish private and mixed companies, especially with foreign investors looking for profitability and adopt market competition.

On the other hand, transnational corporations, because of the size of their activities and consequently their impact on local economies, can capture the economic and political decisions of the host country to achieve special gains in their operations, which may not be compatible with the interests and orientations of the country concerned, especially when these decisions negatively affect local employment rates of manpower and investment of national savings.

Thus, there are many factors that contribute to the benefit of developed countries to foreign investment more than those of developing countries, especially the poor. These factors include: Lack of structures: Infra-Structure and Super-Structure

The lack of employment of the local technical and administrative workforce in TNCs and the absence of research and development in local companies, including those contracted with TNCs, reduces the link between foreign and domestic investment.

Fourth - . The role of foreign direct investment in Iraq

The trend of Iraq, especially since the seventh decade of the nineteenth century towards the improvement of means of transport and communications, particularly river transport to expand the domestic market for

foreign products and increase the export of agricultural products increased expectations of commercial and developmental institutions and foreign transport companies for profitable areas in Iraq to receive strong and sustained support by the governments of the countries that follow these funds, represented by the efforts of the British consuls in Iraq and the efforts of the German government in order to obtain the privilege of constructing the Baghdad-Anatolia Railway .All these in addition to the role of United States to get American companies

on the extraction of oil concession in Iraq and finally the continued support by Western governments in general for the oil companies operating in Iraq. (6)

Foreign capital in Iraq has moved into many areas, including:

1. Extraction and export of crude oil.
2. Banks.
3. Other economic areas such as transport and trade and some manufacturing industries to serve export purposes.

The international oil companies have been (almost) unique in the production and export of Iraqi crude oil until 1972, but a series of successive measures have been taken against the operating oil companies and to increase the role of national investment, including (7):

a. Compelling companies to be involved in a profit-sharing agreement in 1952;

b. The termination of the concessions of the Khanaqin Oil Company in 1959.

c. Determination of the areas of oil investment for companies under Law No. 80 of 1961, under which the concession areas of the Kirkuk, Mosul and Basra oil companies were limited to 1938 km2, after these areas covered almost all of Iraq.

d. The establishment of the National Oil Company under Law No. 11 of 1964, one of its main objectives is to work inside and outside Iraq in the oil industry and at any stage from exploration to refinement and distribution.

e. In November 1967, the National Oil Company agreed with a French company to provide technical and commercial services to the National Oil Company, in return for guaranteed sales at an agreed price of (30%) of the quantities discovered and products in areas outside those limits under Law No. In 1969, the National Oil Company agreed with a Soviet Petroleum Corporation on the provision of technical assistance to Iraq.

The capital invested by the international oil companies in Iraq contributed a large percentage of the total capital invested in this country, taking into account the contribution of these companies direct and indirect to the national investment, as they contributed directly to this investment through the capital they entered annually , It contributed indirectly through the Iraqi government's allocation of its annual share of crude oil revenues to finance public investment.

The average annual direct and indirect contribution of oil companies to the total capital invested in Iraq during the period 1957-1962 was 54%, which means that more than half of the investment in Iraq was dependent on the activity of foreign oil companies.

The relatively high role of foreign oil investment (direct and indirect) in the Iraqi economy has contributed to reducing dependence on foreign loans. Note that part of these loans and at certain times have been determined in contracting with companies operating in Iraq. In general, several loans were made with the former Soviet Union and US agricultural and banking institutions to finance public investment expenditures. These loans increased in the second half of the 1960s, however, the ratio of foreign loans to public investment expenditures did not exceed the highest level (10.1%) (9).

Finally, the nationalization of foreign oil investment came in June 1972 and March 1973 to end any real role of the movement of foreign direct capital in Iraq.

On the other hand, in respect to foreign commercial banks, they started opening branches in Iraq at the end of the nineteenth century, in order to perform the following functions:

a. Facilitate the task of exporting raw materials and foodstuffs to international markets.

b. Facilitating the task of importing goods made from Western markets and facilitating the task of marketing them locally.

c. Providing banking services and facilities to foreign companies operating in Iraq, especially oil companies.

d. Assembling national savings and transferring them abroad for investment in more profitable areas and for the benefit of the main centers of foreign companies and without paying attention to the economic interests of Iraq

The most important foreign banking branches in Iraq since 1890 until nationalization of all in July 1964 are:

Ottoman Bank, British Bank for the Middle East, Shahi Bank of Iran and African Bank.

