



**Sosyal Bilimler
Enstitüsü**

T.C.
MARMARA ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ

Political-Economic Consequences of the USA Invasion to Iraq: 2003-2020

Master Degree

GHAITH ALYABIS

İSTANBUL, 2021

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Supervisor: Prof. ALI ARI

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Kabul ve Onay Sayfası

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TEZ ONAY BELGESİ

..... Anabilim Dalı Bilim Dalı Yüksek Lisans öğrencisi GHAITH ALYABIS 'nın adlı tez çalışması, Enstitümüz Yönetim Kurulunun tarih vesayılı kararıyla oluşturulan jüri tarafından oy birliği / oy çokluğu ile Yüksek Lisans/Doktora Tezi olarak kabul edilmiştir.

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İmzası

1	Tez Danışmanı		
2	Jüri Üyesi		
3	Jüri Üyesi		
4	Jüri Üyesi		
5	Jüri Üyesi		

Dedicate,

To my Grandmother and Grandfather (Nuriya and Salih) who raised me on the love of knowledge and learning.

To my mother (Assistant Professor Dr. Iman Al-Luaibi) for her patience and support.

To Professor Ali Ari, always inspiring and supportive.



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Abstract

In 2003, the political system in Iraq was radically changed, due to a war of invasion led by the United States of America. The democratic system was adopted as an alternative to the totalitarian system. The free market economy was applied after it was a socialist economy, although the democratic system is a model for political stability, but what Iraq witnessed is the continuation of political instability. Iraq turned into a fragile state during the years from 2003 to 2020.

Urgent democracy created political instability. Political instability in Iraq had a negative impact on economic growth, despite the availability of huge oil resources, revenues and human capital, all economic indicators declined negatively and significantly.

From a business perspective, we studied the impact of the invasion on the political stability of Iraq, we found that it led to negative outcomes on the political economy in Iraq, furthermore the repercussions of the new political system were social fragmentation, sectarian and ethnic forms, it spawned a civil wars and armed militias.

Political and economic instability, the growth of militias and internal conflicts, led to the weakness of the security apparatus in Iraq. The result was the occupation of Iraq by ISIS in 2014.

The study methodology included a literature review, economic indicators analysis and private interviews with the elite.

Keywords: Iraq political Economy – Invasion war 2003 –Iraq after 2003-The Failure of the Democracy in Iraq.

I. Introduction

Under the leadership of George W. Bush the president of the United States (2001-2009), Iraq was invaded in 2003, with allegations indicating the mass destruction weapons presence in Iraq, claiming that they pose a threat to the world and neighboring countries, especially the Gulf States. The invader implemented a democratic political system, with the help of Iraqi figures opposed to the previous regime, especially figures with sectarian and ethnic creeds, these figures loaded with religious or ethnic loyalties away from Iraq. The emergent democratic climate, ideological backgrounds and the absence of the Iraqi national leadership created an environment of political conflicts, infiltrated Iraqi street planted a political instability. Resulting a failure of the new political system, the state of political instability in Iraq raised beyond 2005, although the new Iraqi constitution called for the establishment of a democratic federal parliamentary system, including the establishment of national parties, a free press, and human rights associations. The results were political chaos in Iraq with very negative economic repercussions.

Political instability led to a decline in economic performance, instead of witnessing a progress, we witnessed a significant decline in the performance of economic indicators, an increase in the unemployment rate, a decline in banking services performance to support investment, the disappearance of the law and security, all of these indicators were affected by the political instability brought by the USA invasion.

Iraq witnessed sectarian and civil wars in 2005-2008, ISIS occupied two-thirds of Iraq in 2014, the collapse of the rule of law, religious and sectarian parties, and militias strongly taking control of the joints of the state. The escalation of the societal division represented by the conflicts and the tyranny of the clan character on Iraqi society, accompanied by armed conflicts between these clans. To be noted here that these militias and armed clans reached strength and empowerment after being supported by ideological winds in the region, they reached a stage that threatens the entity of the Iraqi state.

The aim of this research is to analyze the impact of the deterioration of the political system on the economy of Iraq as a result of the USA invasion in 2003. The study gains its importance from several considerations, most notably, that the USA invasion created a tense and unstable environment in Iraq, a fragile political system that reinforced sectarianism and ethnicity. Beyond that, it created an environment of chaos that expanded socially, deteriorating the Iraqi economy and increasing

conflicts. Many researchers have studied the invasion on Iraq from different perspectives, but few have examined the impact of the war on the political economy of Iraq.

European countries recorded the highest degrees of development and economic growth through the application of the democratic system, but the Iraqi experience with the democratic system has not succeeded since 2003 until now in achieving prosperity for the Iraqi people, providing security and economic growth, rather it was the cause of political instability.

In this research, we will make a comparison of the political and economic system in Iraq before and after 2003 through the tools and data available below:

The first chapter reviews the literature on political economy from various international scientific bodies, taking into account the similarity of the political and economic situation in Iraq and covering research terms such as market, business, electoral cycle, unemployment, political stability, parties and ethnic ideology...etc.

We collected the data and indicators related to Iraq before and after 2003, which are issued by accredited international bodies such as the World Bank and the Fund for Peace. We also used statistics and figures from Iraqi authorities, such as the Central Statistical Organization of the Iraqi Ministry of Planning. Furthermore,

We also use the expertise and competencies of academics, analysts and experts who lived through the conditions before and after 2003, and were distinguished by monitoring and evaluating the economy and politics in Iraq.

Our hypotheses are as follows:

The research question (What is the impact of the US invasion on political economy of Iraq).

We will test through:

1- The US invasion in Iraq increased political instability which deteriorate the economy.

CHAPTER 1

Literature review

I. Preface

The mainstream theories in economics suggest that market economy, free trade, the consequent investment and business prosperity with minimal governmental intervention are the condition and basis for economic growth and well-being, Government intervention is an act of the political actor.

The political system stability provides this environment is a liberal democratic system, as an example for Western European countries. Democracy is the basis of a stable political system which is an appropriate climate for sustainable economic growth.

But this hypothesis did not take into account the historical dimension of the economic and political development of these countries, which extended for many centuries, starting with the industrial revolution (1760-1840), the colonialism period (1858 to 1947), the first (1914-1918) and second (1939-1945) world wars, and then the global polarization of two camps to a socialist camp and a capitalist camp, the rising of politics and economics theories.

If this module applies to the countries of Western Europe, then how the economic and political developments in most of the Asian countries been reached. For example, liberal democracy did not help India, Pakistan, and Bangladesh in achieving economic growth for decades, while on the other side, in the seventies and beyond, the Asian tigers have achieved a huge development leap and a strong economy, although most of its political systems are managed by direct government intervention in the economy away from liberal democracy.

China can be taken as an example with a political system that is not democratic, while achieving the highest economic growth in the world, as well as the Arab Gulf countries that achieve economic growth, but are also moving away from the democratic system.

So the Asian model of economic development and growth needs a stable political system more than it needs a liberal democratic system, this is what the USA invasion did not take into account when they invaded Iraq in 2003, when they rushed to impose an emergent democratic system that is inconsistent with the nature of Iraqi society and its historical development. Consequently, it led to the dissolution of society into sects and ethnicities that were exploited by non-national politicians to increase this fragmentation, this had a negative impact on economic growth, investment, and business

environment.

By reviewing literature about studies conducted by many scholars concerning the relationship of Politics (State) and economics –business-, we found that there are multiple and varied relationships in different forms and directions, but as a result, it confirms that there is a strong relationship between politics (State) and business, which is known-recently- as Political Economy.

Political Economy is a term applied to production and trade and its relationship to law, custom and government, as well as the distribution of national income and wealth. It is recognized that economic activities are influenced by political and cultural values, philosophy, and ideology.

II- Theoretical part:

Iraq is considered one of the countries rich in natural resources, since the regime changed from monarchy to the republican, it turned to the rentier state. To further develop the research hypothesis, we adopted the rentier state theory

- Rentier state theory

The term rentier states was initially associated with describing European countries that provide financial loans to other countries. The state. Hussein Mahdawi's approaches indicate that the description of rentier states applies to those that subsist on revenues from abroad, either from selling raw materials or providing strategic services (the Suez Canal, for example) or oil states, unlike capitalist societies, in which the bulk of the budget is based The state on the taxpayer, the citizens of the rentier state live on state expenditures or public spending, which turns into a channel for pumping income, and Samuel Huntington points out in his book *The Third Wave of Democracy* that "if the saying no taxes without representing political demands, then the saying no representation without taxes becomes a political reality in rentier states. The title: "Why are there no Arab democracies?", includes an analysis based on the integration of economic, political and geostrategic factors. An Arab country that can be classified as rentier countries and depends on oil and gas exports as a main source of national income, and in some cases these exports represent about 90% of the value of GDP, and then the state's need to impose taxes on citizens' incomes decreases in return for the citizen's increasing dependence on the state to obtain On income and public services, this causes an imbalance in the relationship between the political authority and citizens. The problem today, with the sharp drop in oil prices and its repercussions on the Gulf Arab countries in particular, is the need to enter

the stage of major transformations and work to bring about fundamental changes and to enter into fundamental constitutional, economic, political and social reforms before Its transformation from a rentier state to a failed state.

The academic use of the term rentier states and rentier state theories (RST) became well known after the work of Hazem al-Beblawy and Giacomo Luciani, on the development of the oil-rich states of the Persian Gulf and the Arabian Peninsula, where they show that rentier states generate income, without an increase in the productivity of the local economy or The political development of the state, that is, the ability to tax citizens, so the unequal distribution of external income in rentier states has a negative impact on political liberalism and economic development, with almost no taxation, citizens are less demanding and politically involved, and income from rents Eliminates the need for economic development. Rentier state theories are now a dominant frame of reference for studies of resource-dependent countries in the Gulf, Middle East, and North African regions, but they are also used to analyze other forms of rentierism.

Hazem al-Beblawy argued that this could create a rentier mentality, while political scientist Fareed Zakaria posited that such states fail to develop politically because in the absence of taxes, citizens have less incentive to pressure the government, in order to become responsive to their needs, rather than From this, the government basically bribes the citizens, with large-scale social welfare programs, to become an allocative or distributive state, ie, in fact, the budget is nothing more than a spending program. It has also been theorized that governments, which largely depend on revenues from non-market sources, are not obliged to apply free market principles, to create an environment conducive to economic growth, oil is in such demand that it does not require commitment to the principles of free market and economic freedom, Based on the rule of law, security, a fair and transparent judiciary, and property rights, as a result political freedom does not develop and efforts to establish democracy are undermined. Moreover, as control of rent-producing resources is concentrated in the hands of the authorities, they may be used to coerce or co-opt their population in turns, while the distinction between public service and private interests becomes increasingly blurred, says Noah Feldman in After Jihad.

Understanding the impact of the rentier theory on the economy and society and its political effects, especially the monopoly of power and its appropriation of resources, we will go to delegate the theory of the elite monopolizing power and its effects and dimensions

- **Political Elite theory**

The theory of the political elite is considered one of the most important topics of political sociology, and because the historical evidence and the reality of previous and contemporary societies are characterized by the presence of a ruling minority, which monopolizes the most important political and social positions, and it has the reins of affairs, and a governed majority is submissive and has no connection to political decision-making in general.

Karl Marx and Max Weber contributed to the establishment of political sociology through their study of the development of political theories and their relevance to society, but the development of this theory drew criticism of socialist theory as well as democratic theories, because elite theory questions the scientific validity of both theories, and adopts its analysis of the political system based on The reality of the ruling few and the majority governed.

One of the pioneers of elite theory is the scientist Pareto, who believes that the elite are those who excel in their fields of work in the (life match). Political or social creation from them creates a ruling class that does not need public support and support because it is limited in its judgment to self-specification that it enjoys, and this is what distinguishes it and qualifies it to monopolize positions. The second major Mosca adds on Barbo's definition, saying that one of the most important reasons for distinguishing the ruling class from the ruled class - and here he does not take the Marxist connotation of the meaning of the class - is the strength of the organization of the first, and the presence of a specific motive and goal that it seeks in the face of an unorganized majority, but he emphasizes the importance of The dependence of the ruling class on the approval and consent of the masses, and this proposition brings the theory of the democratic political elite closer to the opposite of what Pareto concluded.

The third pioneer, Michel Roberto, set out to define the political elite through the reality of the work of political parties to discover that there are various factors that determine the nature of the work of organizations, starting from the party to the state. It needs an organized minority, and this minority acquires power through its position at the center of decision-making, the so-called minority which

Marx did not pay attention to in his political studies.

Fourth Major Wright Mills and through his study of the society of the United States of America, he linked the elite with its ability to control the decision-making position, as it is a product of the institutional building of the state. Those who occupy leadership positions in these institutions.

Botomore confirms in his book *The Elite and Society* that Malaz is influenced by his definition of the pressures of global conflict that occupied America in his time, and his classification is therefore a reference to the succession of events..

All these theoretical studies have directly contributed to the convergence of other definitions with what Botomore brought, so English dictionaries defined the word "Elite" as the strongest group of people in society.

Finally adopting **the political business cycle theory** to view the impact of the political factor on the economic indicator.

The term political business cycle is used to describe the concept of stimulating the economy just before elections in order to improve the prospects for re-election of the current government.

Repetition of the same policies has dire consequences in the long run, represented by the acceleration of inflation and damage to the balance of foreign trade. Thus, it could harm the long-term growth potential of the economy.

Non-democratic leaders have a set of incentives in the form of budgets and credits to their strategic partners, but without regular electoral processes, which makes the manipulation of monetary and fiscal policies less. However, their time horizons may be shortened due to direct threats to their continuation in power, such as war.

Political business cycle theorists believe that democratic politicians will manage monetary and fiscal policy less responsibly than non-democratic or political leaders in regimes with less political competition.

Political business cycle theories are based on assumptions. First, economists agree that there is a short-term trade-off between the level of employment, the employment process, and the rate of inflation. Second, given that politicians are rational practitioners, and that their priorities are for their short-term political goals. Before the elections, they will use inflation against lower levels of unemployment. Third, those who study the political business cycle often believe that there is the best political solution in a given situation that serves the public interest. This solution creates a natural balance between inflation and unemployment. Often times, understanding this equilibrium is anti-

inflationary.

The term political business cycle was mentioned by the Polish economist Kalicki (1943) through his paper "Political Aspects Of Full Employment" and the main assumption was that political behavior can be addressed through individual economic interest (the individual principle).

