

The Rentier Nature of The Iraqi Economy and Its Role In Achieving Economic Development After 2003

Ibrahim JasimJabbarALyaseri

Department of Economics, Faculty of Administration
and Economics, University of Kufa, Najaf, Iraq. Email. Ibrahimj.alyaseri@uokufa.edu.iq

AqeelAbdulteefAbdulridha

Department of Economics, Faculty of Administration
and Economics, University of Kufa, Najaf, Iraq. Email. aqela1301@gmail.com

Abstract

Economic development in developing countries in general and rentier countries, in particular, received significant attention in the 1970s. It played a role in radically changing institutional and social structures and expanding the economic base. Thus, human well-being has been achieved. The standard of living has improved significantly for society, especially with the oil boom, rising oil prices, and the growing oil rents of crude oil-exporting countries. In Iraq, economic development has relied mainly on oil revenue revenues, indicating the economy's dependence on the resulting rents. The development plans were prepared during this period under the regime's strategy, political theory, economic philosophy, and programs to achieve economic and social transformations and plan economic growth, which significantly impacted Iraq's economic and social conditions. However, after the political change in 2003, successive governments could not achieve economic development commensurate with Iraq's material potential. As a result, what was said to be a slow and faltering development was not achieved in Iraq. Still, Iraq did not experience any structural changes in its economic structures or economic and social institutions, which remain similar to fragile low-income States. Oil revenues did not contribute to the development of the most important productive sectors of the economy but contributed to the underdevelopment of other economic sectors, particularly agriculture and industry. This is due to a series of constraints that have hampered its growth and led to its decline and collapse. There was no clear strategy for economic development in most stages of its development. It negatively affected the Iraqi economy by deteriorating many of its fundamental indicators, making it vulnerable to fluctuations in the international market due to changes in oil prices. To balance the general budget, reduce reliance on volatile oil revenues, and change public expenditures by changing the budget structure in favor of investment spending. It aimed to expand production capacity and infrastructure, thus employing oil revenues in economic development projects that increase the value of the material asset and generate financial returns.

Introduction

Most developed and developing countries alike seek to achieve economic development and use multiple means and methods to bring about this fundamental change in economic structure. With the oil boom, rising oil prices in the early 1970s, and growing oil rents for crude oil-exporting countries, the country's rents are experiencing significant disparities in development levels in general and Iraq in particular. From the 1950s to the present, Iraq's economic development has relied mainly on oil revenue revenues, indicating the economy's dependence on the resulting rents. Oil revenues in Iraq did not contribute to economic growth during the first two decades of the 21st century. Still, they contributed to further imbalances and development chaos, and the lack of a production base in the economy. They now face difficult development situations in increased poverty, poor economic performance, and imbalances of macroeconomic indicators. The development gap between them and developed countries continues to improve daily due to their reliance on a single resource to finance their public budget and development financing. Despite Iraq's substantial financial help from oil revenues after 2003, development is slow and faltering and not in line with the country's material potential. The research proceeds from the hypothesis that economic growth in Iraq is slow and sputtering and is not in line with the country's material potential. Hence, it is necessary to find a successful development alternative that puts the country's capabilities in their proper place, employs them in the service of the people. It releases the energies of society and develops its capacities to rise and progress and create continuous and renewed economic development.

The rentier state and the rentier economy: the limits of the concept and the breadth of meaning

Before clarifying the concept of rent and the procrastinated state that is a synonym for it, it is necessary to explain the idea of rent in general, as renting in the economy in a broad sense goes to all forms of income resulting without any effort. Rent is a multifaceted concept developed over time. Still, it has preserved its essence with its diversity of forms of appearance as the proceeds of money not resulting from *fa*. It's its source is the gift of sale or the geographical location of a country¹⁰. The term rent-seeking state is given to the state or society that depends on income from exports of natural sources such as oil, which plays a prominent role in all state revenues. Although there² is a difference in the identification of rent sources, the predominance of external rent elements is determined by whether the State is pretty or not.

