

## **FEATURES OF THE IRAQI ECONOMY: COMPARTIVE STUDY TO SOME ECONOMIC ELEMENTS FOR THE YEARS (1990-1995-2000-2005-2010-2015-2019)**

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### **Abstract**

Iraq is considered as a rich country with multiple natural resources, but wars and financial and political crises led to the destruction of the country's infrastructure and prevented the investment and distribution of those resources in a fair and just ways, as Iraq is still suffering from unemployment, poverty and lack of essential services which have stopped the wheel of industry and agricultural lands receded significantly, so the country transformed into a consuming country depends only on neighboring countries and industrialized countries to secure its agricultural and industrial needs. The results of the study were shocking as the Iraqi government depends mainly on exporting of oil to cover its operational and investment expenses in more than (85%), and neglected the rest of the economic sectors. As for poverty, the percentage of those who fall below the poverty line (23%) as well as the unemployment rate that exceeded (23%). The country's debt has recently reached (\$133) billion, and the latest reports by Transparency International organization considered Iraq as one of the worst (20) countries in terms of administrative and financial corruption.

**Keywords:** Iraqi economy, unemployment, poverty, investment, industry, oil exporting.

### **1- INTRODUCTION**

Iraq has been experiencing successive crises since the Iraq-Iran war (1980-1988) until today, because of the stupidity of the ruling authority and its authoritarian nature or because of its weakness and the intervention of regional and major countries in the internal Iraqi affairs. In 23 years, the country fought three major wars that destroyed the country's economy and infrastructure almost completely, the latest of which was the war on terrorism (2014) which had a catastrophic impact on the Iraqi economy. After industry and agriculture lost their place in the Iraqi economy as well as the deterioration of the services sector. Iraq has become a consumer country that depends on neighboring countries and China in most of its basic needs and has become dependent on the export of oil mainly to cover the expenses of the state, recently the country depends on oil-exporting has exceeded (88%), and the future of the Iraqi people for generations depends on the amount of oil exported and its prices in the international market. The industrial sector collapsed almost completely, local industries confining to simple products that cannot be compared to the country's production before (2003). Most of the basic products are imported from neighboring countries. In agriculture, there may be an improvement in wheat production, but the country still relies mainly on imports to meet people's needs for fruits and vegetables. Despite the fictitious budgets of a country with a population of only (38) millions, the corruption on one hand and poor plans, on the other hand, prevented these funds from being properly exploited and used to eradicate poverty or to revive a particular economic or agricultural sector or to improve health and education services.

### 1-1: Problem of the Study

The problem of the study is that the Iraqi economy was considered the best in the region in (1960s-1970s) but the external and internal wars in the country led to the destruction of economic infrastructure. Oil has become the only source of the state to cover its operational and investment expenses, as the budget of the country depended in some years on more than (90%) on oil only, and the fate of the country is linked to oil prices in global markets. Opening Iraqi markets to foreign products had killed many domestic industrial products as well as deliberate government neglecting of local industries. In terms of agriculture, Iraq has been self-sufficient in wheat and barley crops, but the country still imports most of the fruits, vegetables and even dates from neighboring countries, worth mentioning that Iraq was the first in the world in dates production. Many companies have been reluctant to invest in the country because of political and security instability, and widespread financial and administrative corruption, which considered as the real scourge that has been devouring Iraq's wealth since 2003.

### 1-2: Aims of the Study

- A- Identify the reasons for collapsing of the industrial and agricultural systems in the country.
- B- Determine the current levels of unemployment and poverty in Iraq.
- C - Try to find realistic solutions appropriate to the problems facing the Iraqi economy.

### 1-3: Hypotheses of the Study

This study is based on several hypotheses:

- A - Despite the passage of (16) years to lift the economic sanctions on Iraq, but governments did not achieve remarkable results economically and did not address the problems radically, which led to raise of the public debt.
- B - Despite the country's vast and diverse wealth, Iraq still suffers from very high rates of unemployment and poverty.
- C - The Iraqi economy depends almost entirely on oil-exporting.

### Elements of the comparative study in Iraqi Economy

Data for the years (1990-1995-2000-2005-2010-2015-2019) will be analyzed.

### 2-1: Unemployment in Iraq (1990-2019)

YEARS	UNEMPLOYMENT RATE
1990	%5
1995	%13.6
2000	%28
2005	%17
2010	%18
2015	%19
2019	%23

Table (1) The unemployment rate in Iraq (1990-2019) by the researchers Based on data from the Ministry of Planning



Figure (1) The unemployment rate in Iraq (1990-2019) by the researchers based on table (1) data

This figure shows that the country suffers from increasing unemployment rate, where the number of unemployed increased significantly after the war on terrorism in 2014, appointments in government departments has stopped and the disruption of investment on one hand, and the failure of the private sector to absorb large numbers For graduates every year. High degree holders recently joint unemployed youth. So the research fulfills the second hypothesis that Iraq suffers from a high level of unemployment.