Despite the establishment of the Rafidain Bank, established by the Iraqi government in 1941 and the Iraqi National Bank (now the Central Bank) since 1950, foreign banks continued in their dominant role It continued its dominant role until banking investment became confined to the public sector in July 1964.

In addition to the investment of crude oil and commercial banking, foreign capital has established the first railway line in Iraq and the establishment of the port of Basra and the industries of packing some raw materials for the preparation of export.

With regard to the railways (11) the British were the first to show their interest in the extension of the railway to link Iraq to the Mediterranean Sea through Syria, but the share of this project was negligent, especially after the opening of the Suez Canal and the Germans came and obtained the privilege of extending the Baghdad-Berlin railway in 1913, but this project (the other) was interrupted by the First World War and the occupation of British forces in Iraq Only 75 miles is considered the beginning of the railway system in Iraq .This was followed by the construction of a network for British military purposes, which was handed over to the National Administration in 1936 after Britain recovered the costs of its establishment under the Transition Agreement.

As for the port of Basra (12) during the First World War, British forces built berths and by draining the submerged land, Basra became a suitable port for receiving ships. Since 1919, this port was prepared for commercial purposes and its facilities were handed over in 1924 in exchange for all the expenses of its construction.

As for the preparation of raw materials industries for export, the role of foreign capital in it was of little importance when compared to other investment fields, as we explained earlier, the establishment of a few laboratories for the preparation of agricultural and animal products such as dates and wool to be fit for export.

Overall, the number of foreign industrial companies except crude oil until the end of 1969 reached 45 companies or the equivalent of about (19%) of the total foreign companies that worked in Iraq of different nationalities. The share of these companies in the nominal capital of the total industrial companies in Iraq amounted to about 6% during the period (1919-1968) (13).

Since the beginning of the seventies and as a result of economic, political and then military conditions, Iraq has continued in two directions: one - making investments and whatever the relationship between the production capacity and the absorptive capacity of specific projects and whatever the competencies of human resources working to operate and develop imported projects and secondly - increasing military spending to meet the current and future conditions and where the country entered In the longest and cruelest destructive regional wars during the eighties and nineties, which wasted the largest financial resources obtained by Iraq from crude oil exports and caused a total sabotage of Important aspects of the infrastructure and modern industries. This is in addition to the cessation of many industrial, agricultural and construction projects, which were incomplete ... All this was accompanied by an International economic blockade up the year 2003.

Based on the foregoing, the local capabilities have ceased to finance the import of the operational requirements of the existing facilities, whatever their export role in the normal circumstances, and the fulfillment of previous commitments has become beyond the financial potential of Iraq.

Therefore, foreign debt accumulated until it was estimated in 1995 at (90) billion dollars (14)

It should be noted that Iraq has rejected any acquisition or ownership of foreign investors since the nationalization decisions in 1972 and 1973, but there have been some temporary participations, especially in the management for specific periods or commissioning the implementation of certain investments (in part or in whole). In the 1980s, the legislator attempted to provide an environment conducive to the payment of foreign capital

in proportion to the country's development goals. In 1982, Law No. 115 was issued, whereby investors in the private and mixed sectors were granted several privileges, provided that the capital was introduced from abroad. The loans and facilities from the Industrial Bank were offered, land for industrial projects was offered in return for cheap rents and tax and customs exemptions.

Under the previous law identified dealing with Arab capital on the same basis dealing with Iraqi capital.

In 1988, Law No. 46 on Arab Investments (15) was enacted approved many advantages, guarantees and facilities, including: Exemptions from customs duties on imports, supplies and tools for the operation of approved projects throughout their work in the country. The concerned investments were exempted from stamp duty and profession, property tax for ten years and income tax at 20% for the capital invested for five years. The previous law also included the exclusion of Arab investments from decisions that may lead to nationalization or confiscation (in part or in full). It also stipulated that restrictions should not be imposed on the return of

investors to their capitals, in addition to facilitating the task of obtaining them on state land throughout the duration of their projects with suitable allowances for rent. The right to transfer the equivalent of (100%) of the net profits prepared for distribution from the investor's share, provided that it does not exceed (20%) of the paid-up capital ... and all this without subjecting the products of investment projects to forced pricing.

The deterioration of the value of the national currency against the US dollar since the beginning of the nineties due to the interruption of Iraqi exports, especially oil, has made it difficult to continue the previous law and specifically to ensure (developmental trends) of the Arab investments in the country and to meet the financial requirements of capital movement and conversion of income and import of equipment and provide facilities and exemptions ...