Reached to clarify the conflict between political behavior and economic growth ,In 1957 Downs presented the first theoretical achievement of his book The Year of the Economic Theory of Democracy, and the aim was to bleach the political factors as the assumption lies in the standard behavior of companies in macroeconomic theory, and he found that the reasons behind the actions of politicians - above their willingness - fundamentally to expand the number of votes from selfless causes or an ideological point of view.

The equilibrium in the political context assumed that the incumbent politicians in the government would continue the spending process until the marginal gain from the votes equal to financing marginal loss to attract those votes, which is the primary module of the political business cycle.

In 1975, Nordhaus focused on general elections and studied macroeconomic policies in a democratic environment, targeting the issue of employment and unemployment, and treating it as a phenomenon related to voting behavior, and this unit could be expanded to include more macroeconomic variables such as economic growth, the state budget, etc.

Nordhaus (1989) developed a set of five questions that have been considered the basis of studies in this field:

1. Voters are rational or emotional voters? What influences their behavior?
- 2- Political parties: party leaders implement certain economic policies because they are "obsessed with votes" (opportunism) or do they follow a certain ideology?
3. The economic structure: Can politicians influence the economic cycle?
4. Shocks: Are the shocks internal or external?
5. Authorities: Should the parties pursue their goals because they are competent or do they prefer an unprofessional stance?

Answers to these questions confirm or deny the validity of the model.

The above theory outlines the features of the influence of the political actor on the economic outcome, the democratic political system is a mixture of parties and political persons, which provides an environment for competition to score the best for the community , a system resulting from a development through years, but in Iraq, the democratic political system that brought by the invasion war launched by the United States of America, instead of providing growth and stability, provided instability in the political system and the conflict between the leaders of ethnicities, sects and clans,

Feng, Y. (1997). Introduced a theoretical framework for the form of the relationship between political stability, the foundations of democracy and economic growth for any functioning economic system. Through two different approaches. The first is between democracy and economic growth, the second is between political instability and economic growth, among the factors that were considered is the factor of change in governments due to the democratic system cycle . This factor affects both growth and democracy. The study was taken from the years 1960-1980 with a total of 96 countries. The final results of the study showed that democracy and economic growth share a positive relationship with each other.

Also, the stable political environment has a positive impact on macroeconomic variables, and this increases the Economic growth potential.

to study the impact of political instability on economic growth, we reviewed the literature as follows:

Empirical literature review:

The impact of the war was mainly on the political system, political instability to prove the relationship between political instability and decline in economic growth, the research is reviewed below:

The relationship between political stability and economic growth

In a study for the International Monetary Fund / Middle East / Asia Studies Department Economic performance is affected by Political Instability, determining the perspectives of policy makers is the result of political instability, leads to short-term macroeconomic policies Suboptimal maturity, due to adverse effects 50 % or more of the ministerial posts, Occupied by new ministers, in fact, it is the phenomenon of the expansion of political instability in several countries over time and its negative impact on their economic performance. Using the GMM system estimator to model linear dynamic panel data on a sample covering up to 169 countries, 5-year periods from 1960 to 2004, and

this paper examined the impact of political instability on economic indicators (GDP growth, private investment and inflation), found that GDP growth is significantly lower in countries with a high propensity for government breakdown.

Jong (2008) examines the multiple dimensions of political instability using 25 indicators of political instability. He then affirms that political instability has four dimensions: politically motivated violence, mass civil protest, instability within the political regime, and instability of the political regime which perfectly apply to the reality of our research on Iraq in particular. The researcher focuses then on finding the causal effect of political instability on economic growth using a factor analysis module and finds that the four dimensions of political instability have robust and significant negative effects on economic growth.

Only the instability of the political system has a strong and significant negative impact on economic growth.

Alesina, Ozler and Roubini (1996) examine the relationship between political instability and per capita GDP growth in a sample of 113 countries for the period 1950-1982. They define political instability as a tendency to collapse of government, and estimate a model in which such a measure of political instability and economic growth is jointly determined. The main finding of this paper is that in countries and time periods with a high propensity for government collapse, growth is much less than otherwise. They found that the continuous fluctuations in the political system and the change of governments leads to a negative impact on the country's economy, due to the change of the political actor.

Shehzadi, Siddique and Majeed (2019) in their study of 103 countries over the period of 1984-2011, they examined the impact of political instability on economic growth, income distribution, and poverty. Three dimensions of political instability (formal, informal and military coups) were taken. Researchers have found that dimensions of political instability increase poverty and inequality. Its indirect impact (through economic growth) is significant. In conclusion, the researchers proved that political instability affects economic growth negatively, increases inequality and poverty rates.

Younis, M., Lin, X. X., Sharahili, Y. & Selvarathinam, S. (2008) studied the impact of various political instability factors on economic growth in 10 selected Asian countries from 1990 to 2005. The results of this work show the close connection between political stability and economic growth. The traditional secondary econometric method concludes that an increase of 32.35 degrees in the political stability index will lead to a 1% increase in economic growth. The growth and source of capital accumulation. This study uses the average ratio method and the Tinbergen diagram to show the relative importance of political stability and economic freedom from capital accumulation, measured by the four sources of capital accumulation as the direct driving force of economic growth. They clearly demonstrate the role of political stability in accelerating economic development. Growth is more important than economic freedom.

Alesina et al. (2003) provided an assessment of the role of ethnic, linguistic, and religious fragmentation and their impact on institutional quality and economic growth for nearly 190 countries. This study is the most comprehensive study that measures and compared the variables and indexes that had been derived with those used in previous researches and studies. They present new data which features the basic group structure of ethnicities, religions, and languages, and allowed the computation of alternative measures of heterogeneity.

Shanabli (2014) concluded with the formulation of three indicators of political instability, which are the degree of political freedom, the level of political stability, and the level of political security. Within the framework of the discussion of the relationship between economic growth and political systems and what follows in terms of political stability, contributed to the main focus on the political method and its impact on the country's economic development based on the assumption that political institutions play a fundamental role in easing restrictions on the country's economic structure.

Frynas (1998) affirms that the most important factor for economic growth, business environment, and investment is the stability of the political situation of the country. But he also says that foreign investments in some sectors, such as oil, by international foreign companies such as Shell, are witnessing a rapid and large investment without regard to the political situation of Nigeria. He notices that Shell has continued to expand its investments in Nigeria despite the instability of the political situation. The writer points out that Shell embraces political instability.

Taylor Francis (2021) This paper attempts to conduct an empirical analysis of the long-run and short-run effects of both political instability and military spending on economic growth in Egypt. Using the Distributed Autoregressive Approach (ARDL) and data on the Egyptian economy over the period 1982-2018, they found that the results of the ARDL approach indicate a significant negative relationship between political instability and economic growth in the long and short run.

Mehdee Araee. (2016). The researcher has contributed to the existing literature on democracy and economic growth by creating a multidimensional index, the Inclusive Democracy Index (CDI), which includes the political, economic and social aspects of democracy. The new index - CDI - is based on three components: political freedom, economic freedom and social freedom. This index was calculated for 153 countries based on data for the period from 2002 to 2012. The researcher found that of the 1,661 observations, the lowest score for democracy was 13.12 for Iraq in 2002 and the highest was 93.27 for New Zealand in 2005.

Ghulam Shabbir,, Mumtaz Anwar, & Shahid Adil. (2016). This paper provides insight into the role of political stability in examining the two competing hypotheses in the eight Muslim developing countries and also examines whether or not the conditional link between corruption and political stability matters. The empirical results show that investment, population and political stability play a positive role in promoting economic growth. Corruption not only affects growth but is also influenced by the institutional quality that a nation experiences. Corruption acts as a sand in the gears in nations that have higher levels of political stability and greases the wheels in politically less stable countries like Nigeria and Pakistan. Political stability is therefore pro-growth as it reduces social unrest and political turmoil and encourages investment and hence economic growth.

What about the influence of the political actor on economic indicators, as an individual ?

Jaafar ALhussaynawi. (2013) This study analyzed The Political and Economic Dimensions Of the Occupation of Iraq and its Impact on Regional Neighbors' and took after the economic impact on Iraq after the occupation and on neighboring countries, what was found The state of political and security instability in Iraq is the result of the American occupation. This analytical study proved that there is a direct (positive) relationship between the continuation of the US occupation of Iraq and the recovery

of the economies of some regional neighbors, as well as the transgression of its sovereign borders to extend its mineral wealth, without regard to international charters and norms.

Sieg and Batool (2012) study whether in Pakistan the dynamic behavior of unemployment, inflation, budget deficit, and real GDP growth is systematically affected by the timing of elections over the period from 1973 to 2009. Findings can be summarized as follows:

1. Unemployment tends to be lower in pre-election periods and tends to increase immediately after elections, perhaps as a result of politically motivated employment schemes.
2. Inflation tends to be lower in pre-election periods, perhaps as a result of pre-electoral price regulation.
3. election year increases the governmental budget deficit, financed by heavy government borrowings from the central bank and banking sector.
4. Real GDP growth and real governmental investment growth declines during pre and post-election terms.

Ouédraogo (2017), using the data of 23 sub-Saharan African countries analyzes the relationship between governance, corruption, and the size of the informal economy. He emphasized that corruption is the product of the failed state policy, and that the rates of corruptions that the state suffers from is a cruel product of political rivalry, and that the most important component for the economic development is the development of the business environment and the private sector. The results indicated that corruption, good governance, quality of institutional conditions, and unemployment rates -as results of state policy- are the determinants of the informal economy.

Tharanga (2018) used data from 145 countries for the period 2002-2014, The aim of this research is to understand the impact of governance on economic growth, given that governance standards are a model for effective political performance. This study found that controlling corruption is a critical factor for economic growth, and that one unit increase in control of corruption leads to a 6.9% increase in economic growth. Among the recommendations of the study are effective anti-corruption management, political stability, and the absence of violence / terrorism indicators to achieve higher economic growth.

The rate of economic growth in high-income countries is 20% higher than in middle-income countries. On the other hand, low-income countries show 23.5% less economic growth than middle-income countries.

Compared to the European Union and North America, the economic growth rate is much lower in all other regions except for the Middle East and North Africa. The study relied on the governance variables involved, which are control of corruption, political stability, absence of violence / terrorism, voice and accountability. To what extent has foreign direct investment, aggregate capital formation, government consumption, and trade openness taken into account, to control its effects on economic growth. The main data sources are the World Governance Indicators and the World Development Indicators databases.

Marsiliani and Renstrom (2008) recognized the influence of small political institutions on economic growth in an intergenerational economy, in which individuals differ in preferences over the common good (as well as in age). Labor and capital taxes finance the public good and public inputs. The reference institution is Parliament, where all decisions are made. Entry of the party, parliamentary formation, coalition formation, and negotiation are internal matters. Comparing this constitution to the separation of powers, in which the spending minister is (elected in parliament or appointed by the largest party). Segregation of powers tends to result in less growth, mainly due to the occurrence of inefficiency of production.

Calì and Sen (2011) analyzed both the state-business relations and economic growth. The results were that economic growth affects state-business relations, and that relations between the state and business also affect economic growth. Investment, open market, and labor force participation positively affect the state-business relations. The study also found that government consumption and spending can negatively affect economic growth, as the causality test showed the existence of a two-way causal relationship moving from state-business relations to growth (stronger) and from growth to state-business relations (less strong). It is important for the country to improve its relations with the business community.

Zhang and Zhu (2017) introduce a typology of business–government relations, advance the main causal propositions of changes and variations in business–state interactions, and explore the impact of such interactions on the emergence of new market institutions. It does so by drawing on, but not confining itself to, empirical evidence presented in individual contributions to the book. It concludes by discussing the implications of the major findings of the book for future research on business, government and institutional change in China, other transitional economies and beyond. Unnecessary!

Jaffrelot, Kohli and Murali (2019) examine the effect of business on politics through the effect of the consequences of the increasing power of business on some important issues such as employment, land, urban governance, media ... etc. As politics in India is moving in the direction of pro-business, this shift affects both government and citizens.

Spencer, Murtha and Lenway (2005) examine the role governments play in new industry creation in developed capitalist countries. For purposes of this analysis, governments are considered as a group of decision makers who hold power for a limited tenure. To begin, discussion of two alternate national institutional structures, associational and corporatist, and two different approaches to technology entrepreneurship, the bricolage and breakthrough approaches are reviewed. Then four types of national political institutional structures are presented. These are social corporatist, state corporatist, liberal pluralist, and state nation. Attempts by state corporatist and liberal pluralist governments to design and implement policies to support industry emergence without considering political institutional structures can result in detrimental consequences. Further, governments in social corporatist countries do not have the political structures in place to intervene directly in industry emergence even if they had such a desire. State nations, which lie at the far end of the spectrum, provide the government autonomy in industry creation as they are able to act as policy makers, strategists, and entrepreneurs all at the same time. In order for a government to aid in new industry creation, their strategies must match their own institutional structures. Those in governmental positions must learn to recognize the potential and limits of their own country.

Quinn and Shapiro (2014) focused on reviewing the relationship between business and politics through the tax file and tax policy changes from earned money income and between corporate and individual taxes and arrived at their relationship and influence on political partisanship as well as examining the extent of the influence of corporate participation in election financing.

Gunter (2013) is considered one of the most important sources that examine the state of the political economy in Iraq after 2009 and reached a conclusion in Chapter Fourteen under the title Iraq 2025 that there are seven political decisions related to the economic recovery of Iraq, which are the approval of the oil law, the development of an effective policy to combat corruption, reducing anti-business policies. It is necessary to achieve 100% of literacy and 100% from primary education for young people, reorganize the financial system, adopt a reasonable price policy for the local currency, and accelerate federalism.

With regard to organizations hostile to private business, Iraq still has not reached the top third of the annual list of doing business issued by the World Bank when it comes to organizing the private sector, the Iraqi government interferes with everything and the government is weak, ambiguous, contradictory, arbitrary and corrupt at the same time.

Iraq does not only provide the worst regulatory environment for businesses, especially in the Middle East and North Africa, but in one of the sub-categories provides the worst regulatory environment in the world, and unless there are serious efforts to reduce hostility against private businesses, the Iraqi government's efforts to reduce dependence on oil imports through diversification the economy will fail.

Bauer, P. C. (2018). The paper investigates whether unemployment changes individuals' political evaluations in the form of trust in government and satisfaction with democracy. The study provides individual-level evidence. Assumed causal link with panel data from Switzerland and the Netherlands. Furthermore the paper studies the impact on life satisfaction, a "control outcome," known to be affected by unemployment. The findings where showing the effects on trust in government and satisfaction with democracy seem mostly absent or negligible in size.