Moreover, the phenomenon of renting, in general, does not concern certain economies. In each economy, there are rent elements that vary in intensity from country to country. An important

⁽¹⁾YehShabib al-Shammari, YehShabib al-Shammari, Diagnosis of Dutch Disease and The Ingredients for Reforming Iraq's Rent economy, Faculty of Management and Economics / Kufa University P8.

⁽²⁾ Ahmed Alawi, the rent economy and the dilemma of democracy, Arabization adel his love, 2011, p. 3. <https://www.akhbaar.org> adilhabaarticle

manifestation of the rentier state is usually a large proportion of external rent in the ruling class's small or limited category. This rent wealth is distributed or used to the majority of the population. So, the State is not considered rent-seeking with the participation of the majority of its people, as in countries that depend on tourism. External as a result of its geographical or climatic conditions.³ Accordingly, the state defines oil rents as those that rely on most of its exports and finance its public budget on oil exports, and the state owns or controls most of the oil⁴ revenues. As for the rentier economy, it limits economic activity in fields and sectors that generate hefty profits without the renter having any significant productive or creative activity, whether he is an individual businessman, a private legal figure, or a public legal figure, whether it is the central state, public sector companies or local⁵ bodies. Thus, external rents are an essential element in the state's rent counting. It refers to transfers from the external economy without assuming important domestic productive sectors, i.e., they depend on income that is not earned through production and employment. Rents are generated with most of the⁶ population, such as countries that rely on foreign tourism due to their geographical or climatic conditions.⁷

The designation of a rent-seeking State does not have to be inherent to the State in all periods. Still, in the light of the number of external rent revenues contributing to GDP, i.e., the State may shift from rent to semi-rent or vice versa due to the economic and political situation governing that State's economy. In addition, the decline in oil reserves is due to depletion or increase by new explorations. It is also reflected in oil exports, leading to the transfer of the state from one state to another.^{8,9} Rentier countries consider oil export earnings to be a significant source of income. It has made all development efforts vulnerable to fluctuations depending on oil prices and exported quantity, often determined by external factors. This reduces the level of

(3) Hassan Latif, Reading on the problems of nation-building in Iraq: Democracy, Oil and Development, a research presented at the annual Scientific Conference of The House of Wisdom, "Nation-Building. Building Iraq, 2012P8.

(4) Ali Marza, Iraq: Reality and Economic Prospects, Paper presented at the First Conference of the Iraqi Economists Network, Beirut, 2013, p. 9.

(5) Ghassan Ibrahim, Social Dimensions of The Rent economy in Syria, Faculty of Economics/University of Damascus, Damascus, without a year of publication, p. 3.

(6) Mohamed Nabil Al, Shimi Economy Alreai: Concept and problematic. Arab Democratic Center. 2016. <https://democraticac.de>.

(7) Yeh Shabib al-Shammari, former source, p. 4.

(8) Hamed Abbas Mohammad, 5. Hamed Abbas muhammad trends Spending General inside State Arabic Rent" Kingdom Arabic Saudi Arabia Model". Dissertation Doctor kidney Administration Economy/ university Kufa, 2008P. 61.

(9) Yeh Shabib al-Shammari, former source, p. 9.

economic well-being and disrupts many of¹⁰¹¹ the investment projects necessary for economic development.

The reality of economic development in Iraq after 2003

The research, based on the study of the reality of economic development in Iraq after 2003. It aims to identify the intersections between the rents of a country and the economy and its impact on achieving economic growth. It also discusses how oil has hindered the possibility of achieving development and the adverse effects of not diversifying the economy and increasing dependence on oil revenues.

Many research and studies have revealed that Iraq's oil wealth has not reflected positively on the economy but has led to further poverty, a decline in growth rates, and a slow rate of development. Iraq is at the bottom of the list of regional and international countries in most economic development measures. Why did successive Governments after 2003 not contribute to high levels of economic development indicators as a result of the wrong economic policies pursued during that period? It was reflected in the emergence of significant balance-of-payments imbalances, poor financial performance, low fixed capital formation, and imbalances in GDP composition. The data in the preparation of this research have been drawn upon official sources, which are the reports of the International Monetary Fund and the World Bank. These reports are issued by official government institutions administered by the Central Bank of Iraq, the Ministry of Planning, the Central Bureau of Statistics, and the Director of national accounts. Among these indicators are:

1. Balance of Payments Index

The balance of payments index reflects the structure of foreign trade by calculating the balance of trade. It is the main component of the balance of payments because it is vital in determining the economy's external position, whether surplus or deficit. It is a fundamental indicator of competitiveness and a criterion for the development and balance of countries. It is linked to the degree of development and diversity of the production base. It gives clear indications of the country's productive capacity, its ability to export and import, and its impact on its foreign currency balance.¹² The Iraqi economy is characterized by limited relative diversity in its production pattern of commodity supply due to the absence of a strategy of economic diversification and the absence of investment in domestic and foreign types.

On the other hand, its demand is characterized by commodity diversity, reflecting the extent to which the production system is unable to meet the requirements of the Iraqi economy.

⁽¹⁰⁾ Youssef Khalifa al-Yousef, is the oil sector an engine or a hindrance to the development process? GCC Experience, Journal of Social Sciences, Issue 1, Volume 32, Kuwait University, 2004, p. 16.

⁽¹¹⁾ Ahmed Mohammed Ahmed, Oil Economics, Gcc, Master's Thesis, Faculty of Sharia and Humanities, Um al-Qura University, 1991, p. 99.

⁽¹²⁾ Republic of Iraq, Ministry of Planning, Iraqi Economy 2020, Baghdad, p. 103.

This increase in the proportion of imports is due to the weakness of the national economy and the productive base in meeting the growing domestic demand in both the government and private sectors resulting from weak security stability and the reluctance of investors to set up practical projects on the one hand. On the other hand, the absence of government support for projects and the failure to activate investment laws. Imports of petroleum products accounted for 10% of total imports in 2014-2017, divided between liquid gas, gasoline, and gas oil.¹³ The structure of Iraq's commodity exports is the dominant feature of these exports: oil products, which account for 98 percent of total exports. The remaining commodity exports do not exceed 2 percent of non-oil commodity exports. The following table shows the value of oil and non-oil exports.

Table (1). Value of Iraq's oil and non-oil exports in 2004-2018 (\$1 billion)

The year	Non-oil commodity exports	Oil commodity exports	Total exports	Imports	Trade balance
2004	0.4	17.3	17.7	21.3	-3.6
2005	0.6	18.4	19	20.0	-1
2006	0.6	26.6	27.2	18.7	8.5
2007	0.7	37.2	37.9	16.6	21.3
2008	0.9	61.1	62	30.1	31.9
2009	0.8	45.6	46.4	32.6	13.8
2010	0.8	51.2	51.4	37.3	14.1
2011	0.2	79.4	79.6	40.6	39
2012	0.3	93.8	94.1	50.1	44
2013	0.4	89.4	89.8	50.4	39.4
2014	0.4	83.5	83.9	45.2	38.7
2015	0.3	43.4	43.7	47.4	-3.7
2016	0.3	37.1	37.4	34.2	3
2017	0.3	54.9	55.2	37.8	17.4
2018	0.4	81.3	81.7	45.7	36

Source: Table of researcher work based on: Central Bank of Iraq, annual statistical bulletin, different years.

Table (1) shows the dominance of oil exports over export activity. Oil exports exceeded 98 percent of total exports, lacking economic diversification and complete dependence on oil. Therefore, the GDP growth represents growth in oil revenues. However, Iraq's economic growth also depends mainly on the production and export of crude oil to a large extent. This led the Iraqi economy to be described as a "rent economy." This is evident by noting the relative importance of oil exports in total Iraqi exports. Therefore, the Iraqi economy has become a function of the

⁽¹³⁾ Republic of Iraq, Ministry of Planning, Iraqi Economy 2017, Baghdad, p. 96-97.

international oil market, which was reflected during the global crises where oil prices fell in the worldwide market, which led to a decline in the value of Iraq's exports.