In any case, the Arab investment activity in Iraq until the beginning of the present century took two main forms:

1- Multilateral governmental investments, which include various activities (agricultural, industrial and service) such as: A - Arab Company for Detergent Chemicals (1981 - Baghdad) B - Arab Company for Livestock Development (1983 - Baghdad) and c - Arab - Iraqi Dairy Production (1986) - Wasit).

2- Private investments, the majority of which were artisanal, reached 82 establishments such as a Lebanese sewing factory (since 1983 in Baghdad) and a Tunisian factory for the production and repair of machines and metal molds (since 1985 in Baghdad).

Among the countries exporting inter-Arab investments, in 1996 Iraq accounted for about 1% on average and in Jordan about 42%.

Overall, the share of Iraq (32%) in a company for the production of detergents and about (58%) in a company for the production of antibiotics

In any case, Arab joint ventures represent a small percentage of the movement of foreign capital and these projects did not enter strategic areas capable of making fundamental changes in the structure of the national economy. As a result, their real contributions have remained weak in creating new jobs, raising incomes, or in providing ion. Basic consumer goods, raw materials or other inputs for product

With regard to the countries of the world in general, in the last years of the nineties of the last century, Iraq signed agreements with French, Russian and Chinese companies to develop oil fields and estimated investment necessary for this development by about (30) billion dollars, which includes (15) billion dollars to add new fields for the purpose of increasing production capacity to about (6) million barrels per day. (16)

On the other hand, the establishment of free zones can contribute to attracting foreign capital to industrial manufacturing activities within the scope initially defined. These investments can also enter into other commercial and service activities, allowing for a relatively large number of job opportunities. In the re-operation of broken down facilities and in direct contact with modern investment, production and consumer patterns.

Thus, FDI can be the most effective activities because of its high human, technological and financial capabilities that derive from its productive experiences in economically, socially, culturally and healthily environments. These investments can provide jobs, capital and technology, transfer of knowledge, and help local companies to Integration with global value-added chains and overall economic growth. However, these potential benefits are not realized on their own, and are also not guaranteed. Different types of investments have different effects to be considered. For example, will FDI focus on extracting or manufacturing natural resources? Or will this investment make the search for a market for specific products and services its main focus? Or will investment concentrate on increasing production efficiency and increasing exports?

What has been achieved on the ground in Iraq and in many developing countries, and to this day is the concentration of foreign direct investment in the production and export of raw materials and credit activities that facilitate the services of loans and external transfers, because this investment is far from development activities that contribute to accelerate the process of industrialization and production diversification.

Achieving structural changes in favour of modern agricultural sectors, manufacturing, technological knowledge and tourism. This reality is the result of the following obstacles and challenges: (17)

1. The underdevelopment of the governmental administrative system in which, corruption, ignorance and distorted bureaucracy became widespread and turned it into the worst outlet for the loss of human resources, especially for the appointments of workers and their position in advanced administrative positions, which often take place without reference to the principles (personal qualifications conform to job specifications), (All man) (span of control).Thus, administrative backwardness in all its previous dimensions has become a source of depletion of public funds, and a large portion of it has been transferred abroad. Bureaucratic

complexities, financial abuse and individual decisions keep FDI out of the initiative develop activities of the economies concerned.

2. The waste of public financial resources and the loss of a large part (70-80%) of them in the salaries of government employees, where the administrative system suffers from high inflation reflected by low productivity of the labour force. Note that about 90% of these resources for Iraq and other oil countries come from revenues derived from exports of crude oil, which is subject to extreme fluctuations cannot accurately predict their trends and rates. Thus, government investment plans are not linked to public revenues and allocations, and developmental departments are less interested in attracting foreign investment to compensate for the deficit in public investment. Thus, with the deterioration of the investment climate, Iraq was ranked among the last quarter of the 190 countries according to the index of attracting foreign investment and its performance in this aspect was estimated at 3.27 out of 100 in 2016.

3. Distorting the productive structure of the Iraqi economy This distortion has been exacerbated in recent decades and years, as the share of oil has increased from GDP from 26.51% in 2010 to 55% in 2015. This was achieved after the rate of export of crude oil rose from 2.4 million barrels / Day 2013 to 3.27 million barrels for the month of June 2017 and a growth rate of 8% annually. From the southern outlets.

On the other hand, the contribution of the agricultural sector in the generation of GDP decreased from 4.2% in 2013 to 3.1% in 2016.The share of the manufacturing sector decreased from 1.2% in 2010 to 0.84% in 2015.