The Iraqi people are distinguished by the multiplicity of ethnicities. Do ethnicities, their diversity and tendencies in the democratic process have any effects on economic growth?

Roxanne Jamal Shakor¹. (2020, studied Iraq before and after 2003 from the point of view of ethnic diversity, its sensitivity and its serious impact on internal conflict and political stability. The researcher asserts that Iraq is a country characterized by ethnic diversity reflected in cultural, linguistic, religious and national differentiation. Before 2003, Iraq was under one-party rule and ethnic groups played no role in political life. Unlike what happened after the war of invasion that came with the new constitution in 2005 that established a role for them in the political process. The researcher discussed the issue of ethnic diversity in Iraq with reference to the political situation after the US invasion in 2003. The researcher analyzed the relationship between ethnic diversity and national identity, paying special attention to how ethnic diversity is managed to ensure an important role in Iraq's political life. The article concludes that ethnic diversity is not managed in a healthy way, which contributes to the political instability in Iraq after 2003.

Survey and assess the literature on the positive and negative effects of ethnic diversity on economic policies and outcomes. Finding that communities of different size and organizational structure, such as countries, cities in developed countries, and villages and groups in developing countries. They also consider the endogenous formation of political jurisdictions and highlight several open issues in need of further research, in particular the endogenous formation of ethnic identity and the measurement of ethnic diversity.

Easterly and Levine (1997) addressed ethnic diversity which has an impact on economic indicators, not just public policies on the Sub-Saharan Africa region, found a relationship between economic growth and low schooling, political instability, underdeveloped financial systems, distorted foreign exchange markets, high government deficits, and insufficient infrastructure, also concluded the ethnic fragmentation in Africa is an important part of these characteristics.

Hamsa Khalaf (2018) inspect the Impact of Political Instability at the Reality of Iraqi Political Parties According to the Results of the 2018 Elections of IRAQ.

Used the analytical systematic technique, additionally historic technique to address the scale of political instability at the reality of the Iraqi political parties, consistent with the effects of the 2018

elections that sprouted diverse results over the intricate political transformations, in addition to societal perils that have contemplated on enjoy of democracy put up 2003 .

she concluded that The political instability amongst governing elites and non – governing sectors , have become relying completely at the bargains , compromise , conformity , quota .

What is the effect of political parties on economic growth?

Kolios (2019) examines the effect of party ideology and considers it as a part of several other factors such as elections that affects the economy. The researcher reviews the impact of the right and left parties and their programs and goals on the business cycle. As the right-wing parties prefer market solutions as a response to economic fluctuations, the left-wing parties are more willing to adopt expansionary economic policies when they are in government. Using quarterly data for government consumption, taxes, and luxury expenditures, his results confirm the insights of Nordhaus and Hibbs, (1977).

Bernhard, Bizzarro and Skaaning. (2015) indicate that powerful parties play a critical role in promoting economic development. The study explores how parties expand the circles to which policymakers respond and assist politicians to solve coordination problems. These features ensure that politicians engage in a better economy management, productivity-enhancing public service delivery. This, in turn, will boost economic growth. Based on a new measure of party power from the "Types of Democracy" dataset, they consider data for more than 150 countries with time series from 1900 to 2012. A prominent, high-impact, and powerful effect has been specified. The influence works in both democracies and authoritarian regimes and is fairly stable across different regions of the world and across time periods. The paper provided suggestive evidence about causal mechanisms, with an emphasis on measures of economic management, public goods and political stability.

This paper contributes to political features actors and institutional determinants of growth. While previous studies have shed light on the role of the parties in improving the quality of governance such claims are usually limited in their context – to democratic or authoritarian environments - generally not about outliers like per GDP per capita growth. Economic development studies with an explicit focus on growth in general determine other long-term causal factors at work, such as geography, property rights, and political limitations, colonial origins, inequality, social capital, or human capital.

CHAPTER 2

I. Iraq: Historical background and political economic profile:

I.1 The political profile:

Iraq was known under the name Mesopotamia, and its inhabitants called it Iraq in relation to an ancient civilization on the Euphrates River known as Uruk. It is geographically located in the Middle East and within the group of countries called (MENA) this site is known as (Pivot area) meaning the heart of the world or the center of the world is a vital and strategic area, the passageway of the so-called (Afro-Eurasian) center of the world, as it represents a corridor for the three continents of Asia, Europe and Africa.

Historically, peoples and civilizations from all directions, south, east, west and north met, clashed, and mingled with each other. Throughout history, they left many ethnographic, national, religious, and sectarian imprints on it.

Before the establishment of the Iraqi state by the UK occupation in 1917, Iraq was under the authority of the Ottoman Empire for the historical period from 1534 to 1920, divided administratively in the form of three states, the Wilayat of Mosul, the Wilayat of Baghdad and the Wilayat of Basra. the UK occupation according to their interests exceeded the considerations mentioned and made a hybrid state, officially known as Iraq without regard to the geodemographic reality. In April 1920, two treaties (Sykes-Picot 1916 and San Remo), by delegating a military governor from the British army, Iraq became under the British mandate.

On June 17, 1920, a decision was issued by the League of Nations approving the British Mandate for Iraq, the decision caused popular anger to escalate and create a major revolution in Iraq called the Twenty Revolution, which was the reason for the emergence of the modern state in Iraq as a constitutional kingdom in 1921. The British occupation established a number of civil institutions, a police apparatus and education system. the country was divided into 14 administrative units known as Alweya , These Alweya were divided into districts and sub-districts, with the intention of strengthening their control over the country, it must be recognized that this was the foundation of the national state.

After the establishment of the Iraqi state under national rule, King Faisal I and a number of national figures led by Prime Minister Nuri Al-Said Pasha played an important role in laying the foundations and infrastructure that drew the future of the Iraqi state, foremost of which is the establishment of a national army, building a national economy through an oil policy with Britain granted concessions

and extended oil pipelines to the shores of the Mediterranean through Syria, the agricultural and industrial sectors also witnessed a great development, an education system was established and health services expanded.

In 1956, the Iraqi Reconstruction Council was established to develop future strategic plans for all sectors throughout Iraq, the council was funded by the crude oil exports revenues, but the Iraqi government and its institutions were financed by taxes and customs, such a measure freed the economy from oil rentierism, it began to draw the parameters of a healthy economy.

This period witnessed relative political stability that was clearly reflected in the economic situation of Iraq, which was then classified as the best among countries in the region, the Middle East, during this period, the state and government relied on a professional institutional system, with a peaceful transfer of power, the establishment of national political parties and a national press.

The private sector led the economic system in Iraq during the period of the constitutional monarchy. National industries expanded, such as the textile industries Fattah Pasha, the oil industry, and Iraq obtained agencies from international car companies such as Ford and others. This was the beginning of a free market that was compatible with the political system, The balance of exports was in favor of Iraq, especially in the agricultural field, where Iraq was distinguished by the export of rice and leather.

After the Second World War 1939-1945 and the adoption of the right of self-determination by the United States of America, these events affected the intelligentsia in the Arab world, which was suffering from the dominance of the colonial countries. Egypt, which took on a nationalist character (Nasiriyah), later played a major role in the conflicts and instability of the Arab region. This stage witnessed the spread of radical nationalist and socialist thought represented by communism and incitement to revolution, with a conspiracy from Abdel Nasser in Egypt, the constitutional monarchy in Iraq was overthrown in 1958.

After 1958, Iraq witnessed a strengthening of political ideologies, fragmentation and demographic divisions led by a group of soldiers with socialist and nationalist orientations. These political ideologies led to political and economic instability, cultural and intellectual conflicts, some of which turned into massacres, extermination, and exclusions (1958-1963).

After that, military coups took place, with repercussions of the politicization of the state and the loss of its legitimacy under the pretext of revolutionary legitimacy by establishing dictatorial regimes and

leaders for life, abusing and exterminating every dissenting voice, as it bequeathed the export of revolutions and fierce wars with neighboring countries.

The private sector faced a great ordeal that weakened its productivity, turned into a parasitic sector that did not constitute a (1%) of total domestic product, the rentier nature of the economy dominated the economy, especially after the nationalization of national industries in 1964 and the state's monopoly on foreign trade.

In 1968, the Baath Socialist Party carried out a military coup and seized power, after which it sought to establish strong relations with the Soviet Union at the time ,this enabled it to nationalize Iraqi oil in 1972, after it was under the sway of international oil colonial companies ,this nationalization caused a shock in world oil prices, the Iraqi treasury's revenues increased, strategic plans were developed for infrastructure, heavy industries such as petrochemical industries, cement and the establishment of agricultural investment companies in the field of agriculture and fishing. This expansion absorbed the Iraqi labor market, absorbed unemployment and hired Arab labor, as well as health and education systems, this change did not last long, Saddam Hussein soon monopolized power, imposed the dictatorship of the Baath Party, and plunged Iraq into a series of wars and crises, the largest of which was the eight-year war with Iran and the occupation of Kuwait, whose results were an economic siege on Iraq.

It must be pointed out that the administrative apparatus and the Iraqi state, although the main decisions in it were of a totalitarian nature, the state, as governmental institutions, has maintained its independence, professionalism and the efficiency of those in charge of its administration. The Iraqi judiciary was completely independent at that time, its executive body imposed the power and rule of law.

With all the conflicts and wars that the totalitarian regime under the leadership of Saddam Hussein entered, but the state remained accommodating to provide jobs, especially for graduates, health care and education were free and had acceptable level of services, that period, until 2003, was characterized by the ration card system that was granted to all citizens, including food items. And cleaning materials that cover most of the basic needs of the Iraqi family, which were given according to the number of family members, were not affected by the economic blockade imposed on Iraq in 1990.

I.2 The Economic profile of Iraq

I.2.1 1958-2003:

Before the military coup in 1958, the profile of Iraq economy was market economy with free trade, witnessed the establishment of national industries in the field of leather, edible oils, soaps, and blankets, which are highly competitive in the market.

After 1958, the government with socialist ideology, stressed and restricted the private sector, particularly after the reduction of large land holdings and the distribution of land to farmers under a law called the Agrarian Reform Law, agricultural production fell from 30% of GDP to only 10 %.

In the wake of the 1958 coup, another coup took place in 1963, dominated by a government of nationalist socialist leaders. The government took measures against private sector, as large privately owned factories and enterprises were expropriated and converted into government property. The Iraqi economy at that period was characterized by the so-called state capitalism.

Foreign trade restraint measures have been taken, state dominates all economic sectors, and private sector became weaker, marginal and parasitic.

Iraq is also a country whose economy has been shaped in part by the fact that Iraq has been at war or in war-related crises ever since 1980. Its past conflicts have had a cumulative economic impact that has sharply restricted Iraq's development and divided the country's economy and income along sectarian and ethnic lines, as well as created broad areas where the impact of violence has created its own sub-economies divisions.

The analysis traces these patterns of violence in detail since the US-led invasion in 2003, but they are only the latest phase in a history that has included a civil war between the central government and the Kurds in the 1970s, the Iran-Iraq War from 1980-1988, the invasion of Kuwait and the Gulf War in 1990 and 1991, the impact of UN sanctions from 1992 to 2003.

I.2.3 2003-2020:

In March-April 2003, a joint force of troops from the US and Great Britain (with smaller units from several other countries) invaded Iraq and quickly defeated Iraqi military and paramilitary forces.

The war was aimed at making Iraq a model of law-based democracy. The US-led coalition government in Baghdad has transformed Iraq's economy from a centralized system dominated by Saddam Hussein's regime to one of the most open economies in the region.

US officials sought to remake Iraq as a free marketeer's paradise. The post-invasion Iraq was supposed to be a land of opportunity but what followed were years of political bickering, violence, and corruption.

Iraq had become one of the world's poorest and most underdeveloped countries, Average annual income had fallen to \$500 by the end of 2003.

The agricultural sector is in complete disarray, leaving more than 60 % of the population to rely on the UN Oil for Food program (for basic needs), about 40 % of the nation's children are suffering from malnutrition.

This dramatic decline in living standards coincided with a long deterioration of Iraq's major industries. As late as 2003, observers could note that the state sector accounted for 80 % of Iraq's GDP a figure which hardly measures state power or economic centralization.

Nevertheless, on the present day to first assert that transforming "a centrally planned economy to a market economy" is a primary challenge facing the engineers of change in Iraq, only to later note that "the United States found [in Iraq] an economy that essentially needed to be rebuilt from scratch, crushed by decades of wars, sanctions and atrophy due to Saddam's neglect of the population's needs.

Iraq's economy is only one of the factors that divides the country, encourages violence, has led to civil conflict, and has helped empower ISIS. Sectarian and ethnic divisions, population pressure, religious extremism, intervention from outside states, poor and grossly corrupt governance, authoritarianism, and a fractured political system have all made their own contribution to the present level of violence in what in many ways has long been a failed state. Iraq's economy has also been badly distorted by mis-governance in a country dominated by its state sector, by the government's need to buy popular support through employment and subsidies, by the cost of war, and by extreme corruption.

Iraq is ranked the 170th most corrupt nation out of the 175 countries rated by Transparency international, and -- as the analysis shows -- it has an extremely large and badly managed state sector. The World Bank rates it as the 165th worst of 185 Countries in its Global Ranking of Ease of Doing Business rankings.

Much of Iraq's economy is still informal, with significant economic activity done by unregistered businesses, says Thomas Foley, who served as director of private sector development for the Coalition Provisional Authority (CPA). This makes it difficult to know exactly how big the economy is. Foley

estimates that its gross domestic product (GDP) is some \$10 billion dollars per year, excluding the oil sector 2003.

Atif A. Kubursi confirmed in the article Oil and the Iraqi economy, that the Oil dominates the Iraq economy providing around 70 % of GDP and 95% of foreign exchange earnings and government revenue. Shadow economy may be as high as 40 % of GDP and 50% of labor force, this was confirmed by a journal investigation led by Ali Jawad Anatolia News Agency 2021 carried the title of Oil constitutes 80 % of the country's general budget.

Through what has been reviewed above in terms of literature, research articles and books, we consider a set of four indicators to measure political instability and its impact on growth in Iraq. These are economic also mentioned politically directed violence, the continuation of demonstrations, the struggle of the political elites, and the instability of the political system. We also stress that the growing political conflicts lead to the exacerbation of corruption. Hence, Iraq is now classified as a failed and fragile state that is not suitable for investment and is considered a business-repelling environment.

But what is interesting to observe is that the licensing rounds companies, including Shell, have and are expanding their investments, indifferent to the unstable political and economic situation in Iraq.