2. Fixed Capital Formation Index

The fixed capital formation index is essential as it is an influential factor in economic development and reflects the volume of productive capacity achieved due to the annual additions of fixed assets. This has paralyzed the movement of national economic activity and deteriorated the infrastructure of the economic sectors, primarily the oil and industry sectors. Most of the 192 state-owned industrial projects, which are public companies, have ceased, and oil production capacity has been significantly reduced due to the destruction of oil installations and their need for development and maintenance. The Central Bureau of Statistics data shows that the Iraqi economy has experienced a significant decline in total fixed capital formation despite the urgent need. This value of capital accumulation does not meet the requirements of the Iraqi economy, which suffers from broken projects and infrastructure destroyed by the American occupation. These increases in total fixed capital formation represent real increases, i.e., creating new production capacities, much of which is compensation and coverage of the physical destruction and technical extinction of the productive powers that already existed. In 2010, oil prices gradually increased until 2013, resulting in an improvement in total fixed capital formation. As a result, it rose from 26,252 billion dinars to 55,036 billion dinars, respectively.¹⁴ The contribution of the private sector to the formation of fixed capital has been characterized by a decline at this stage, where the ratios were low, reaching a high of 7.2% in 2009 as a result of the increase in the activity of the non-real production sectors (banks) and the homeownership sector. However, its contribution is still tiny and lying non-existent.¹⁵ In 2015, total fixed capital formation fell to 50,650 billion dinars from 55,834 billion dinars in 2014 due to the repercussions of the war with the terrorist group ISIS, which led to a significant reduction in investment during the three years of ISIS's entry into Iraq, particularly in the northern provinces. The decline in total fixed capital formation continued even after 2018, reaching 31,944 billion dinars, and did not improve due to the decrease in the proportion allocated to investment spending.¹⁶

In contrast, the role of the private sector in the formation of fixed capital has declined despite legislation and laws. The State establishes such regulations to facilitate private sector access to economic activity to contribute effectively to the diversification of the local economy in a competitive environment and global partnership. They include some objectives, most

⁽¹⁴⁾ Republic of Iraq Ministry of Planning, Central Bureau of Statistics, Annual Statistical Group, 2017, p. 513.

⁽¹⁵⁾ Republic of Iraq, Ministry of Planning/ Department of Economic and Financial Policy, Iraqi Economic Report 2010, p. 31.

⁽¹⁶⁾ Republic of Iraq Ministry of Planning, Central Bureau of Statistics, Annual Statistical Group, 2019, p. 513.

notably to increase the private sector's contribution to forming fixed capital to play its role in this vital area. However, the reality of the situation indicates a reluctance in the assistance of this sector to the formation of fixed capital. The average contribution during 2006-2012 did not exceed 7% due to a series of constraints, namely the inadequacy of available funding, lack of investment in infrastructure, and the rigid labor market. During the period 2013-2018, the contribution of the private sector gradually improved to 35%. However, it was due to a decrease in investment spending on projects and infrastructure due to the spraying of public expenditure and the reduction of investment expenditures, not as a result of improved private sector activity, as its policy was characterized by lack of diversity and stability and remained in its traditional patterns. The private sector's contribution to the formation of fixed capital¹⁷ during 2017-2018 is due to increased private sector activity in the industry. The activities of the residential property sector, especially with the presence of cities destroyed by the war and dilapidated infrastructure, and service activities and thus increase the percentage of its contribution to the formation of fixed capital after the end of the fight against ISIS improved security conditions.

3. GDP Index

The GDP composition index experienced a significant imbalance in its composition after 2003 and is a crucial feature of the Iraqi economy. The production structure in the Iraqi economy is characterized by the predominance of the extractive sector over the agriculture and industry sectors. However, some commodity sectors achieve favorable growth rates that contribute to the formation of GDP. However, it suffers from numerous distortions in its production structures, and its contribution ratios are very modest. The following table shows the percentage of contribution of economic activities to the composition of GDP.

Table (2). Relative distribution of GDP at current prices by economic activities for 2003-2019

Economic activities	2003	2005	2010	2013	2014	2015	2016	2017	2018	2019
Agriculture, forestry and fishing	8.4	6.9	5.2	4.8	4.9	3.9	3.8	3.3	2.4	3.3
Mining and quarries	68	57.3	45.4	46.0	43.9	30.8	29.8	37.8	47.1	43.5
Manufacturing	1.0	1.3	2.3	2.3	1.8	1.8	2.0	2.3	1.5	2.0
Electricity and water	0.2	0.8	1.8	1.8	2.1	2.9	3.0	3.6	2.7	2.9
Construction and construction	0.7	3.7	6.3	7.3	7.1	8.8	9.3	6.6	4.1	4.1

⁽¹⁷⁾ Republic of Iraq, Ministry of Planning, Iraqi Economy 2020, Baghdad, 2021, p. 59.