## 2- 2: The poverty rate in Iraq 2019-1990

It is known that the current global poverty line is estimated at (\$ 1.90) for a person per day for extreme poverty. And (\$ 5) per day for average poverty. (International Monetary Fund)

YEARS	POVERTY RATE
1990	%56
1995	%60
2000	%40
2005	%20
2010	%15
2015	%30
2019	%23

Table (2) Poverty rate in Iraq (1990-2019) by the researchers Based on data from the Ministry of Planning and the International Monetary Fund

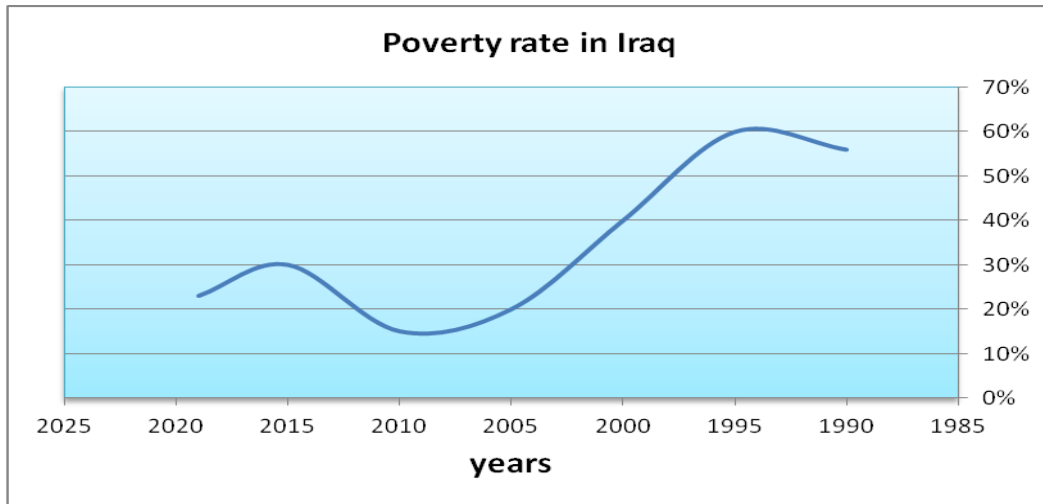


Figure (2) poverty rate in Iraq by the researchers based on table (2) data

As we can see from the previous figure, Iraq was suffering from a very high level of poverty due to the wars that drained the resources of the country and the unjust economic sanctions that caused the death of thousands of children annually due to disease and malnutrition. The poverty rates decreased significantly after (2003) to reach their lowest levels (2010). However, it returned to rise to reach (23%) recently. So research confirms the second hypothesis that Iraq suffers from high poverty rates for such a wealthy country.

### 2-3: Iraq's Oil Exports 1990-2019

YEARS	IRAQ OIL EXPORTING (PER DAY)
1990	1596000
1995	64000
2000	2000000
2005	200500
2010	1468000
2015	2515000
2019	3630000

Table (3) Iraqi oil exports (1990-2019) by the researchers Based on CBI and OPEC data