I.3 Iraq Political & Economic data and indexes

To speculate the economic system for a country, the academic and research resources rely on the Gross Domestic Product Index (GDP), the Economic Growth Index, and the Ease of Investment and Business Index issued by the World Bank Group (doing business index).

Furthermore, we adopted the fragile state index issued by Fund for peace and foreign policy to evaluate the political environment in Iraq since 2005.

I.3.1 Economic Data and indexes :

I.3.1.1. Gross Domestic Product (Economic Growth)

Gross Domestic Product (GDP) is the total monetary or market value of all final goods and services

produced within a country's borders in a specified period. It serves as a comprehensive scorecard for a particular country's economic health. The GDP provides an economic overview for a country, which is used to estimate the size of the economy and the rate of growth.

Although there are limitations, GDP is a major tool to guide that policymakers, investors, and companies use in making strategic decisions.

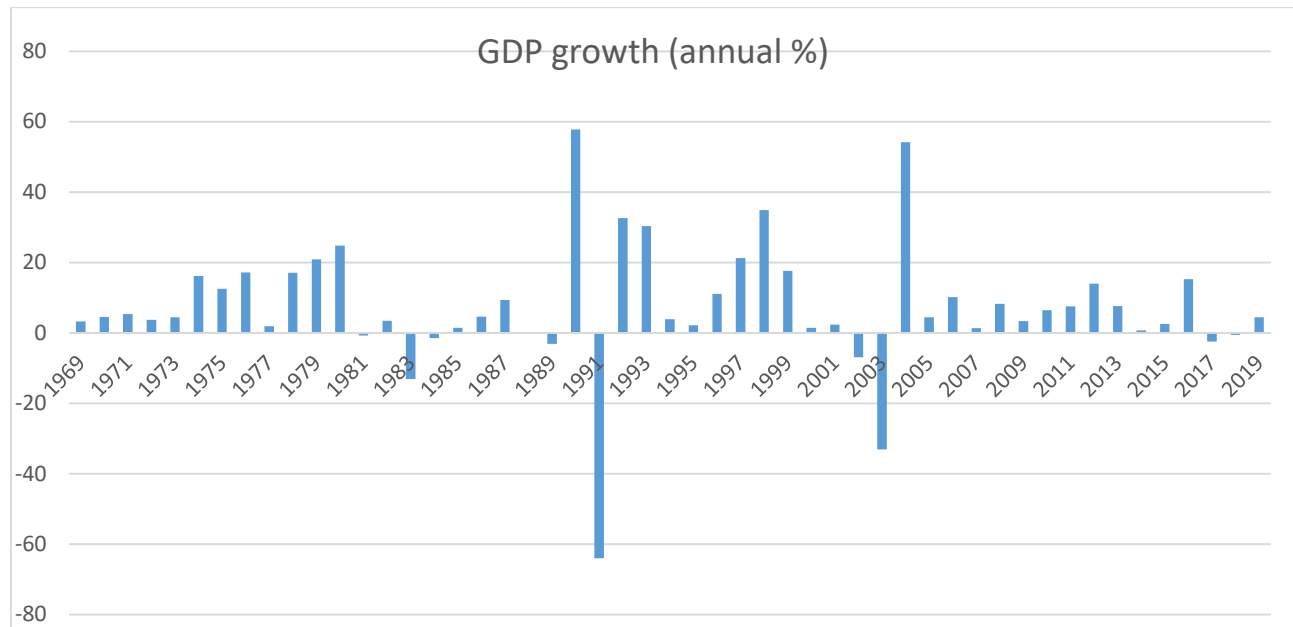


Figure 1 Economic Growth (% annual) 1979-2019 IRAQ
 (Source: World Bank <https://www.worldbank.org/en/home>)

Table 1 clearly draws the features of the Iraqi economy. Note that the value of GDP has been on the rise since 2005 until now, and it is logical to record these jumps as a positive reflection on the rate of economic growth. But once the value of economic growth is followed, we notice a fluctuation, especially in 2018 and 2017, where negative values were recorded.

According to Table 1, we used the years from (1992) to (2001) for the purpose of comparison with the years of the US invasion from 2003 onwards, and despite the fact that the years from 1992 to 2003 Iraq entered a second war by invading Kuwait and imposing an economic blockade on it.

However, it is noticeable that the economic growth in these years is higher than the years following the US occupation of Iraq from 2003 onwards.

Knowing that these years witnessed a huge increase in oil prices, sometimes reaching \$ 100 per barrel.

An important component of GDP calculation is exports. In the case of Iraq, the calculated exports are rentier oil exports, as we see below Iraq's balance of payments % of crude oil.

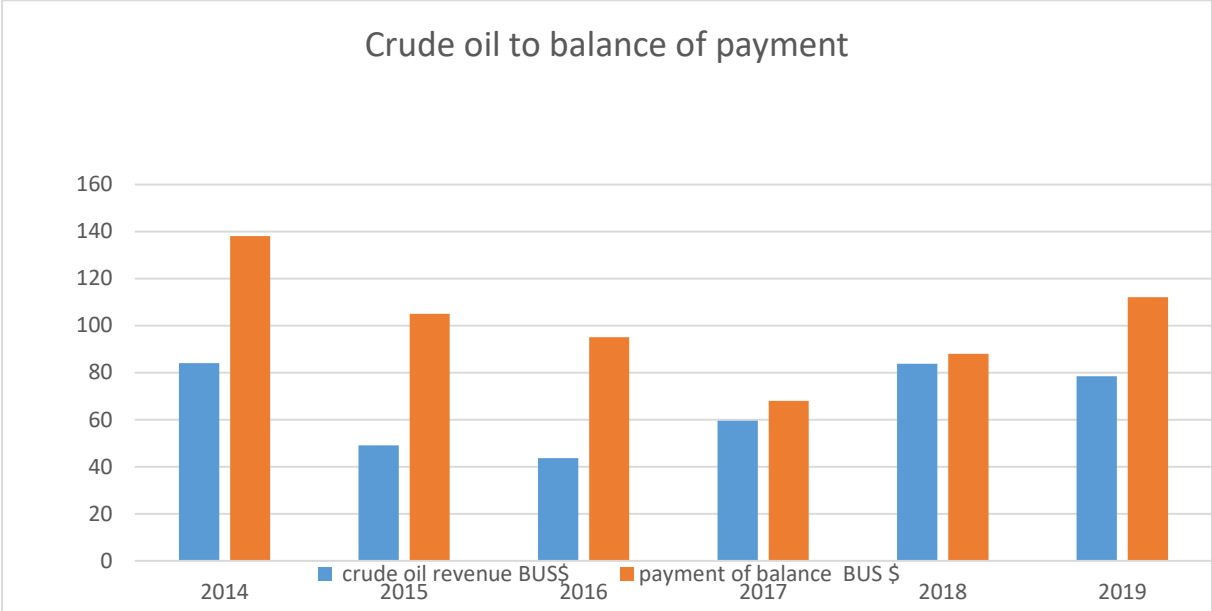


Figure 1 Crude oil revenue to balance of payment 2014-2019 IRAQ

(Source: the Iraqi Central Bureau of Statistics)

I.3.1.2 Trade% GDP :

An indicator by the World Bank which defining the Trade as the sum of exports and imports of goods and services measured as a share of gross domestic product,

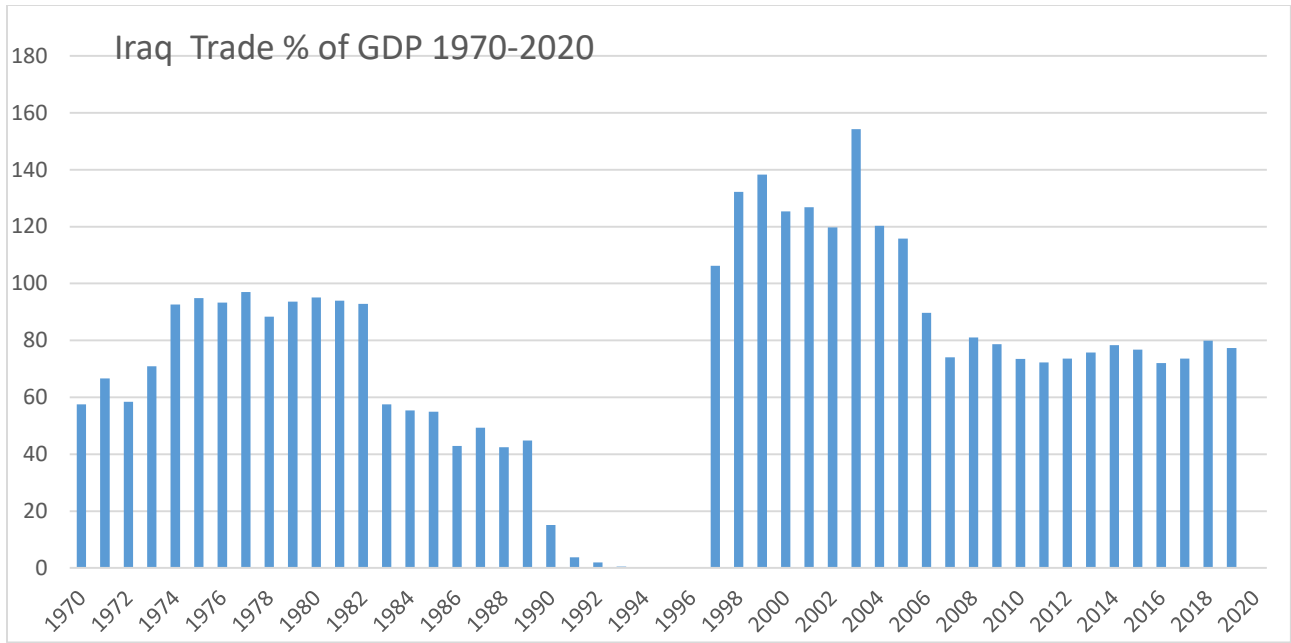


Figure 2 Trade% GDP 1979-2019 IRAQ

(Source: World Bank <https://www.worldbank.org/en/home>)

As previously mentioned that Iraq, after invading Kuwait, fell under an economic blockade imposed by the coalition countries, but despite this blockade, the government at that time opened a large door for trade to the private sector, and therefore, the years from 1996 to 2003, we notice a significant increase in the contribution of trade to the gross domestic product (GDP), but after 2003, we notice its decline to lower levels, and this is due to the fluctuation in decisions issued by successive governments and corruption in both customs and taxes.

I.3.1.3 GDP per Capita US\$:

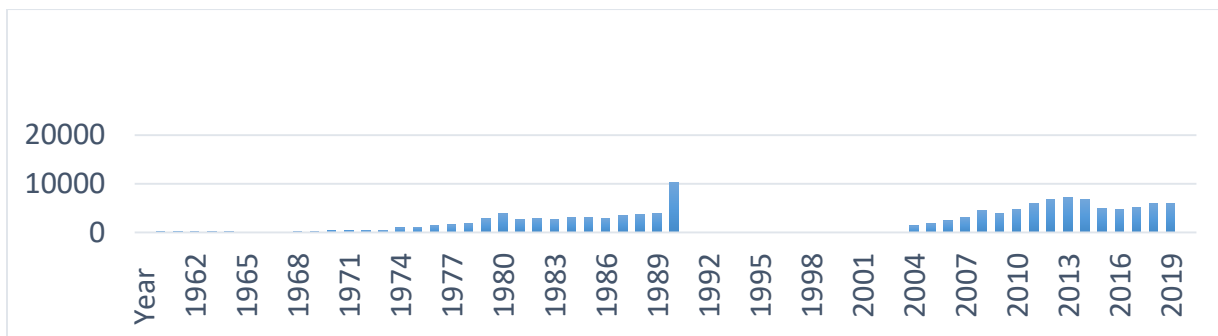


Figure 3 GDP per Capita US\$ 1979-2019 IRAQ

(Source: World Bank <https://www.worldbank.org/en/home>)

Table 4 review the per capita share of the gross domestic product, and despite the lack of sufficient data for the nineties in Iraq for the per capita share of the total product, therefore we relied on the eighties period to make a comparison, even though it was a period of war where Iraq entered a war with Iran starting in 1980 until 1988. We notice growth in a positive, balanced and simulated manner from 1980 to 1990, but the period from 2003 and afterwards witnesses fluctuations and declines, and inequality factors may have begun to appear. The main benefit of this indicator is to measure economic development and its social impact. What can be observed from the available data after the invasion by the US on Iraq is that there are fluctuations and instability in this important indicator that relates to people's lives.

I.3.1.4 Unemployment total (% of total labor force) :

All governments place the file of dealing with unemployment among their priorities and its importance is a most in order to reduce its economic, security and social risks that arrive with the unemployment in society.

The impact of unemployment may develop into more complex social anomalies, the growth of militias, the increase in specific crimes, as well as the increase in use and distribution of drugs in the absence of the rule of law, which are nothing but tributaries fed by unemployment.

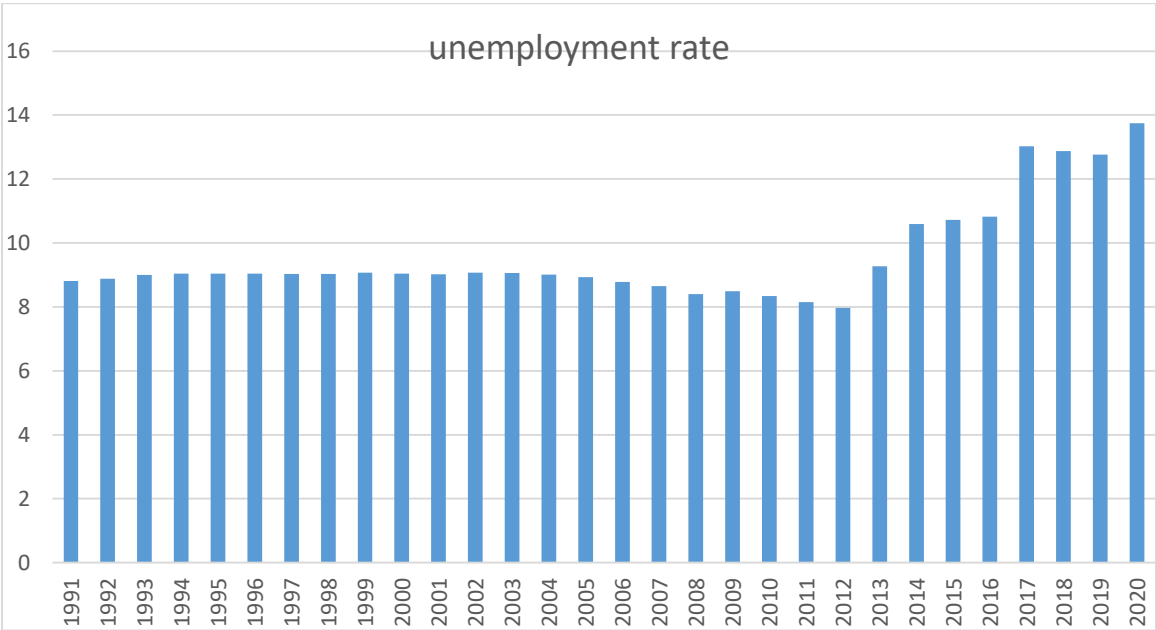


Figure 5 Unemployment total (% of total labor force) 1979-2019 IRAQ

(Source :World Bank <https://www.worldbank.org/en/home>)

From what is observed in Figure 5 and Table 5 that the unemployment rate was 9% over 1990s, although the period after 2003 witnessed a decrease of 1%, but with the beginning of 2014 it started to increase until it recorded its highest value in 2020 which is 13%.