Transportation, transportation and storage	7.6	8.0	5.8	6.6	7.3	10.0	11.0	10.3	9.8	9.4
Wholesale, retail, hotels and the like	6.5	5.7	7.7	7.5	7.9	10.1	9.7	9.0	7.5	7.8
Money, insurance and real estate services	1.3	7.4	9.5	7.7	7.8	11.3	7.9	7.7	1.9	2.0
Social and personal development services	6.3	8.9	16	16.0	17.2	20.4	23.5	19.40	23.0	25.0
GDP%	100	100	100	100	100	100	100	100	100	100

Source: Republic of Iraq, Ministry of Planning, Annual Statistical Group for various years.

By tracking the relative contributions of economic activities for the component sectors of GDP in the table above, it is clear to us the extent to which the productive structure of these sectors is imbalanced. For example, despite the different ratios during the school years, the oil sector is characterized by a high contribution to GDP formation. 3% respectively during 2010, and there was only a slight improvement in subsequent years, showing how weak the economic structure and structural problems are experiencing the Iraqi economy due to the political and economic chaos that Iraq experienced during the first decade of the 21st century. On the other hand, most of the contributions of the commodity sectors remained low in the composition of GDP, except the oil sector. However, its contribution decreased due to the double crisis in Iraq and the subsequent decline in oil prices.

On the other hand, the assistance of the services sector to the formation of GDP increased to nearly 25%. The agriculture sector has significantly reduced its contribution due to a lack of government support, water scarcity, and unfettered import policy. The industrial sector has declined dramatically due to a lack of energy supplies and high prices. This development failure is only the result of the accumulation of political, economic, and social problems as revealed by development determinants, recognizing that this deterioration in indicators is the result of political change and the wrong policies that have been pursued. To identify the critical points in the analysis of that development failure, the most fundamental determinants of development in the Iraqi economy can be noted.

Determinants of Economic Development in Iraq

Iraq's economic development has faced many challenges associated with political changes, which have adversely affected the financial development process in such a way that a significant gap has emerged between growth in Iraq and development in regional states.

1. Development plans without financial allocation: After 2003, the government developed a set of detailed and comprehensive plans to promote the reality of economic development. It published a collection of clear and comprehensive strategies. The government has received several proposals for national development by international organizations such as the International Monetary Fund (IMF) and the US Agency for International Development (USAID). The 2010-2014 plan was also developed, including the inclusion and distribution of projects among different economic sectors. This plan focused on the spatial dimension of development and the equitable distribution of the fruits of growth across Iraq at the level of deprivation and need.¹⁸

The 2013-2017 plan, the first episode of a strategic marching system for economic advancement, focused its financial objectives on building a diversified and prosperous economy led by industry, energy, agriculture, and tourism as development poles and increasing its contribution to GDP generation. This plan will complete the development path of the past project and have the public and private sector and civil society partners in development.¹⁹ However, the Iraqi government's plans list many initiatives in different sectors of the Iraqi economy, the government's efforts to achieve the goals set in real-life are unbalanced. As a result, the government has not reached the main objective of diversifying the Iraqi economy, making it a diversified economy with a broad production base. Particularly in the industrial and agricultural sectors and services, eliminating dependence on oil and the accompanying wide fluctuations exposes the Iraqi economy to deviation from its planned course. Previous plans have identified the general challenges facing the Iraqi economy and provided general objectives to deal with those challenges and public statements about the best means to achieve these goals. However, it is due to the lack of a straightforward tool to oblige budgets to implement investment allocations in which²⁰ they correspond to the costs of a list of projects if there is such a list.