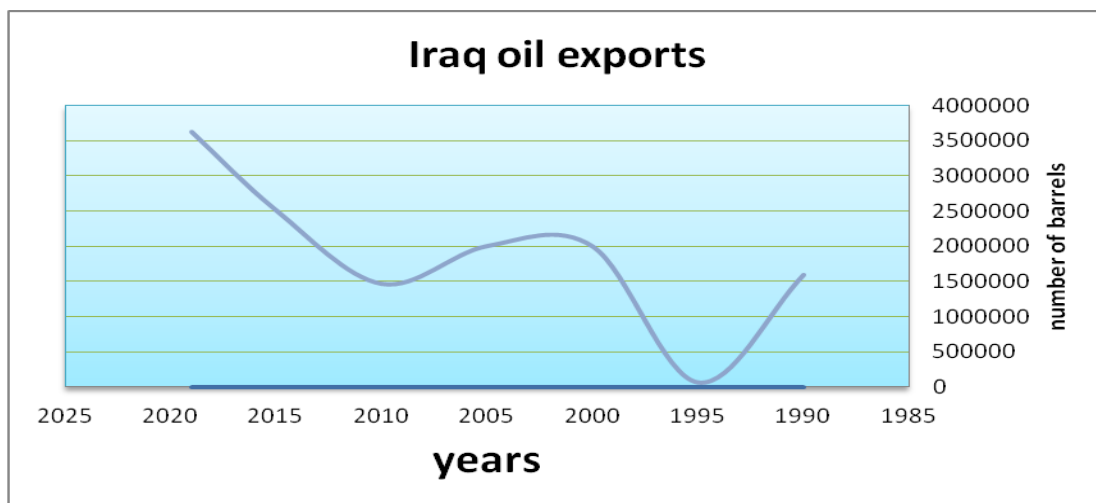


Figure (3) Iraq oil exports, by the researchers based on table (3) data

The previous table shows that Iraq oil exports began to rise significantly, as Iraq exports rose after the year (2000) and returned to decline after (2003) because of the war. And recently returned to rise and reached production of more than (3.7) million barrels per day for the first time in Iraq. Iraq aims to export (4.5) million barrels per day in the near future.

### 2-4: Iraqi GNP 1990-2019

YEARS	Contribution of oil sector (%)	Contribution of industry sector	Contribution of agriculture sector
2000	%5.4	%6.2	%26.6
2005	%61.3	%2.2	%6.6
2010	%43.8	%2.9	%5
2015	%58.8	%2.16	%4.16
2019 1 <sup>ST</sup> QUAR	%65	%1.62	%1.75

Table (4)the Contribution of various sectors to the GNP(1990-2019) by the researchers Based on data of the Ministry of Planning, Central Bank

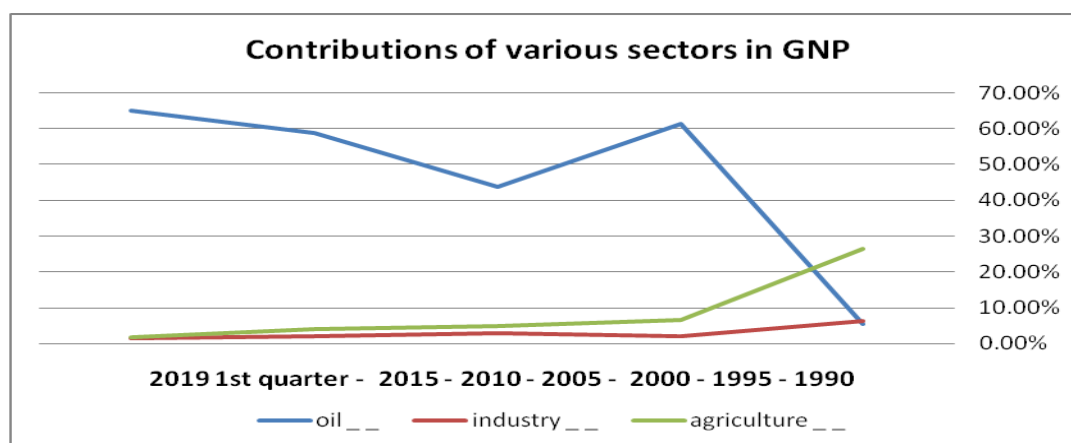


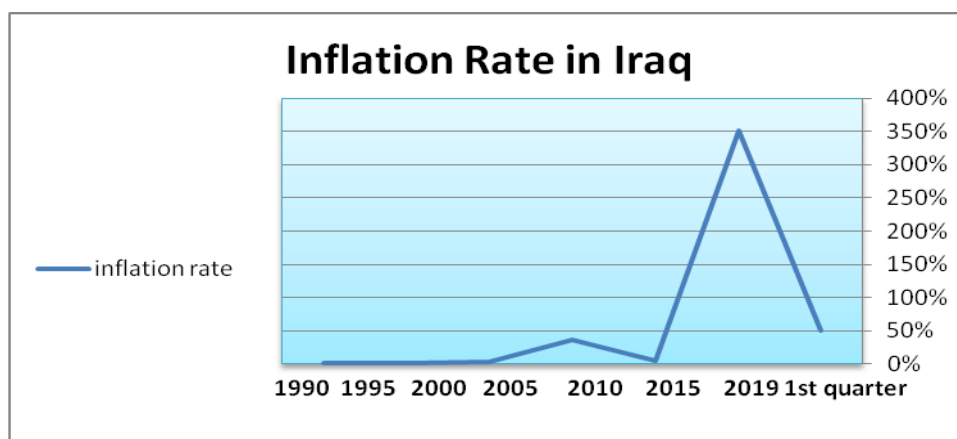
Figure (4) the contribution of the productive sectors in the GNP by the researchers based on table (4) data

The table shows that oil is the basis for the Iraqi GNP, as it depends recently on oil in more than (65%). It is worth mentioning that industry and agriculture their contribution combined do not exceed (10%), and the government still does not pay attention to these sectors commensurate with their importance in economic development and provide opportunities for the unemployed, which achieves the third hypothesis, as the Iraqi economy depends mainly on oil and the contributions of the industrial and agricultural sectors are very shy.

