



**Tikrit Journal of Administrative  
and Economics Sciences**  
مجلة تكريت للعلوم الإدارية والاقتصادية

ISSN: 1813-1719 (Print)



**Political and security instability and its effects on foreign investment:  
with reference to Iraq's experience after 2003**

**Saad Salih Issa\*<sup>A</sup>, Hammadi Hassan Attia<sup>B</sup>, Shahad Ahmed Dahash<sup>C</sup>**

<sup>A</sup> College of Administration and Economics / Tikrit University

<sup>B</sup> College of Political Science/Tikrit University

<sup>C</sup> Tikrit University

**Keywords:**

Foreign and domestic investment, security and political instability

**ARTICLE INFO**

**Article history:**

Received 25 Jun. 2023  
Accepted 17 Sep. 2023  
Available online 31 Dec. 2023

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\*Corresponding author:

**Saad Salih Issa**

College of Administration and Economics/Tikrit University



**Abstract:** The research deals with the conceptual framework of political and security stability and foreign investment, the theoretical framework for the impact of political and security stability on foreign investment, and the practical aspect that affected political and security stability on foreign investment in Iraq for the period 2003-2021. The research aims to explain the reasons for the modest levels of foreign investment in Iraq and the fluctuation of its flows. Since 2003 and studying the causes of this imbalance, and among these reasons the security and political instability for the period under study, the Iraqi society was chosen as a sample for the research, and simple statistical tools were used in the analysis. The measurement method (SPSS) and linear programming were excluded because the results obtained are negative and do not explain Scientific explanation of the relationship between the two variables. Therefore, the method of direct analysis was resorted to through the tables obtained related to the index of political and security instability, and the results were positive and depended on solid scientific facts.

On the outside world and then lift the economic sanctions imposed on Iraq, and the issuance of the investment law for the year 2006 had a great impact in encouraging the flow of foreign investment to Iraq. Although these flows are still modest and weak, and most of them are in the oil sector, and what indicates the obstacles to foreign investment are the security and political instability and cases of administrative and financial corruption were among the reasons that prevented the provision of an appropriate investment climate capable of attracting foreign investments. And the research recommended that Political stability is an attractive factor for foreign investors to invest their money inside the country because stability is one of the important elements for the investor and the economy of Iraq must be developed because Iraq's economy is a one-sided renter economy that depends on oil and the development of the rest of the sectors to advance the economic reality and build a strong state. The instability index is considered one of the dangerous and important indicators, and due to the fluctuations of government systems and their unstable policies in recent times, this has led to a deterioration in conditions and a decrease in the demand for invest.

## عدم الاستقرار السياسي والأمني وانعكاساته على الاستثمار الأجنبي مع الإشارة إلى تجربة العراق بعد عام 2003

شهد أحمد دهش  
جامعة تكريت

حمادي حسن عطية  
كلية العلوم السياسية  
جامعة تكريت

سعد صالح عيسى  
كلية الإدارة والاقتصاد  
جامعة تكريت

### المستخلص

يتناول البحث الاطار المفاهيمي للاستقرار السياسي والأمني والاستثمار الأجنبي، والاطار النظري لأثر الاستقرار السياسي والأمني في الاستثمار الأجنبي، والجانب العملي الذي أثر الاستقرار السياسي والأمني في الاستثمار الأجنبي في العراق للفترة 2003-2021، يهدف البحث الى بيان أسباب تواضع مستويات الاستثمار الأجنبي في العراق وتذبذب تدفقاته منذ عام 2003 ودراسة أسباب هذا الخلل ومن هذه الأسباب عدم الاستقرار الأمني والسياسي للفترة قيد البحث، وتم اختيار المجتمع العراقي كعينة للبحث، واستخدمت الأدوات الإحصائية البسيطة في التحليل، وتم استبعاد طريقة القياس (SPSS) والبرمجة الخطية لأن النتائج التي تم الحصول عليها سلبية ولا تفسر العلاقة بين المتغيرين تفسيراً علمياً ولذلك تم اللجوء الى طريقة التحليل المباشر من خلال الجداول المستحصل عليها المتعلقة بمؤشر عدم الاستقرار السياسي والأمني، وكانت النتائج إيجابية وتعتمد الحقائق العلمية الرصينة، وكان أفضل استنتاج هو أن ومما ورد يتبين بان تدفقات الاستثمار الأجنبي المباشر في العراق بعد عام 2003 قد ازدادت بسبب انفتاح العراق على العالم الخارجي ومن ثم رفع العقوبات الاقتصادية المفروضة على العراق، كما كان لإصدار قانون الاستثمار لسنة 2006 الأثر الكبير في تشجيع تدفق الاستثمار الأجنبي الى العراق، على الرغم من أن هذه التدفقات ما زالت متواضعة وضعيفة وغالبيتها في القطاع النفطي، ومما يؤشر على معوقات الاستثمار الأجنبي عدم الاستقرار الأمني والسياسي وحالات الفساد الإداري والمالي كانت من الأسباب التي حالت دون توفير مناخ استثماري ملائم قادر على جذب الاستثمارات الأجنبية، وقد أوصى البحث بأن الاستقرار السياسي هو عامل جذب للمستثمرين الاجانب في استثمار اموالهم في داخل البلد لان الاستقرار احد العناصر المهمة للمستثمر ويجب تطوير اقتصاد العراق لان اقتصاد العراق ريعي أحادي الجانب يعتمد على النفط وتطوير بقية القطاعات للنهوض بالواقع الاقتصادي وبناء دولة قوية، ويعتبر مؤشر عدم الاستقرار أحد المؤشرات الخطرة والمهمة وبسبب تقلبات الانظمة الحكومية وسياساتها غير المستقرة في الآونة الاخيرة ادى الى تدهور الأوضاع وانخفاض الاقبال على الاستثمار.