The contribution of the transport and communications sector to GDP declined from 7.24% in 2013 to 5.3% in 2016.

This structural distortion drives foreign direct investment to concentrate its activities in the oil industry mainly and this may increase the specialization of the Iraqi economy in the production and export of oil and some products derived from it. Currently, however, even the oil refining industries have deteriorated due to the suspension of the majority of the northern refineries.

Conclusions

We conclude from our study of the role of foreign capital, particularly during direct investments in Iraq, the following:

1. The foreign direct investments that were concerned with the preparation of non-oil primary products for export have encouraged agricultural producers to move towards export instead of transferring their products locally or pushing them to the domestic markets and for the purposes of national consumption. Therefore, the activities of the institutions concerned with these investments were limited to receiving and packing primary products. Using simple devices and semi-mechanical methods, but those that require at the same time very few local manpower.
   Since the contracts for these investments were made with certain individuals, the values of the exported materials went to limited and well-known merchants at that time. Consequently, these investments have not stimulated the building of advanced manufacturing industries, the provision of sufficient opportunities for the employment of the unemployed, nor the increase in the level of per capita national income significantly.

2. The investments of large companies have provided an easy source of returns, which was undoubtedly directed to raise the per capita income and to build modern projects in infrastructure and commodity production and in the promotion of services of education, health, trade, transport and government administration ... What is worth noting here that the increase of the large oil revenues that have occurred since the early 1950s have increased the state's capacity to build basic infrastructure projects, especially irrigation, roads, bridges, buildings, electric power and drinking water. In all regions of the country, these projects provided thousands of opportunities for the employment of unskilled workers. Since the peasants were living in difficult economic and social conditions under the semi-feudal system, they rushed to take advantage of the available opportunities and leave their villages and agricultural activities. In the main cities, especially Baghdad and provincial centers to expand cities horizontally at the expense of agricultural areas (rural and semi urban) and to increase the role of service sectors at the expense of the agricultural sector and the transfer of convincing unemployment from agriculture to services.
   As urbanization intensifies, employment, production and cost of living problems have intensified. Unfortunately, the phenomenon of the (ruralization of the city) surpassed (urbanization of the rural areas).

3. Foreign oil investments continued to restrict its efforts in the production and export of crude oil. It has

merged little in the domestic markets and has made little effort in the transformation of raw materials and the development of the refining, petrochemical and natural gas industries. Since these investments are capital intensive, they did not contribute more than (1%) to the total workforce in Iraq. This is in addition to the income depletion of the companies concerned through the transfer of profits and income of workers. The average annual value of foreign transfers to oil companies operating in Iraq during the period 1960-1969 was approximately 16.5% of the domesticl income. Assuming that the accounts of the companies published annually are correct, during the period 1952-1969, they received $ 5794.14 million (12), all of which amounted to about $ 792 million worth of purchases of foreign oil companies from the local market.

4. Foreign credit facilities (and accumulated debts) are usually a permanent depletion of national economic resources, especially national savings, which are generally in developing countries without the requirements of economic development and social transformation.

5. Arab joint ventures represent a small percentage of the movement of foreign capital and these ventures did not enter strategic areas capable of making fundamental changes in the structure of the national economy. As a result, their real contributions have remained weak in creating new jobs, raising incomes, or in providing basic consumer goods, raw materials or other inputs for production.

Recommendations

It is assumed to provide a suitable and fertile environment for receiving, directing and absorbing foreign direct investment, especially after stabilizing the elements of the overall stability of the country and the announcement and dissemination of available investment opportunities with indication of their margins expected profitability. In this regard, the following can be emphasized:

1. The State shall adopt, in all its laws, regulations and instructions, a market economy system in accordance with internationally adopted contexts in which international movements of resources, goods, services and funds shall be free within the established legislative frameworks. This ensures a favorable climate for attracting foreign direct investment.

2. Supporting a competitive market system based on the role of conscious initiatives of private sector regulators with the political will to adopt a flexible strategy to support FDI flows and believes in the importance of this investment at all.

3. Establishment of institutionalization based on the integration and stability of local legislation related to the rule of law. This is achieved with the assurance of strict control to ensure that the phenomena of administrative and financial corruption are overcome.

4. To review administrative procedures and concentrate them in the least organizational circles to avoid bureaucratic complications.

5. Establishing industrial and commercial free zones in the main governorates' centers to attract foreign direct investment while providing all legislative frameworks, administrative facilities and infrastructure.

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