### 2-5: Inflation Rate in Iraq 1990-2019

YEARS	INFLATION RATE
1990	%51
1995	%351
2000	%5
2005	%37
2010	%2.5
2015	%1.4
2019 1 <sup>ST</sup> QUARTER	%1.2

Table (5) inflation rate in Iraq (1990-2019) by the researchers Based on IMF and CBI data



**Figure (5) inflation rate in Iraq (1990-2019) by the researchers based on table (5) date**

From the previous table, we find that Iraq suffered from unruly inflation during (1995) the inflation rate reached (350%) which is an unusual rate, the reason for this was the repeated economic sanctions and economic isolation of the country that caused this disaster. However, the percentage has gradually declined to settle below (3%) in recent years.

## 2-6: Corruption Index in Iraq

YEARS	IRAQ RANK	TOTAL COUNTRIES
2003	113	133
2005	137	159
2010	175	179
2015	161	168

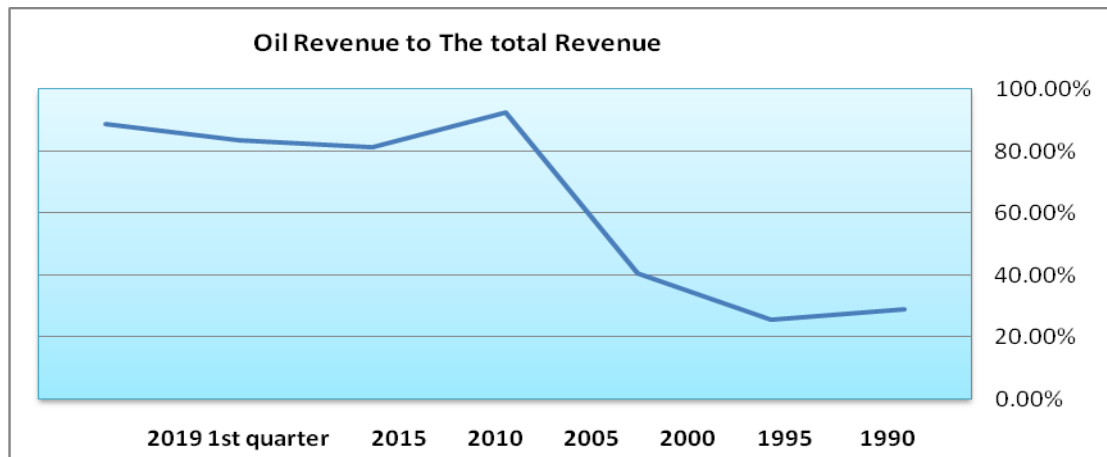
**Table (6) Corruption Index in Iraq by the researcher based on TIO data**

The previous table shows that Iraq suffers from a very high level of administrative and financial corruption, and in some years Iraq was one of worst (5) countries in corruption. Overall, Iraq has not emerged from the worst 20 countries in corruption. Corruption is the scourge that devoured the wealth of Iraq after 2003 and caused unemployment and high poverty level in a country overflowing with riches.

## 2-7: The ratio of Oil Revenues to Total Revenues in Public Budgets

YEARS	OIL REVENUE RATIO TO THE TOTAL REVENUES
1990	%28.9
1995	%25
2000	%40
2005	%92
2010	%81.3
2015	%83.6
2019	%88.8

**Table (7) The ratio of oil revenues to public revenues in Iraq 1990-2019 by the researchers Based on IMF data, the Central Bank of Iraq**



**Figure (7) Ratio of oil revenues to public revenues (1990-2019) years by the researchers based on table (7) date**

It is very clear that Iraq is a country dependent on oil in more than (90%) in some years, which confirms the realization of the third hypothesis, as the Iraqi economy depends mainly on oil mostly and the future of generations in the country depends on oil prices in the global market.

To answer the most important question, is the current economic situation in Iraq better than (2003)? The economic factors of the country should be compared before and after 2003.