I.3.2 Doing business WB indicators:

The doing business rank, a new index, was created within the Business Performance Environment report. It has been published annually since 2004 by the World Bank Group and the International Finance Corporation. It consists of ten indicators that make up the base of the business performance environment. The index measures the impact of laws and government measures on economic conditions with a focus on the small and medium enterprises sector size, with the aim of laying the foundations for standardization and comparison of the conditions of the business environment in developed and developing countries.

The index consists of ten indicators:

A- Starting a Business:

It includes the number of procedures, length of time, cost as a percentage of average income. More clearly, what this indicator focuses on and adopts at the forefront of indicators and opens an entrance for the world of entrepreneurship is the nature of the behavior of government institutions, systems and laws adopted by this institution to provide a safe environment for investment.

In other words, it describes the relationship of the state as an economic policy with the private sector, as it is important to understand this relationship, realize its criteria and study it in all its aspects before embarking on investment or starting work.

That governments are measured by the amount of services they provide to their citizens, despite the fact that investment or business creation may be of great benefit to the investor himself, it may not be within the category of the government that the government serves, except its performance,

effectiveness, ease of running and implementing its project, it will definitely renew the socioeconomic cover of the environment in the area that is administered within the jurisdiction of this government.

The basis of economic recovery and one of the most important factors for economic growth and development is to reduce the percentage and size of the segment of unemployment within the social structure of society.

And that one of the most important benefits of entrepreneurship, even if it is a foreign investment, is to create job opportunities and employ employment.

The responsible institution under this indicator is the Iraqi Ministry of Trade (Company Registration Department). Despite the existence of laws explained by this indicator, the failure in the institutional and service structure of this ministry translates the failure of the political actor and its impact on the economy.

After 2003, several corruption files and suspicious deals appeared, which negatively reflected on the work of the institution and are still pending.

In 2018, an Iraqi court sentenced a former trade minister and two other high-ranking officials in their absence to seven years in prison after they were convicted of embezzling up to \$14.3 million in public funds.

Year	Rank
2007	150
2008	164
2009	175
2010	175
2011	174
2012	176
2013	177
2014	169
2015	142
2016	154
2017	164

2018	154
2019	155

Table 1 start a business Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

B - Dealing with Construction Permits:

It includes the number of procedures, length of time, cost as a percentage of average individual income. The main idea of this indicator is to study the possibility of converting capital into fixed foundations in addition to highlighting and answering the important question: Does the state have service infrastructure (water and sewage).

One of the challenges faced by entrepreneurs in Iraq is that the proposed warehouse space will be outside the city, due to the overcrowding of buildings within the city and the high prices of real estate within the city ,most of these areas are areas with a rural environment, most of which are still dependent on the clan system and suffer from poverty, illiteracy, ignorance and diseases, and that their residents possess various weapons and military equipment as is the case in the areas north of Basra.

This will pose a major, unspoken challenge to the entrepreneur or investor, as these tribal groups do not rule by the rule of law but are subject to the will of the tribal sheikh and cleric.

Year	Rank
2007	97
2008	104
2009	111
2010	94
2011	102
2012	120
2013	84
2014	20
2015	09
2016	147
2017	104

2018	93
2019	103

Table 2 Dealing with Construction Permits Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

C- Getting Electricity:

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.

One of the biggest challenges that Iraq still faces is electrical power, since the Iran-Iraq war and onward, it continues to decline in performance.

The indicator shows the country's ability to support the private sector and provide a continuous energy source.

Assuming that the supplied energy does not suffer from any obstacles, but the fact is that the supplied energy is energy with low voltages.

Therefore, we note that companies operating in the oil fields have relied on their own sources and have left the country to obtain the source of electricity by providing huge electrical generators.

This indicator is considered and calculated starting from 2012.

Year	Rank
2012	46
2013	46
2014	39
2015	36
2016	106
2017	133
2018	116
2019	126

Table 3 Getting Electricity Rank –IRAQ 2012-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

D- Registering Property:

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute.

Registering private and public property and preserving the citizens' money and institutions are one of the most important foundations for building citizen's trust in the state law and the political system that governs it.

However, what happened in the events after 2003 was carrying a completely different message, as there are many state properties that were legally seized by the corruption of the political system, where some properties became unknown and the aim of deleting these roots is to hide the basis of their return.

On the other hand, there are many properties belonging to owners who have been displaced or have another nationality, such as the Saudis and Kuwaitis who own large agricultural lands and vast outside the city in Basra, were seized and its real estate was changed and sold, because of the corruption that devastated the body of government institutions after 2003

Year	Rank
2007	37
2008	40
2009	43
2010	53
2011	96
2012	98
2013	100
2014	108
2015	109
2016	117
2017	115
2018	101
2019	113

Table 4 Registering Property Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

E- Getting Credit:

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending.

The Iraqi banking system went through several stages that started in 1867, the oldest of which was the Ottoman Bank, the Shah Nashahat Bank of Iran, and the British Eastern Bank, and after that the Iraqi National Banking stage began in 1935. Which witnessed the establishment of the Agricultural Industrial Bank, after 1940 became two banks: the Agricultural Bank , And the Industrial Bank.

In 1941, the Rafidain Bank was established as a single government commercial bank, the Central Bank of Iraq in 1947, the Real Estate Bank in 1948, the Cooperative Bank and the Mortgage Bank, many Iraqi private banks such as the Credit Bank, the United Bank, Rashid Bank, in addition to the branches of foreign banks more than 15 banks, most of which are affiliated with the Lebanese and Jordanian banks.

At the present time, the Iraqi banking system consists of 54 banks, including 7 governmental, 23 private commercial banks, 9 Islamic banks, and 15 branches of foreign banks. There are many institutions that do some banking business, including 34 money transfer companies, and about 2000 exchange companies belonging to banks, with a deposit insurance company a company for financing small and medium projects, and two companies for electronic banking and smart cards, in addition to about 800 branches belonging to banks and distributed on all provinces of Iraq.

In order to understand the depth of the banking system, we must get acquainted with the financial and monetary policy and the functions of the central bank. The central bank's activities are around print the national currency, support the national currency, consolidate and stabilize its internal and external value, strengthening the cash cover, managing the state's foreign exchange reserves, stabilize prices and exchange rates, encourage the growth of the financial system and ensure its safety, monitor banks and commercial banks and those involved in currency exchange activities.

After April 2003, the Iraqi economy was collapsed and the banking system was backward in all administrative, financial and service aspects, due to wars, the economic blockade and the militarization of production, and government banks were involved in complicated and confusing external and internal financial relations, in addition to the fact that Iraq and its economic activities

were cut off from global developments in all intellectual?, scientific and material areas. This led to weak international confidence in Iraqi banks, and its weak role in Iraqi economic and development activity.

The administrative structure in many banks, especially government ones, suffers from slack, in addition to the government's policy of discrimination in dealing with private banks, which is to prevent state departments and companies from depositing their money in those banks.

Ordinary bonds and letters of guarantee issued by them are traded only within certain limits, the absence of supporting institutions such as the deposit insurance company, loan insurance and market risk study, and the traditional routine procedures approved by the Companies Registration Department, delaying approval of the decisions of the General Authority for Banks, including increasing the capital Money, and postponing the re-trading of private bank shares in the current trading sessions in the Iraq Stock Exchange.

All this caused damages and losses to shareholders and investors, and the government delayed banks and some private banks from acquiring comprehensive banking systems or linking their branches to communication networks with their public administrations, and not applying electronic banking.

Year	Rank
2007	143
2008	135
2009	163
2010	167
2011	168
2012	174
2013	176
2014	180
2015	180
2016	181
2017	181
2018	186
2019	186

Table 5 Getting Credit Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

F- Protecting Minority Investors:

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse.

Year	Rank
2007	99
2008	107
2009	113
2010	119
2011	120
2012	122
2013	128
2014	128
2015	146
2016	115
2017	123
2018	124
2019	125

Table 6 Protecting Minority Rank –IRAQ 2007-2019

(Source :World Bank <https://www.worldbank.org/en/home>)

G- Paying Taxes:

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as the administrative burden of paying taxes and contributions and complying with post filing procedures (VAT refund and tax audit).

The government should take advantage of taxes and customs duties, which all countries of the world consider as a means to achieve a set of economic, developmental, financial and social goals.

Taxes achieve export development and provide financial resources for the general budget to cover government expenditures and facilitate the task of controlling the volume of imports to address the

problems of the trade balance, by placing restrictions on imports and encouraging local production. Among the problems facing the application of taxes and fees is that they lead to higher prices for imported goods that are subject to taxes and fees in the local market. The public even goes to the pockets of some corrupt entities and individuals and mafias in the various departments and agencies of the state. In the tax collection agencies there are some appraisers who bargain citizens to pay a certain amount in exchange for a large and attractive reduction in the amount of tax, which encourages the citizen to submit to this requirement and leads to depriving the public treasury of a lot of this money.

There are many doubts hovering over the fate of the money that is collected from the border outlets and the citizens, including one trillion and two hundred billion dinars that were collected from citizens last year as a result of the corruption that is raging in the state agencies. (source??) Therefore, achieving the goal behind imposing taxes on citizens requires that it be coupled with methods that ensure that the impact of corruption is removed from this process, that it is carefully collected and communicated to the relevant financial authorities.

Year	Rank
2007	47
2008	37
2009	43
2010	53
2011	54
2012	49
2013	65
2014	63
2015	52
2016	59
2017	52
2018	129
2019	129

Table 7 Paying Taxes Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

H- Trading across borders:

It records the time and cost associated with the logistical process of exporting and importing goods.

Year	Rank
2007	164
2008	175
2009	178
2010	180
2011	179
2012	180
2013	179
2014	179
2015	178
2016	178
2017	179
2018	179
2019	181

Table 8 Trading across Borders Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

I- Enforcing Contracts:

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system.

Year	Rank
2007	131
2008	150
2009	148
2010	139
2011	141

2012	140
2013	141
2014	142
2015	141
2016	122
2017	138
2018	144
2019	143

Table 9 Enforcing Contracts Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

J- Resolving Insolvency:

It studies the time, cost and outcome of insolvency proceedings involving domestic legal entities.

Year	Rank
2007	151
2008	178
2009	181
2010	183
2011	183
2012	183
2013	185
2014	189
2015	189
2016	189
2017	169
2018	168
2019	168

Table 10 Resolving Insolvency Rank –IRAQ 2007-2019

(Source: World Bank <https://www.worldbank.org/en/home>)

Ease of Doing Business Rank	Year	No. of Economies
114	2006	154
145	2007	175
141	2008	178
152	2009	181
153	2010	183
166	2011	183
164	2012	183
165	2013	185
164	2014	189
156	2015	189
161	2016	189
165	2017	190
168	2018	190
171	2019	190
172	2020	190

Table 11 Ease of doing business Rank World Bank Iraq (2006-2020)

(Source: World Bank <https://www.worldbank.org/en/home>)

The form of the economy applied by the US invasion accompanying the urgent democracy was a free-market economy and a country like Iraq possessing enormous resources means that the free-market economy will lead it to advanced stages in economic growth, through huge oil imports, volume of trade exchange, investment and professional manpower .

The table draws for us the features of the difficulty and negativity in performing and conducting business in Iraq, and charts the development of this difficulty over time, from 156 in 2015 out of 190 economies while it is ranked in 172 in 2020.

I.4 Political Data and indexes

I.4.1.1 The fragile states index (fund for peace):

The term fragile state is an expression of the state's weakness in performing its basic functions towards its citizens. Most international organizations (DAC, OECD) agree to define that the state is fragile when its structures lack the management and political ability, or one of them to provide the basic functions necessary to reduce poverty and bring security and human rights to its residents.

A fragile state is often described as a country that is unable to guarantee political security, maintain the rule of law and justice, and provide basic services and economic opportunities to its citizens.

Fund for peace is an institution, a Washington-based non-profit organization founded in 1957 that works to prevent conflicts through non-governmental research and educational institutions.

It works to achieve security and sustainable development in fragile states by focusing on assessing conflicts, early warning and threats that cross national borders, and it issues an annual assessment to countries around the world about that.

Fragile State Report is an annual report, the conflict assessment tool has been adopted as a measurement parameter, and where 178 countries are ranked on the basis of their level in terms of stability and stresses and a comprehensive methodology for social sciences is adopted by applying very specialized research criteria. It depends on basic indicators, which are the political, security, economic, and social levels. The score for each indicator ranges between (0-10), as zero expresses the positive value of the outcome, meaning that the state is more stable and 10 indicates the negative output, meaning that the state is fragile.

The indicators:

1- Cohesion indicators:

A-security apparatus: The emergence of militias, the spread of Bedouin phenomena and the possession of weapons by clans mean the end of the state's security force. Iraq is recorded 10 at 2007.

B-factionalized elite: One of the most important reasons for the revocation of the social contract is

intolerance, as the political class is a group of ethnic, racial and fanatic groups in the form of its ethnicity and does not meet with its political partners in points, but focuses on differences. Iraq is recorded 10 at 2005.

C-group grievance: In the absence of security and tension and violence exist between groups, the state's ability to provide security is weakened. Iraq is recorded 10 for the years 2007, 2013, 2014, and 2015.

After the US invasion to Iraq in 2003 and due to of the formation and imposition of a governing council on ethnic and sectarian grounds, the bodies representing these ethnicities and sects owned militia armed wings that were fighting against Iraq from neighboring countries before 2003 specially in the Iraqi-Iranian war from 1980 to 1988.