2. The limited contribution of the private sector to the development process: the expansion of state control over the means of production has made economic management highly centralized, not only legally but also the initiative in preparing and making decisive financial decisions. The growth in oil revenues and increased production volumes have made it the central monopoly in developing economic policies and identifying the roles played by the public and private sectors. Therefore, the private sector has suffered from marginalization. It fails to play its fundamental

⁽¹⁸⁾ Republic of Iraq, Ministry of Planning, National Development Plan 2010-2014, p. 17-18.

⁽¹⁹⁾ Republic of Iraq, Ministry of Planning, National Development Plan 2013-2017, p. 72.

⁽²⁰⁾ Ali Marza, Iraqi economy: development and crises, former source, p. 12.

role in economic activity, building the economy. The private sector has continued to be²¹ unable to play its part in development, so it has resorted to fast-profit and short-term projects. Moreover, openness to the outside world has flooded the domestic market with many foreign goods and services at meager prices that are difficult for the private sector to compete with because of the rudimentary means used in production, low productivity levels, and lack of raw materials.²² In addition to the deteriorating security situation, the private sector cannot compete with high-quality and cheap foreign products²³. The main reasons why the private sector has been depressed and unable to create and grow SMEs are explained by a World Bank study on the business environment in the Middle East and North Africa. The Iraqi economy is structured to discourage private businesses from starting new business activities, enforcing credit, cross-border trade, contract enforcement, and building permits. According to these indicators, Iraq was the most anti-business regulatory environment facing²⁴ the private sector. In 2020, Iraq ranked 172nd out of 190 countries, with 44.7 points out of 100 points.²⁵ This business environment acts as a severe tax on investors and discourages them from creating a new business.

3. Dependence on oil: The structure of the Iraqi economy has taken root with its increasing dependence on the crude oil sector. Iraq is the most oil-dependent country in the Middle East and North Africa region. Oil contributes more than two-thirds of output or about 76% of the economic sectors. It is much larger than Kuwait, its oil-dependent neighbor, where oil accounts for less than 40 percent of GDP and less than 45 percent in Saudi Arabia. This sector is the main factor in stimulating the economy, financing government activity, and the state budget. It is the primary tool in that financing to the extent that economic development's movement depends on oil revenues²⁶. The Iraqi economy has become more vulnerable to external shocks resulting from changes in international oil prices. Increased production in the oil sector. Then exports increase the foreign exchange earnings, which contribute to increasing GDP and increasing the revenues of the general budget.²⁷ The financial crisis in 2009 has hurt the Iraqi

⁽²¹⁾ Ali Ismail Abdul Majid, Diversification of the Iraqi Economy (Possibilities and Proposals), Karbala University Scientific Journal, Issue 3, Volume 16, 2018, p. 37.

⁽²²⁾ Ahmed Omar al-Rawi, Ahmed Omar al-Rawi, Post-2003 Iraqi Economics Studies, Dr. Science House, Baghdad, 2014 P. 322.

⁽²³⁾ Ahmed you show Ali, The Iraqi economy and the prospects for the near future, p. 2.
<http://www.iier.org/i/uploadedfiles/publication/real>

⁽²⁴⁾ IMF, Country Report No. 235/15, Article IV Consultations 2015 and Request for Purchase under The Rapid Finance Tool, 2015, p. 33.

⁽²⁵⁾ World Bank, Report Practice Business.

<https://arabic.doingbusiness.org/>

⁽²⁶⁾ Frank Kanter, Iraq's Political Economy: Rebalancing post-conflict society, translated by Muhannad Taleb al-Hamdi, Banks Publications, Beirut, 2015, p. 167.

⁽²⁷⁾ Saleh Yasser, The Regime Alreai Building Democracy: The Impossible Bilateral State of Iraq, Friedrich Foundation, Jordan and Iraq, 2013, P8.

economy due to falling oil prices. So, the situation in 2014 and the subsequent drop in oil prices in 2015, when the price of a barrel reached 45 dollars. Oil revenues reached 51 trillion, up from 104 trillion in 2013. This volatility in prices has continued to this day, and the decline in the general budget in its revenues due to the collapse in oil prices and the decline in global demand due to the repercussions of the Coronapandemic. The price per barrel reached 23 dollars, and Iraq's share of oil exported under the agreement with OPEC fell by 2,700,000 barrels per day. The Iraqi government will therefore face many difficulties in managing these returns, especially with high public expenditures.²⁸