**الكلمات المفتاحية:** الاستثمار الأجنبي والمحلي – عدم الاستقرار الأمني والسياسي.

### The introduction

All opinions differ from one researcher to another. Political instability is defined as a case of the use of violence for political reasons, and the resort of political forces and groups to illegal methods in resolving conflicts. Also, the inability of the institutions in the political system to accept the demands presented to it that come from the internal and external political environment, the models of political systems, and the level of political stability. It is also

considered one of the reasons for political stability when governments can stay in power for as long as possible, and it is considered a kind of manifestation of independence.

The Iraqi economy has long suffered from structural imbalances in all its sectors, especially after 2003, due to the political conditions witnessed in the Iraqi arena, which were directly reflected in the low levels of development, which prompted successive governments in control of the matter to the necessity of pulling the Iraqi economy out of the deterioration. Through the issuance of legislation and laws that facilitate and allow foreign companies to invest in Iraq, however, they were not at the level of effectiveness to achieve this due to the weak security and political stability that Iraq suffers from, which has become an obstacle to any attempt to enter foreign investments to contribute to the development of development in Iraq.

In this research, we will try to analyze the foundations of investment and its mutual impact with security and political instability, and to explain the situation of Iraq from 2003 to 2020, with a focus on the period before and after 2014, which witnessed major security events that Iraq suffered from and was reflected in its economic, social and political situation.

**Research problem:** Despite the efforts made by successive governments in Iraq since 2003 to encourage foreign investment and increase its attractions and attempts to localize foreign capital in the investment sector, these efforts did not succeed in increasing the rate of foreign investment effectively and its levels remained modest compared to what the Iraqi economy enjoys. Unlimited and encouraging possibilities.

**Research hypothesis:** There are promising opportunities for the success of foreign investment in Iraq, because the flows of foreign direct investment in Iraq after 2003 have increased due to the openness of Iraq to the outside world and then the lifting of economic sanctions imposed on Iraq, and the issuance of the investment law of 2006 had a great impact in encouraging the flow of foreign investment To Iraq, although these flows are still modest and weak, mostly in the oil sector.

**Research objective:** The research aims to explain the reasons for the modest levels of foreign investment in Iraq and the fluctuation of its flows since 2003, and to study the reasons for this imbalance, and among these reasons is the security and political instability for the period under discussion.

**Research Methodology:** The descriptive analytical approach was adopted and the political instability was presented as one of the elements that lead to the weakness of any country

This study is based on two methods:

- A. Theoretical method to cover the academic theoretical basis for the subject of the study.
- B. The analytical descriptive method depends on the analysis of political and security instability and its phenomena.

**Research Structure:** This research was divided into three sections, and each section was divided into several demands, as the first section deals with the theoretical and conceptual framework for investment, while the second section focuses on analyzing the impact of political and security instability on the economy in general, while the third section will deal with the reality of the Iraqi economy in past and present.