After 2005, according to a law issued, these militias were merged under the title Mujahideen of the opposition, most of their leaders granted a higher military ranks in the regular forces of the army that Bremer formed at 2003 after the dissolution of the former army. These figures remained loyal to their ethnic, sectarian and ideological , especially loyalty to the religious system in Iran represented by the leader of the Islamic Revolution and the principle of the religious guardianship of the jurist in the political system, which fragmented and weakened the regular forces, became unable to carry out their duties in enforcing law and defending Iraq bounders. The years following 2005 to 2008 left some of these militias under the pretext of defending the homeland and resistance against the occupation, but the purpose is to impose their control and influence in the alleys of Iraqi society.

Look you have to give some proofs about it. It doesn't mean anything even if you experienced or observed these.

In subsequent years 2014, this weakness led to the defeat of the Iraqi army in front of ISIS gangs in north region of Iraq, at that time Sistani, the supreme authority of the Shiites in Iraq - Najaf, intervened with the fatwa of Jihad Alkefaei that allowed thousands of volunteers to carry weapons, under the pretext of jihad and liberating occupied areas, had become after a powerful militia that control the Iraqi decision. They are modeled on the Iranian Revolutionary Guard.

2- Economic indicators

A-economic decline: Poverty and economic decline limit the state's ability to preserve the requirements of its citizens. It leaves the matter of dividing society into classes that get poorer and other classes getting richer. This may repeat the conflict. The history between who owns and who does not. Iraq is recorded 8.2 from 2005.

B- Uneven development: Religious, ethnic and racial inequalities as the state fails to preserve the national component and social fabric Iraq is recorded 8.7 recorded for 2005.

C-human flight and brain drain: When opportunities open, immigration opens, and both human capital with educational qualifications and capital will migrate. Iraq is recorded 9.5 in 2007.

The successive governments after 2005 have moved away from patriotism and lacked the strategic vision to build a state on the basis of citizenship, despite the fact that the constitution stipulates that. The ethnic sectarian side covered the technocratic professional side in the distribution of positions within the various joints of the government, followed by the distribution of large privileges under the slogans of consultants, mujahideen, political prisoners, and martyrs, which drained much of the state's revenues that should be directed to social development strategies, fighting poverty and services such as health, transportation, education, and electricity. This backwardness in the infrastructure is still evident to our present history.

This led to the emergence of leaders outside the government controlling the political and economic decision in Iraq, which made Iraq a capitalist state for the ruling oligarchy. If the trends continued in this pattern, then those families and individuals will possess the largest part of the power and wealth in society, and that the ruling oligarchy produce great inequality in income, slowing growth, and an informal economic sector, as well as the spread of the black market and organized smuggling of oil. Many technocrats and academics who were running the state under the previous rule were accused and deported by a law under the title de-Baathification. To ensure their safety they start to drain to other countries of the world as refugees. This contributed to the emptying Iraq of scientific and administrative competencies.

3- Political indicators

A- State legitimacy: The prevalence of corruption and the absence of proper political representation

leads to the breakdown of the social contract. Iraq is recorded 9.4 in 2007.

B- public service: Government performance is measured by the services the state provides to its citizens, such as education, infrastructure, health services, and the internal state function are more important than the external state function, but the government formed since 2003 was unable to act as a government, but it clung to be an authority that has the military and controls oil sales. Iraq is recorded 8.9 in 2005.

C- Human rights and rule of law: When the state fails to achieve justice and guarantee human rights or apply it unevenly, this leads to the failure of the state. Iraq is recorded 8.2 in 2005 which is the considered the best value ever in regards of the other years.

After 2005, the Iraqi constitution were passed by a majority, although the western provinces whose residents are Sunni Arabs did not vote for this constitution and were opposed to it. So it is born with a disability, due to they did not participate in to writing it. This constitution gave the majority of Shiite- as the Shiite politicians claimed- the right to form the government, and then granted privileges to the Kurds who were almost separated their region from the Iraqi state and became a state within a state.

In 2005 the Federal Court was formed of judges who served mainly under the shadow of the previous regime, their election was sham, thus they became completely under the control of the current politicians, especially privileges were granted to them, including providing them with permanent protection, as a card in the hands of the Iraqi decision-makers.

The issuance of decisions outside of the constitutional frameworks, this is what happened in 2010, according to the interpretation of the largest winning bloc.

As for the Iraqi judicial system, it is affiliated with the Ministry of Justice, the Ministry of Justice came under the control of religious parties that do not have the legal and administrative competence to run such courts and institutions, but rather tended to grant centers in the Iraqi judiciary to their supporters, and affiliates. As for independent judges, they were often subject to constant threats from before the outlawed parties and militias, the judicial system became weak and unable to impose the rule of law.

4- Social + cross cutting indicators

A-demographic pressure: Pressure on the population, such as diseases and natural disasters, which reveals the fragility of the state and its administrative apparatus in managing crises. Iraq recorded a rise in this indicator, reaching 9 from the beginning of 2005.

B- Refugees IDPs: The pressures associated with the displacement of the population and this can develop into a security threat as it directly affects public services. Iraq recorded 9.4 starting from 2005.

C- external intervention: Regional or external interference by a group of regimes, states, or even institutions due to the failure or inability of the state to perform its internal function, Iraq recorded 10 at 2005 .

Most of those who reached the political decision in Iraq, including the prime minister, were displaced outside Iraq and lived as refugees in neighboring countries or other countries of the world, but the majority of Shiites lived in Iran for many years, but they were establishing armed militias from there to liberate Iraq.

They are when they returned on the back of the American tank to Iraq and took over the positions in the Iraqi state as head of state, prime minister, minister or any political position It is not due to their competence and professionalism, but by claiming that they were fighters against the former regime and lacked many of the foundations of building the modern state, and therefore they turned to the assistance of the country that incubated them before they entered Iraq and became that country is clearly involved in drawing the fingerprints of the economy and politics in Iraq, which were in favor of Iran.

After the American invasion, many American forces remained in military bases near Baghdad and used their presence, especially after their intervention in combating Al Qaeda and the outlawed Shiite militias, as a political force in imposing their agendas on the Iraqi decision, and thus the Iraqi political decision became openly subject to the Iranian-American conflict.

What made matters worse was the withdrawal of US forces from Iraq in 2011, under pressure from the Iranian side on Iraqi governments and parliaments, which magnified Iran's influence on the Iraqi political decision and subsequently paved the way for the weakness of the state and the entry of ISIS in 2014.

After 2003 and because many of the Sunni Arabs who lived in the southern regions, which were mostly Shiite Arabs, had affiliation with the Arab Socialist Ba'ath Party and because they were very afraid of the new liquidation by Shiite militias out of personal revenge, many of them immigrated to the western and northern provinces Outside Iraq, especially Jordan and Turkey.

Al-Furat Center for Strategic Development Studies Academic researcher Hamad Jassim Mohammed
The political reasons are of great importance in the migration of Iraqi minds abroad after 2003.

Given the dominance of the sectarian religious character over Iraqi society based on the ruling parties and their affiliated militias, many ethnic groups and non-Muslim sects, such as Christians and Mandaeans, felt threatened by them because Islamic militants view non-Muslims with a hostile and takfirist view, and therefore they were forced to immigrate to the Kurdish region or countries.

Some of the pro-Iranian Shiite militias took advantage of the gains and strength they obtained, under the slogan of combating the extremist Al Qaeda organization and ISIS's occupation of Iraq, under this pretext they raised the slogan that most of the Sunni communities have support and relations with Al Qaeda, as they invaded many Sunni cities internally in Iraq under the pretext of the imposition of the law and its liberation, but in fact it was the seizure of property, agricultural lands and other wealth in it. It is a good example for this day and the reality is under political controversy in the Jurf al-Sakhr region near Baghdad, whose population is mostly Sunni Arabs, who were displaced from their homes and are still among the displaced to their lands.

As for the major displacement disaster in Iraq, it occurred after ISIS invaded the second largest governorate in Iraq, which is Mosul, and its residents were displaced from millions to camps in the areas adjacent to their governorate, and their camps are still standing until now despite the relative stability of their governorates and under the pretext of examination and security confirmation of their files.

The results are as follows:

- 1-Very sustainable.
- 2-Sustainable.
- 3- Very stable.
- 4-More stable.
- 5- Warning

6-elevated warning.

7- High warning.

8- Alert.

9- High alert

10-very high alert

Iraq (2005-2020) fragile state index rank and score according to Fund for Peace Org.

Year	Rank	Score
2005	4th	103.2
2006	4th	109
2007	2nd	111.4
2008	5th	110.6
2009	6th	108.6
2010	7th	107.3
2011	9th	104.8
2012	9th	104.3
2013	11th	103.9
2014	13th	102.2
2015	12th	104.4
2016	11th	104.7
2017	10th	105.4
2018	11th	102.2
2019	13th	99.1
2020	17th	95.9

Table 12 Fragile state Rank & score 2005-2020 Iraq

Source: Fund for peace <https://fundforpeace.org/>)

Since 2005-2006 and with an average of (103.2 & 109) Iraq was in the high alert group, while in 2007-2008 with an average of (110.6-111.4) Iraq was in the very high alert group. In the period 2009-2015 Iraq was back in high alert group with an average of (108.6 to 104.4), recording 95.9 in 2020 in

alert group.

The annual assessment reported in the Fragile States Index, classifying Iraq as a fragile state among the first ten and twenty in the world, corresponds to the political events that occurred during those years from 2003 to 2020, from the American invasion in 2003 to the sectarian war in 2006-2008, then continuing political conflicts between ethnicities, sects, protests and unrest in western cities until ISIS occupied a third of Iraqi territories in 2014. The liberation war that lasted for two consecutive years -so far- was hampered by turmoil and political problems in the cities of the center and south in 2019, the instability of governments and the strong emergence of armed militias and organizations outside the state that put Iraq in an unstable political situation.

CHAPTER 3

I.1 Interviews

The data in the previous chapter, encompassed reliable information issued by international and local official institutions, although the presentation of numbers and statistics alone will not be distinction to achieve the goal of this thesis and prove its hypotheses without the reliance on data gained from social figures that deal with the Iraqi reality.

Political and economic topics are often reserved for experts and academics, as these subjects are consisting of data, information, statistics and analysis which are far from the level of public opinion. From this standpoint, I directed the questions stemming from the assumptions of this thesis to academics and experts in the fields of politics, economics, the oil sector, political economic analysts, businessmen and professionals with different responsibilities related to the Iraqi political economy. Therefore, the questions were not directed to be answered in the form of yes or no, it takes an interview format, through a direct interview, recorded phone call or Google sheets, which provide to the interviewees an opportunity and objectivity to answer and provide explanations and broader comments. The collected comments have been analyzed to explore more data for future consideration. The interviews were separately rich in qualitative information data.

Thus, for the purpose of sorting and analyzing data and obtaining numerical data from it, the answer was extracted from the content of the majority towards determining in terms of the meaning of yes or no to draw the charts and tables.

These questions are designed in such a way that the answers allow the interviewees to compare the economic and political systems before and after the American invasion to Iraq in 2003.

	1 Interviewees Specialty	No.	%	
Table 13	2 Experts	6	12%	Interviewees
	3 Academics	22	42%	
	4 Analysts	18	35%	
	5 Business Men	6	12%	

Specialty

Q1:

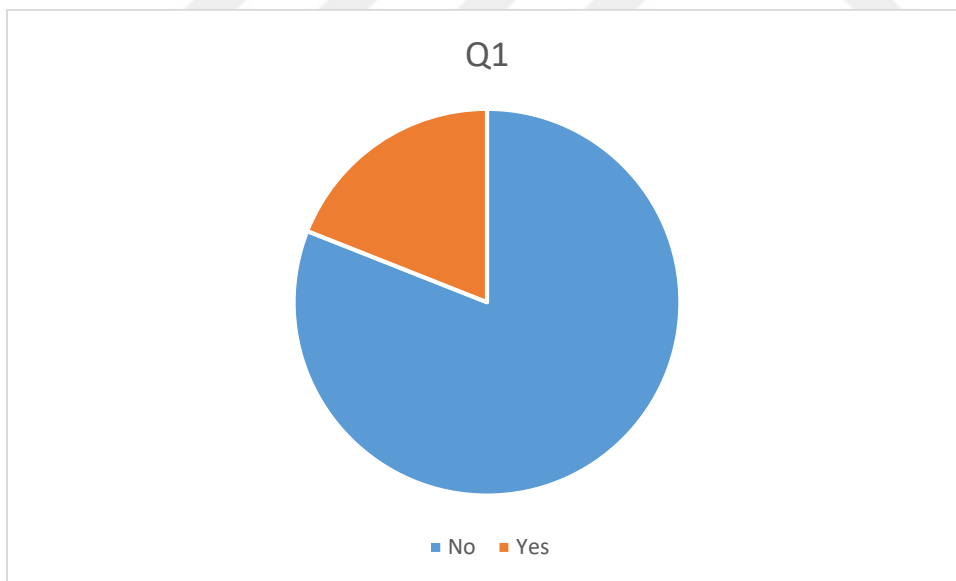
What is the economic system in Iraq after the US invasion of 2003, and is it compatible with political system?

This question was formulated based on the fact that the totalitarian political system in Iraq before 2003 was heading towards socialism, which means greater intervention by the state over the economy. After the American invasion, the political system was changed from a totalitarian system to a democratic parliamentary system, according to the claim of the founders of this system under the umbrella of the US.

The economic system is supposed to be compatible with its new political system, as the economic system in democratic countries is the market system.

Did this really occur during the 17-years period from 2003 to 2020?

Statistics:



1- 81% is No

2- 19 % is Yes.

Analysis:

Most of the answers to this question agreed that the economic system after 2003 is a hybrid system because it could not leave the previous socialist economic system that agreed to totalitarian rule before 2003.

Therefore, the governments beyond the American invasion and with the transformation of the political system from a totalitarian to a parliamentary democracy, did not have a clear vision or economic strategy with clear goals.

These governments were confused and fell into rumoring the role of the state in the economy before 2003, increased the state's dependence on the rentier economy which is crude oil exports mainly (see Figure 1).

This trend in economic deterioration was reinforced by the decline in economic growth and the rising of unemployment of university graduates. It has become increasingly turbulent because most of the official Iraqi universities have not changed after 2003 to keep pace with the labor market. The number of agricultural engineers in Iraq has reached more than 100,000 matching them in number of veterinarians because there are more than 15 colleges of agricultural engineering and veterinary medicine in Iraq with knowing that Iraq imports its agricultural products from abroad, in the mindset of this rising unemployment army, the only field of work they have is the public sector and government job, it has trended the quota politicians whom dominated the power, so we note that before or during the elections this paper is used, which is the employment of these people in the public sector (Political Business Cycle Chapter One) (Sieg and Batool (2012) chapter one).

with the aim of their re-election and ,this employment is considered a security among these young people and their rush to work , the private sector has become very weak and non-existent, due to the fact that there are privileges in the government job that are not available in the private sector, which are reflected in social security and retirement.