The pattern of economic development in Iraq has continued to captive oil, as oil revenues are one of the most critical components of Iraq's economic growth. The state's dependence on oil as a significant source of income to finance development over 40 years ensures that its movement is linked to the abundance or scarcity of oil revenues. This threatens the process of economic growth and determining its extent and restricts Iraq's strategic options to many variables and policies. Consequently, the possibilities for controlling resources at the macro level and the partial distribution of their revenues increased, causing widespread distortions in the structure and sectoral composition of the Iraqi economy and hampering the implementation of state²⁹ objectives.

Table(3). Value of oil exports and their contribution to public revenues (2004-2018) (1 trillion dinars)

The year	Oil exports	General revenue	Oil contribution from total revenues %
2004	25.1	33.0	79
2005	27.0	40.5	85
2006	39.0	49.1	91
2007	46.6	54.6	97
2008	72.8	80.3	86
2009	53.3	55.2	93

⁽²⁸⁾ The website of the Iraqi Ministry of Oil.

http://www.farouq.moch.gov.iq/farah/www_oil_gov_default.html

⁽²⁹⁾ Yahya Hammoud Hassan, Studies in Iraqi Economics, Saki Press, Department of Economic Studies/Basra University, 2012, p. 64.

2010	59.5	69.5	91
2011	92.8	100.0	92
2012	109.3	119.5	92
2013	104.2	113.8	77
2014	97.3	105.4	82
2015	51.3	66.5	85
2016	44.7	54.3	90
2017	65.4	77.3	79
2018	96.1	106.6	85

Source: Table prepared by the researcher based on the Republic of Iraq General Budget data.

Economic diversification and jaws from the trap of oil reliability

Achieving economic diversification and eliminating the continuation of the rent trap is extremely difficult, as it is a dilemma for which it is difficult to find an appropriate settlement. The interaction of economic, social, and political factors leads to the entrenchment of the rent trap and the difficulty of escaping it. However, this does not mean survival and surrender to this situation, so it requires the government to take a severe stand by adopting a set of development policies and strategies that would alleviate and then address the rent situation. Thus, to provide food security to the country through intensive and intensive efforts to rehabilitate this sector to remove the challenges it faces and strengthen the policy of direct government support for the agricultural industry. The grant financial and moral subsidies that contribute effectively to the modernization of production lines with advanced technology. In addition to protecting local industries through trade policies such as quotas and tariffs or preventing the import of what is produced in the domestic market. It is also a broadly intertwined sector with other economic sectors, which helps develop it.

Conclusions and discussion

The absence of an effective strategy for economic diversification has led to the central government's continued dependence on oil and, as a result, the continued rentier nature. The results show a correlation between public expenditures and oil revenues in rentier countries in general and Iraq. The government's inability to achieve financial sustainability is due to increased operational spending. This has negatively affected the creation of resources to finance development from local (government and private) sources, the increase in government borrowing, and the worsening of domestic and external debt. Its dominance as a source of financing for future economic development is expected to continue. Therefore,

developing and diversifying the non-oil economic sectors is essential to increase revenue sources for the general budget and reduce reliance on volatile oil revenues.

Moreover, public expenditures should be changed by changing the overall budget structure in favor of investment spending to expand production capacity and infrastructure to ensure market needs for commodity and service products. SMEs must also be supported, as experience has shown that establishing and strengthening large-scale enterprises is not necessarily the best solution to accelerate development. Still, SMEs, which represent the absolute majority, are the best solution to accelerate growth. Finally, the Iraqi economy must become less oil-dependent because most estimates indicate a decline in global oil demand in the future, as happened during the Corona pandemic crisis, which may continue due to technological development.