COMPARISON ELEMENTS	BEFORE 2003	2003 (RECENTLY) AFTER
1- POVERTY	30%	23%
2- UNEMPLOYMENT	40%	23%
3- CONTRIBUTION OF INDUSTRY AND AGRICULTURE IN GNP	12.8%	8.2%
4- OIL CONTRIBUTION IN GNP	40%	68%
5- DEBTS	122 BILLIONS	133.7 BILLIONS

**Table (8) Comparison of Economic situation of Iraq Before and After 2003 by the Researchers based of tables (1,2,3,4,)**

The previous table reviews the main milestones in the Iraqi economy and shows that the levels of poverty and unemployment have decreased, although the ratios are still high and alarming, as well as inflation. Per capita GNP has increased. But in other side a sharp decline in the contribution of agriculture and industry in GNP and a significant increase in dependence on oil. Therefore, the research achieves the first hypothesis that Iraq after (16) years of lifting the sanctions Iraq did not achieve a noticeable development, and the public debt of the country has increased. because of poor planning on one hand and administrative and financial corruption on other hand.

## CONCLUSIONS

1- Iraq suffers from a very high unemployment rate recently included high graduates, and the number of unemployed exceeds (5) million people, which is larger than the population of some neighboring countries. The number of unemployed increases annually because of the increase in the number of graduates and the lack of employment opportunities due to poor government plans to accommodate those energies.

2- Despite the large annually budgets prepared by the government and the huge wealth in Iraq, but poverty has reached a very high level and there are more than (5) million citizens below the poverty line (\$ 3 per day) and this number is increasing in a country that exports (3,500,000) barrels of oil per day.

3- Iraq's oil exports are increasing, as Iraq aims to export (4.500.000) barrels per day. But without any obvious changes in the development of the country's infrastructure or eradicate poverty and provide a decent

living for citizens or solve the problem of unemployment.

4- The Iraqi economy relies on more than (85%) of its federal budgets on oil-exporting only, which exposes the country to potential economic disasters due to the correlation of state expenditures with oil prices in the global market.

5- Very shy contribution of the agricultural sector in the GDP of Iraq, which does not exceed (5%) only, because of the government's apparent negligence, and Iraq has become a profitable market for neighboring countries to dispose of their agricultural surplus. Some agricultural lands have been illegally converted into residential areas.

6- The low contribution of the industrial sector to the GNP, which is only (3.2%) due to the cessation of many factories after (2003) and the government negligence of the industrial sector that killed local products.

7- The relative stability of inflation in the country after inflation reached (350%) in (1990s) and (37%) in (2008) recently dropped to settle below (3%).

8- The unjustifiably rise of external and internal debt of the country and reached (133) billion dollars, of which (41) billion frozen debts, the United Nations seeks to extinguish (90%) of them.

9- Iraq suffers from administrative, financial and political corruption in a shameful manner, as the latest report of Transparency International Organization placed Iraq among the worst (20) countries in terms of corruption, and described Iraq as a non-democratic country and restricted freedom of expression.

10- The few foreign companies operating in Iraq are active in the oil fields only, neglecting the agricultural, industrial, service and recreational sectors.

## **RECOMMENDATIONS**

1- Directing an acceptable part of the state's expenditures towards developing the social welfare network and increasing its allocations to eradicate poverty and provide a decent life for citizens.

2- Raising the minimum wages of workers in the private sector, which are (5) dollars for unskilled workers and (10) for skilled workers, very low wages that do not meet the basic requirements of a decent life. The minimum wages in some ministries are low and need to be adjusted.

3- Eliminate the phenomenon of unemployment by supporting and encouraging the private sector, and invite foreign companies to work in various fields to create jobs and absorb part of the unemployed workforce.

4- Unify the supervisory authorities in the country in only authority, handles the process of investigating the corruption files, as there are three supervisory authorities in the country without effectiveness and some of those entities involved in the corruption.

5- Gradually reduce dependence on oil as the main source of state revenues and activate other sectors (industrial, agricultural, service) to reduce the risk of declining oil prices in the global markets.

6- Provide adequate support and genuine attention to agriculture as the main source of people's food. Note that there are more than hundreds of thousands of acres of agricultural lands are neglected, and millions of permissible for agriculture unused.

7- Rehabilitation of factories that were destroyed and stopped after the (2003) war, to promote the industrial reality in the country and create opportunities for the unemployed. It is noteworthy that the contribution of agriculture to the GDP currently does not exceed (3.2%) only.

8- Reduction of the unjustified external borrowing, as Iraq is a country whose oil revenues exceed (250) million dollars a day, which certainly does not need to borrow internally or externally, especially after the end of the war on terrorism.

9- Unify fair wages for all ministries and state departments, as the employee in the oil sector earns three times the salary of the employee in the municipalities or agriculture, although both have the same scientific qualifications and experience, which creates a class gap in the society.

10- Encourage international companies to invest in Iraq in the industrial, agricultural, service and recreational sectors to promote those sectors and provide opportunities for the unemployed.



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