This army is now the nucleus of strikes and protests that have been going on since 2011, which included the central and southern governorates led by graduates and post in the cabinet of the former prime minister Adel Abdulmahdi 2018 ,With the start of the unrest, the situation in Iraq was calmed down by using the employment paper in the public sector, this led to an increase in the number of employees in Iraq from 750,000 before 2003 to 4 million afterwards.

The protests are still going on until now. This trend is likely to consume the resources allocated for investment in the general state budget and withdraw them towards covering salaries and wages for the public sector, knowing that the employee's productivity does not exceed 15 minutes per a working day. *"The productivity of the employee in the public sector is very weak, not exceeding 17 minutes per day, and the average does not exceed 36 days."* Muhammad Mazhar Saleh

Economic consultant of the Prime Minister of IRAQ .

These incidents caused continuous political instability, and this had consequences on the economic, political and social situation in Iraq. This is one of the reasons for confusion in the state administration (Jong 2008, chapter one).

The answers received from those interviews confirmed that the political system is not compatible with the economic system in Iraq and that the current economic system is an oil rentier, depends on crude oil exports, as was indicated in the second chapter. Therefore, during the years that witnessed a rise in oil prices, there was a relative calm in Iraq, while in the subsequent years, in which oil prices below 40 US\$ per barrel, the Iraqi state suffered from a great shortage in the state's general budget, especially in the aspect allocated to salaries and wages, it turned to borrowing from the International Monetary Fund and international banks, which burdened the budget with compound interest. Please short sentences it increased this trend until 2019, so the government could not but raise the exchange rate and raise taxes, especially on public sector employees and people with limited income, and one of the indicators of this is the decrease in the GDP and its repercussions are low economic growth.

A- Adel Al-Handal, Professor, University of Gothenburg, Sweden

"There are no features of an economic system based on science. In Iraq today, an economy is based on the personal opinions and opinions of corrupt officials and politicians"

B- Prof. Abdel-Reda Faraj Al-Badrawi (University of Basra Faculty of Administration and Economics, Banking and Financial Sciences)

"No, there is a conflict between what is stipulated in the constitution by adopting the market mechanism (free market economy) and leading the private sector to accelerate economic development.

Political orientations are what lead to dealing with this country or that. It is the political criterion that determines the priorities.

I was hoping that the economy would be the horse and politics would be the cart, but the opposite would happen.”

D- Dr. Hussein Ali Hashem Al-Luaibi

Assistant Professor, Basra University, College of Administration and Economics

“The economic system is a mixture between two systems, the public sector is a remnant of the previous political system, it is much larger in size compared to the private sector, but it suffers disruption for many reasons, and the private sector has begun to increase in size and contribute to the economy, but its role in particular is in construction, service work, and internal and external trade.

It does not have a large base in industrial and agricultural production for many subjective and objective reasons that review its role and there is no coordination between the two sectors, the most important of these reasons is the lack of stability in the political system and the frequent conflicts that have leaked to the joints of the state and the public sector.”

The US invasion to Iraq in 2003 depended on figures and parties that represent the sub-national factions. These parties and personalities own armed militias. This made Iraq lose the formation of a nation state led by effective national elites to produce leaders who are able to form a sense of national identity and cohesion, which is the basis of political and economic stability.

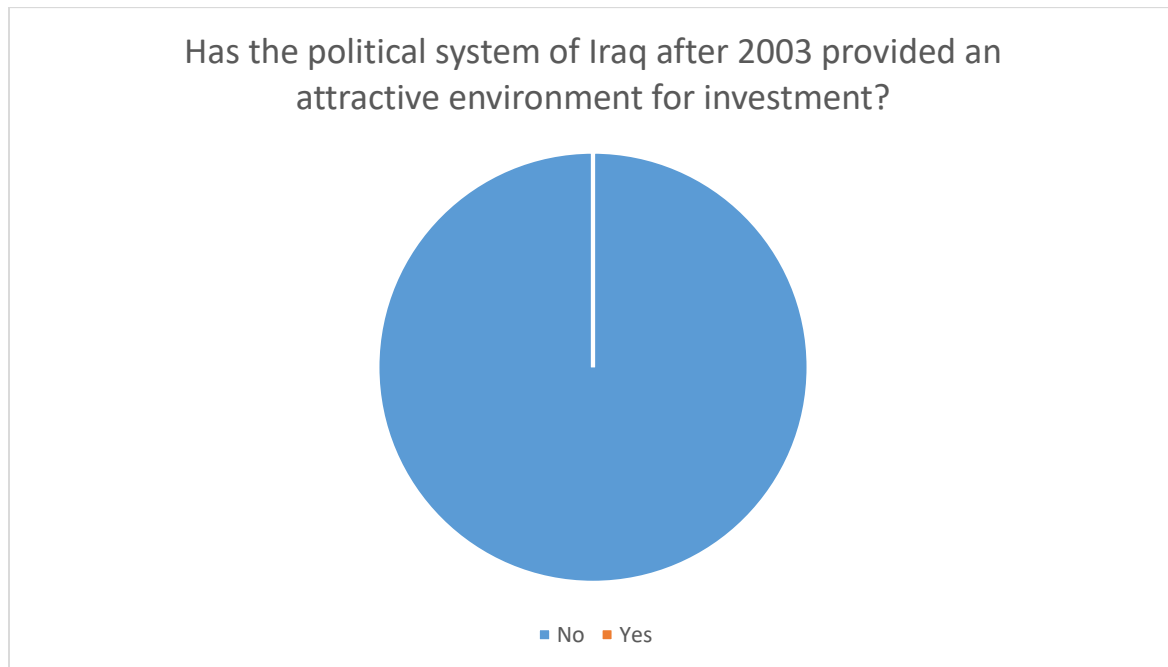
The faction and ethnic leaders who dominated power with the help of the US occupation turned Iraq into a fragile state that is unable to provide its citizens with vital public services represented in security and accountability. This is one of the repercussions of the lack of a national leadership (indicators of the fragile state, chapter two) (Ali Sina, the impact of ethnicities on economic indicators chapter one).

These faction leaders chased after their partisan and personal interests and ignored the interests of the population. They took control of the rentier economy, with it there was no accountability and balances which were basic for control corruption, Corruption spread without a deterrent, undermining development in Iraq and exposing it to huge losses from the revenues of the oil.

Because the state has become rentier and has become under the domination of militia leaders, they considered that what comes to the state is a booty and cake that they deserve, and because they have an armed force, they imposed complete control and divided these revenues among themselves, which spread backwardness in the Iraqi economy. (Ideological parties chapter one, and ethnicities)

Q2:

Has the political system of Iraq after 2003 provided an attractive environment for investment?



Statistics :

1- NO 100%.

2-Yes 0%.

In modern economic theories, investment and its success in the countries of the world are considered a reliable economic indicator, tied to economic growth, inflation and unemployment. Investments depends mainly on basic infrastructure, the first of which is the stability of the security and political system, the second is the nature of its economic system, and the third is the sovereign guarantees of the state.

Analysis:

The answers, by the absolute majority, were in support of what the thesis theory claimed, which is a marked failure of investment in Iraq after 2003 with regard to internal or external investment. The system of emergent democracy that was imposed, was based mainly on the opportunity for political domination of politicians with ethnic and sectarian orientations wrapped in political ideology, completely lacked to strategic vision to build a national state based on the standards of the rule of law and citizenship. They tended to strengthen the role of their ethnicity to obtain political and economic gains. This generated fragmentation in the political and economic system in Iraq, with it the opportunities to build a strong state with a developing and developed economy were lost. The rentier economic situation allowed them to do so.

This Lebanonization of Iraq has certainly not been able to provide an attractive environment for investment because it lacks the infrastructure for that. The first of which is the rule of law, which is the mainstay for attracting investment and its success. The rule of law and its developed legitimacy court system, legal and executive apparatus provide the investor with a fair legal guarantee to preserve his capital through the application of laws and the resolution of disputes resulting from the investment process.

Dr. Adel Al-Yabis is a researcher in sustainable development and good governance

"The investment environment requires good governance, rule of law and transparency, and this is currently missing in Iraq as a result of political conflicts"

The second factor is good governance, because of the ethnic fragmentation and the non-national leaders who appropriated the oil rent as personal gains under their claim, ethnic and sectarian affiliation, therefore the Iraqi budget financed by oil is seen as a summit that must be extracted for this party or that, obtaining the largest gain from it instead of placing in planning for development, and promote investment with national visions.

This was the illegitimate father of corruption that spread and became systemic corruption in the Iraqi state, weakest of all the foundations of good governance that are based on transparency.

Third, the bureaucracy has been pointed out that the successive governments after 2003 were unable to leave the bureaucratic system of state administration under the previous totalitarian rule, up to now:

there are still laws remaining from the previous regime that have not been canceled or changed to be applicable to the modern system, all of this coincided with the state's administrative quotas for every ethnicity and sectarianism, the expansion of employment, which burdened state administrations with more bureaucracy associated with corruption and disguised unemployment, the lack in clarity in the administrative relationship between the federal government and local governments, whether investment licenses would be subjected to whom, who is responsible for delays this process in fact it is forwarded into the routine of papers, the lack of understanding nature of the flexibility of the investors' mentality, as investors consider time as financial resources.

Engineer Rashid Amos - Turkish businessman

"Lack of political stability in Iraq, economic stability and investor protection

Laws do not serve the interests of the business and the investor

The Ministry of Finance does not allow the Sovereign Guarantee Law"

Investment is linked to economic growth and the data assigned in the second chapter confirms the decline in business and investment performance for the years after the American invasion war in Iraq. It is worth noting that between 2008 and 2012 the Iraqi GDP grew at an average rate of 7% annually due to high oil price. But the growth provided only 1% of jobs, while the oil sector represents 50% of GDP and did not create new job opportunities. The poverty rate increased by 20% and the number of citizens searching work increased. One of the economic trends is that economic growth provides new job opportunities and provides a business and investment climate if this growth is used to improve infrastructure such as electricity, transportation and the banking system, these revenues could have fueled the files of the lack of basic services such as health, education and other social services that are the basis for the formation of human capital.

Iraqi society was divided under the shadow of the non-national leaders who were referred to into two parts, the first and the smallest who came to power and extracted the gains of the rentier economy and employed them for the benefit of their political gains. Health care and education in the shadow of the democratic government, were even excluded from the development process which led to the great disparity in incomes and the increase in poverty and inequality rates (Iram Shehzadi¹, Hafiz Muhammad Abubakar Siddique² and M. Tariq Majeed (2019)Chapter One).

Dr. Najj Sari - University of Basra

"As a result of administrative and financial corruption, as well as the fragile security situation, there will be no effective investment file, but it will be an attractive environment only in the oil sector"

The only sector that has grown and achieved profits without regard to the instability and political conditions in Iraq is the oil sector, which is led by international oil companies, through what the post-2003 governments provided them with in the licensing rounds in which they granted wide privileges and rights, knowing that these licenses are administered strong criticism by global and local experts and oil economists. I found that what is happening in Nigeria is completely identical to the situation in Iraq, as the oil companies in Nigeria, despite the political instability, the companies continue to invest and multiply growth, despite the presence of figures and indicators of unemployment and poverty. (Chapter one Frynas (1998))

Q3:

How do you evaluate the banking sector in Iraq, leaded by the Central Bank of Iraq, government and private banks?

The interviewees' answers revealed essential points that started with the representative of the banking sector in Iraq, the Central Bank of Iraq, then went to operating banks, monetary policy, financial policy, corruption and its impact, the political system after the American invasion, which reflected negatively on the investment file through the banking sector.

Analysis:

Credit policy is the basis of the banking sector in the free market economic system. The answers focused on a comparison between the form of the banking system under the umbrella of totalitarian rule before and after 2003, and the monetary and fiscal policy was the main topic of this comparison.

Iraqi banks before 2003 were subject to the policies of totalitarian rule, which was following a socialist approach, but after 2003, the democratic political system that was accompanied by the free-market economy system witnessed the establishment of many private banks, but the banking system after 2003 can be summarized as follows:

1- The majority of the answers indicated that the main obstacle to banking system was the routine bureaucracy that was accompanied by corruption, and that the restrictions imposed by the Central Bank of Iraq kept international banks away from investing and establishing branches in Iraq.

2- Credit and loan policy were almost non-existent due to bureaucracy and corruption, and loans were granted exclusively with the approval of the board of directors, under very complex conditions. This contributed to closing the doors to a large market for these banks and turning them into exchange offices, selling foreign currencies, directed significantly and noticeably towards the file of the distribution of salaries for employees and retirees.

Manar Ahmed - Master of Petroleum Engineering businessman

"The banking system in Iraq is paralyzed and completely subject to the laws of the Central Bank of Iraq without any space for the application of global banking systems, and evidence of this is that international banks are not able to establish branches in Iraq such as HSBC or Citibank because their policies do not comply with the regulations, policies and laws of the Central Bank of Iraq, controlling a segment and a layer A policy enforced by the decisions and decisions of the Central Bank in a way that secures profit or coverage for illegal banking operations that impede the work of local banks independently and creates an unsafe environment for banking transactions of major and international companies"

3- Although the Iraqi Trade Bank, which was established by Paul Bremer, the ruler of Iraq after 2003, grants banking services represented by external LCs, a measure that supports the private sector and encourages the investment environment, but it does not provide any other banking facilities for businessmen. On the contrary, demanding them for guarantees of a very high value that reaches more than 110%, which prompted many of these businessmen to resort to the services of banks outside Iraq, like many companies that have become dependent on banks in Jordan, Turkey, Lebanon and even Iran.

4- The high value of interest taken by banks, especially in investment projects that range between 7 to 10 %, while in most banks in the world it does not reach more than 2%. The problems of the banking sector do not stop at companies and businessmen only, but do not find demand from majority of citizens that do not use banking services: only 23% of Iraqi families have an account in a financial institution, which is among the lowest in the Arab world according to the World Bank reports. Most

of them are state employees whose salaries are distributed through banks, as the employees withdraw their salaries in cash and keep them in their houses.