References

- 1) YehShabib al-Shammari, YehShabib al-Shammari, Diagnosis of Dutch Disease and The Ingredients for Reforming Iraq's Rent economy, Faculty of Management and Economics / Kufa University P8.
- 2) Ahmed Alawi, the rent economy and the dilemma of democracy, Arabization del his love, 2011, p. 3. <https://www.akhbaar.org> Adilabad article
- 3) Hassan Latif, Reading on the problems of nation-building in Iraq: Democracy, Oil and Development, research presented at the annual Scientific Conference of The House of Wisdom, "Nation-Building. Building Iraq, 2012P8.
- 4) Ali Marza, Iraq: Reality and Economic Prospects, Paper presented at the First Conference of the Iraqi Economists Network, Beirut, 2013, p. 9.
- 5) Ghassan Ibrahim, Social Dimensions of The Rent economy in Syria, Faculty of Economics/University of Damascus, Damascus, without a year of publication, p. 3.
- 6) Mohamed Nabil Al, ShimiEconomyAlreai: Concept and problematic Arab Democratic Center2016 . <https://democraticac.de> .
- 7) YehShabib al-Shammari, former source, p. 4.
- 8) Hamed Abbas Mohammad, 5.Hamed Abbas Muhammad trends Spending General inside State Arabic Rent" Kingdom Arabic Saudi Arabia Model Arab Democratic Center2016 . <https://democraticac.de> .
- 9) YehShabib al-Shammari, former source, p. 9.
- 10) Youssef Khalifa al-Yousef, is the oil sector an engine or a hindrance to the development process? GCC Experience, Journal of Social Sciences, Issue 1, Volume 32, Kuwait University, 2004, p. 16.
- 11) Ahmed Mohammed Ahmed, Oil Economics, Gcc, Master's Thesis, Faculty of Sharia and Humanities, Um al-Qura University, 1991, p. 99.

- 12) The Republic of Iraq, Ministry of Planning, Iraqi Economy 2020, Baghdad, p. 103.
- 13) The Republic of Iraq, Ministry of Planning, Iraqi Economy 2017, Baghdad, p. 96-97.
- 14) Republic of Iraq Ministry of Planning, Central Bureau of Statistics, Annual Statistical Group, 2017, p. 513.
- 15) The Republic of Iraq, Ministry of Planning/ Department of Economic and Financial Policy, Iraqi Economic Report 2010, p. 31.
- 16) Republic of Iraq Ministry of Planning, Central Bureau of Statistics, Annual Statistical Group, 2019, p. 513.
- 17) The Republic of Iraq, Ministry of Planning, Iraqi Economy 2020, Baghdad, 2021, p. 59.
- 18) The Republic of Iraq, Ministry of Planning, National Development Plan 2010-2014, p. 17-18.
- 19) The Republic of Iraq, Ministry of Planning, National Development Plan 2013-2017, p. 72.
- 20) Ali Marza, Iraqi economy: development and crises, former source, p. 12.
- 21) Ali Ismail Abdul Majid, Diversification of the Iraqi Economy (Possibilities and Proposals), Karbala University Scientific Journal, Issue 3, Volume 16, 2018, p. 37.
- 22) Ahmed Omar al-Rawi, Ahmed Omar al-Rawi, Post-2003 Iraqi Economics Studies, Dr. Science House, Baghdad, 2014 P. 3
- 23) Ahmed, you show Ali, The Iraqi economy and the prospects for the near future, p. 2.
- 24) <http://www.iier.org/i/uploadedfiles/publication/real>
- 25) IMF, Country Report No. 235/15, Article IV Consultations 2015 and Request for Purchase under The Rapid Finance Tool, 2015, p. 33.
- 26) World Bank, Report Practice Business.
- 27) <https://arabic.doingbusiness.org/>
- 28) Frank Kanter, Iraq's Political Economy: Rebalancing post-conflict society, translated by MuhannadTaleb al-Hamdi, Banks Publications, Beirut, 2015, p. 167.
- 29) Saleh Yasser, The Regime Alreai Building Democracy: The Impossible Bilateral State of Iraq, Friedrich Foundation, Jordan and Iraq, 2013, P8.
- 30) The website of the Iraqi Ministry of Oil.
- 31) http://www.farouq.moch.gov.iq/farah/www_oil_gov_default.html
- 32) Yahya Hammoud Hassan, Studies in Iraqi Economics, Saki Press, Department of Economic Studies/Basra University, 2012, p. 64.