5 - Iraqi banks do not allow deposits in foreign currencies for the purposes of saving, and this causes a large loss and diversion of foreign currency locally, the direction of capital in foreign currency to banks of neighboring countries.

6- Successive governments did not adopt a policy that supports the banking sector by issuing new laws or amending previous laws.

7- There is a backwardness in the infrastructure that supports these banks, mainly in security, electricity and communications.

8- In 2004, Paul Bremer, the governor of the American invasion authority over Iraq, issued a law authorizing the Central Bank of Iraq to sell the US dollar to banks and exchange companies operating in Iraq. Later, the Central Bank of Iraq, the government and Parliament acknowledged the existence of corruption in this auction, as documents confirmed corruption in The Central Bank, specifically the currency auction, which includes 32 companies, 29 of which are not registered with the Ministry of Commerce. The Central Bank has sold more than 312 billion dollars since 2003 at a value of 1180 Iraqi dinars to one US dollar transferred 80% of this money outside Iraq, while only 20% entered the local market Many of whom interviewed believe that this money was going to support Iran in facing its economic blockade with the help of the influential political leaders and the ruling militias in Iraq (Al-Obaidi - Economist -Currency auction,,Experts warn of "corruption" and "leakage" of Iraqis' money ,Alhurra Iraq satellite channel).

9- The currency auction had repercussions that affected both economic, political and social life, represented in

A- The handicap to the Iraqi economy

B- The depletion of the central bank's reserves of foreign currency and gold bars, which in turn affects the exchange rate of the local currency

C- The growing phenomenon of money laundering.

D- The instability of the economic situation, which directly affects the political situation

E- The rentier Iraqi economy is subject to fluctuations and speculations in the local market

F- Loss of independence of the Central Bank of Iraq

G- Expanding the gap between the official exchange rate and the market exchange rate

H- The growth and spread of corruption and Theft of public budget.

I- The currency auction is a complex, thorny, multifaceted issue, and most economic researchers have differed about defining the problem as it is large and is a new form of economic corruption associated with the money laundering process in Iraq , a means of smuggling money outside Iraq.

Most of the private banks were established as fronts for political parties with corrupt political capital and the depletion of state resources. This is why we find that these banks do not contribute to supporting economic development in Iraq, but rather dominated the quotas in the currency auction and became parasitic in nature. It enabled it to take full possession of the currency auction sold by the Central Bank of Iraq and even issue laws that allow it to continue to dominate, this spread the process of transferring currency abroad, draining foreign currency, expanding the size of the informal economy, even part of this money was used to finance terrorism. Ouédraogo (2017),chapter one

Q4:

Does the private sector and business contribute to laying the foundation for the economic system in Iraq?

The Entrepreneurship Index issued by the World Bank is considered a criterion for assessing the ease of creating business in the countries of the world. The index indicators, as discussed in the second chapter, place Iraq in the classification of the worst countries in the world in this field.

The causes for this deterioration lies beyond that the governments inherited the mentality of totalitarian management of the economy and the role of the state, dominated the joints of the economy , the absence of business and investment in it, although it raised in the economic planning process a proposal (an economic philosophy that depends market economy in harmony with the democratic political system) but in fact the reality of the situation is that the government remains the most knowledgeable and dominant in this field, taking orders from the top to the bottom in economic matters, even minor ones, meaning that the private sector is welcome to offer its investments and administrative skills, but only to achieve goals drawn by the Iraqi government bureaucracy, this greatly limits entrepreneurship in the private sector, which is the main source of economic development and growth.

This question was directed to the considerations that the health of the economy in any country in the world and its political and social stability depends on the expansion of the private sector and entrepreneurship.

The analyzes included in the interviewees' answers supported the indicators discussed in the second chapter in terms of the reasons for the backwardness and decline of the private sector in Iraq after 2003, as they agreed with the basic indicators of ease of business adopted by the World Bank.

Analysis:

Most of those who dominated the administration of the government after 2003 had a background of comprehensive political ideologies and did not have clear visions of what the Iraqi economy should be under the democratic system, of which 90% must be led by the private sector, so there was no encouraging and attractive environment for entrepreneurship and investment, The main reason for this is due to the availability of high revenue from the export of oil and the rentier economy, that the policy of employment in the public sector, which doubled after 2005, greatly reduced the trend towards entrepreneurship and the private sector. Jaffrelot, Kohli and Murali. (2019) chapter one & O'Cass (1996).

The political stability of any country is a pillar of economic development. This was absent from the Iraqi environment, as the democratic system imposed by the American invasion spread and reinforced sectarian and ethnic conflicts, as sectarian conflicts erupted during the years 2005-2007, which was a precursor to the emergence of armed and outlaw groups that It began to impose its control over large areas in Iraq, therefore these groups were imposing royalties or entering into partnerships with investors and entrepreneurs. Spencer, Murtha and Lenway (2005)

The bureaucratic system that was inherited from the totalitarian system remained dominant in dealings with investors, so investors kept going in marathon circles to obtain permits to create their investments, which often ended in disapproval or the investor retracted his decision because it cost him fund and time, also due to the multiplicity of relevant authorities including the relationship between the central government and the local government.

The weakness of the state contributed to the emergence of tribal areas in which the clans impose their laws on those wishing to establish investment projects on the neighboring lands by force of arms. This also led to the occurrence of clan conflicts between these clans, which caused security and social unrest.

The indicator of Iraq's trade balance with the surrounding countries was negative after 2005. The volume of trade exchange with Turkey amounted to 15 billion dollars and with Iran 20 billion dollars.

There was no system that codified and established controls for the import of goods and merchandise from these countries. Economic feasibility, support and reinforce that decline in industrial and agricultural production after 2003, and Iraq became an importer and consumer of all its food requirements. 180 billion dollars without being covered by imported goods, as these invoices were fabricated outside and inside Iraq. Ouédraogo (2017),

Walid Khaled Al-Harbi - Regional Director of Weisen Engineering for Heavy Oil Industries -
Number of years of experience 18

" The fragility of the support provided by the central government, in addition to the dilapidated banking sector.

The success of any private economic sector depends on the encouragement of the state and the country's political security, in addition to the modernity of its banking sector. These three pivot points are non-existent in Iraq, in addition to the entry of the Iraqi banking sector into the corridors of suspicious secret deals and money laundering. "

This smuggling of capital prevented its accumulation in Iraq and limited internal investments. There are legal problems facing investors in the process of collecting debts and resolving disputes, whether between the private sector or with the public sector due to the weakness of the legal system, courts and their enforcement apparatus. These reasons led to the spread of the informal economy for not obtaining official license, as it reached 60% of the gross domestic product, which negatively affected the state's tax revenues.

Q 5:

Investment laws were issued in Iraq, including Law No. 13 of 2006 and Amendment No. 50 of 2016 that are supposed to lay the main foundation for the development of the Iraqi economy, but they did not reach to their extent in effectiveness in your opinion, why?

The legal system is seen as the main aspect in imposing the rights and duties of all society, including business and investment relations. Countries around the world tend to develop laws to attract

investments that give investors rights that encourage them to invest in these countries, some of which compete in the issuance of investment licenses, which may not exceed few hours.

It was also discussed that the totalitarian regime before 2003 did not give priority and importance to the file of investment, entrepreneurship and the issuance of laws that encourage this because of its socialist economy and its entry into conflicts and wars, especially with neighboring countries for long periods, with that the court system and the implementation of laws in the country imposed its strength and dominance.

Many of those interviewed reiterated that the period after 2005 and the adoption of the new Iraqi constitution, which included laws encouraging the free market and investment, was nothing but a dead letter.

Analysis:

In 2010, Iraq issued the National Development Plan. It is an initiative that was appreciated even though it did not give the private sector the largest role in leading the Iraqi economy. Previously, the Iraqi parliament issued an investment law in 2006 and it was later amended in 2016. It is assumed that this law provides the appropriate environment for entrepreneurship and investment in Iraq, although it included great encouragements, including granting land to investors and exempting them from customs duties and other decisions, but this law lacked implementation and oversight.

Obtaining investment licenses has been exploited to set up major projects in housing and agriculture, among others, and concessions were granted, but the reality of the situation was that the implementation of most of them did not exceed 10%. In the last visit of Iraqi Prime Minister Mustafa Al-Kazemi to the Investment Commission in Iraq to discuss this file, it turned out that there are 1,160 investment projects. The licenses were granted to them, but they did not fulfill even the initial percentages of their obligations. These licenses were used to import construction industrial materials and vehicles without customs tax, and then sell them in the Iraqi market. The law was also exploited to supply foreign labor, Asian Dunant used to work in the same projects, but invaded the Iraqi labor market and raised unemployment rates, as noted in the unemployment index chapter two.

The main problem here lies in the weak follow-up and oversight by the Investment Authority, which is the party concerned with investments in the country, and the weakness of the legal system to sue and hold them accountable, especially since most of those who obtained licenses are from the influential and political parties in the Iraqi state. Spencer, Murtha and Lenway (2005) chapter one.

The governments after 2003 failed to provide the two basic services that must be provided for the growth of investment and the economy, namely security and transparency, this is one of the standards of good governance that declined after the American invasion of Iraq after 2003.

Dr. Abbas Ali Muhammad University of Baghdad

"Iraq witnessing The absence of the required investment map and the absence of support for the private sector"

Hypotheses testing result:

The aim of the study is to prove that the US invasion of Iraq negatively affected economic growth by increasing political instability, when the economic indicators were examined in the second chapter and a comparison was made between the value of these indicators before and after the war, by presenting their values over the years before The war and after, we found that the indicators were recording better values before the war, which supports our theory.

Iraq's entry into the framework of failed states supports our theory mainly that war is the main influence for this, as well as the lack of an environment and an attractive climate for investment that supports the deterioration of the economy.

Through the questions that were asked to the elite in the third chapter, it was concluded that the results of the war were negative on levels beyond what we wanted to prove. They were not limited to political instability or economic growth, but went beyond to explain to us more negative causes and results on the social level.

The society is suffering from religious and national ethnicities and the health and education sectors are deteriorating, which we recommend to be studied in future studies.

I.2 Conclusion

At the time of the invasion on Iraq, US did not have a vision of what the political system in Iraq should be, neglecting its political history, social development and being under a totalitarian regime for more than 30 years. Therefore, planted a federal democratic parliamentary system. This system create a huge gap between the political elites and the people , the nature of this system, which is a sign of progress and stability as in Europe, what actually happened is the spread of sectarianism, ethnicity, tribalism and power sharing. The failure of the state and the spread of corruption.

The pretext for the US invasion of Iraq in 2003 was to search for weapons of mass destruction and empower the Iraqis with their wealth and future. Through a literature review and data analysis, these allegations turned out to be false and unrealistic, because the 2003 US invasion created an environment of political instability that extended for years from 2003 to 2020, Political instability was the main cause of economic deterioration, the emergence of powerful armed militias affiliated with various sectarian parties with parallel armament to the official Iraqi armament. The Iraqi state became hostage to the behavior of these militias, impose their control over the political and economic decision in Iraq, led to social unrest and deprivation of people from Freedom to benefit from their resources and their right to self-determination.

The study found that because of the use of personalities with sectarian and ethnic ideological and their ability to seize power in Iraq by the US invader, these groups fought among themselves to achieve significant gains from the Iraqi rentier economy using their armed militias. Divided the general budget, and left the people suffering from poor services, unemployment and inequality.

Significant funds were allocated from the state budget to serve benefits and salaries rather than diverting them to infrastructure services such as health, education and social security. Corruption has become comprehensive in the joints of the Iraqi state. Many laws were enacted which serve their actions. The weakness of the rule of law and the complete protection of thieves from accountability.

One of the results of the US invasion is that Iraq topped the rating of a failed state, according to the annual report issued by the Peace Fund, as it ranked tenth without any improvement since 2005.

As a result of the deterioration in the economic sector with the weakness of the private sector and investment, which negatively affected the development of banking business in Iraq, where the banks

that follow armed political parties only grew, and the bulk of their parasitic work was to benefit from the auction of selling the foreign currency (US\$), legislated by the US ruler Paul Bremer.

This research focuses on studying political economy and comparing the situation in Iraq before and after 2003 through the concept of business and investment, using international statistics and the answers of experts and academics, we proved that the decline of the private sector after 2003 in all its sectors in Iraq, the private sector remained a marginal sector that depends only on trade from abroad, which is always negative for Iraq Economy.

This study has proven that the US invasion of Iraq aims primarily to control the oil wealth, considering that Iraq possesses the second largest strategic oil reserves in the world, all through licensing rounds in which international oil companies obtained large and long-term concessions. Decades despite the ethnic conflicts, political and economic instability in Iraq.

Other researchers have studied the impact of the occupation on Iraq individually on a specific topic but not going further more to study the impact of the invasion on the political instability, reading the Effect of the political actor on the Economic outcome.

The challenges of this research lie in the lack of data before 2003, as most of the economic indicators were created after 2003, also the security, Many people refused to interview and talk because of their fear of militias after the publication of this study.

The research opens horizons for researchers to furthermore studies, as the US invasion had an impact not only on political economy, but on the most vital state institutions that are most important in people's lives, such as health, education and poverty.

The study proved its hypotheses that the US invasion creates instable political system which effected negatively the Economic system at Iraq.

I.3 Recommendations

Political instability will continue in Iraq as long as the system is not developed from the people's needs. Democracy did not fail because of its mechanism, but rather because of its misuse and its establishment on sectarian and ethnic bases. The study came out with recommendations as follows:

- 1- Developing societal awareness by focusing on combating poverty, and developing the education system and health system in the community.
- 2- Giving the youth the opportunity to participate more broadly in the political decision.
- 3- Rebuilding the judicial institution and its executive body, to provide the appropriate law and a safe environment, in order to create investments that provide job opportunities, enact new laws that comply with the new constitution.
- 4- Restructuring the Federal Reconstruction Council, which creates an environment for building a healthy economy, not an oil rent economy, by supporting agriculture and industry with five-year plans.
- 5- Encouraging work in the private sector by granting similar privileges to the public sector.
- 6- Rebuilding the national character and moving away from ethnic and racial identity and foreign loyalties.
- 7- Changing the policy of the Central Bank and distributing salaries to employees in foreign currency and the US dollar, which reduces inflation, closes the doors of corruption and encourages local trade.
- 8- Developing the banking sector by supporting it to increase transactions and provide services to citizens, in order to gain the confidence of people and merchants in particular.
- 9- Adopting the sustainable development goals as action plans for the government program.
- 10- Reform the executive state apparatus by adopting decentralization and e-government to eliminate corruption and expand the volume of services to citizens.

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