## **1. The first topic: the theoretical and conceptual framework**

**1-1. The concept of political and security stability:** Stability in the language means settled, stable, stable, or characterized by steadfastness, stillness, and reassurance. The concept of political stability differs among researchers and scholars, as some see sit-ins and demonstrations against the ruling authority as a form of political instability, while another section believes that it is an expression of freedom of opinion and activity for the political system. (Karam Aziz, 2013: 13)

It is also known as the system through which the public is able to express policies that it does not agree with away from the show, provided that the legal system of governments is not changed, because it shows the satisfaction that prevails in society because the authority fulfills its duty towards society at the same time, and this concept is relatively increasing in third world countries than advanced countries, Prof. Dr. Hamdi Abdel Rahman defines political stability as (the inability of the political system to deal with the crises it faces successfully and the inability to manage the existing conflicts within society in a way through which he can maintain them in a circle that enables him to control and control them and is accompanied by the use of political violence on the one hand and contradiction popularity on the one hand) (Salih, 2019: 3).

Political and security stability is one of the main foundations of the economy. The economic stability of the state is linked to security stability,

and the strength of the state is steadfast and can protect its borders whenever the economic and security stability is good and provides a climate and environment for material and human resources. One of the most important factors and manifestations of independence, politics is the peaceful transfer of power, its sovereignty, the rule of law, and adherence to constitutional rules. (Alzamili,2022, 1-2)

**1-2. The concept of foreign and domestic investment. (Sheikha, 2021: 10):**

Investing in the language (it is a source of investment to indicate the request to obtain the fruit and the endeavor to obtain it to benefit from it).

As for the economic aspect, it is defined as the allocation of capital to obtain good means of production to develop the existing means in order to increase the productive capacity, and the thing yielded fruit, or it yielded its money, i.e. its abundance, and the money yielded what is produced in periodic times.

**There are two types of investment:**

A.Domestic investment (internal)

B.Foreign investment (external)

Domestic (internal) investment means changing capital in the local market and investing it. It relies on local resources through the development of financial and monetary policies that add a positive reality to the economic and political situation of the state, and (foreign) investment is an investment outside the national borders of the state and includes migrating capital from one country to the country in which the money is invested.

Also, we find there are another two types of foreign investment: (Abdul Jabbar & Riyad, 2013: 5)

A.Foreign Direct Investment: The International Monetary Fund (IMF-International Monetary Fund) and the Organization for Economic Cooperation and Development (OECD-Organization for Economic Co-Operation & Development) define foreign direct investment as investment in projects that are in a country and are controlled by a group of individuals residing in another country. The International Monetary Fund has indicated that the foreign investor's share must exceed 50% of the capital, and 25% or more of the shares are within the reach of one person or one organized group for a number of investors. They must have effective control over the policies and project decisions the foreign investor is the one who owns the complete projects and establishes and manages them because of the comprehensive ownership.

B. Indirect foreign investment: The term indirect investment was launched in 1967 by Mathew Simon and is called portfolio. The investor's goal is to obtain profits and reduce risks. It contributes to amplifying short-term financial transactions with the aim of quick profit. It is also blamed because their money is unstable (investment portfolio funds).

## **2. The second topic - Analysis of the impact of political and security instability on the economy in general**

**2-1. Instability according to international indicators:** Determining the indicator of political instability in which researchers face many obstacles, and that the most important indicators are identified in the existence of a struggle for power to survive even by non-peaceful means, and there is violence by the ruling authority that leads to instability in order to remain in power and the practice of official violence with the aim of ensuring the continuity of the verdict (Salih, 2019: 14).

Official violence is one of the international indicators of instability represented by arrests, imprisonment with labor and hard labor, the use of force, the dispersal of demonstrations and sit-ins, death sentences with political dimensions, the use of military units, the declaration of a state of emergency, and the violation of the rules and provisions of the constitution and the law. The most important of those indicators that lead to a result of political instability are the successive and rapid ministerial changes resulting from political crises, and the second indicator is the collapse of the entire political system due to military fluctuations. (Salih, 2019: 15-16)

**2-2. The impact of instability on the local economy:** The collapse of the infrastructure in Iraq after 2003 has greatly affected the local economy and the economic, industrial, agricultural and service investment institutions and the slowdown in production growth rates, as well as the shrinkage of investment rates due to the sectarian war and the spread of economic mafias that have come to control the local economy, just as the period of the US occupation led to a deterioration The local economy, which recorded negative growth rates as a result of the lack of savings, despite the improvement in the income level, a large part of it went towards consumer spending, which led to a significant increase in inflation rates. it also led to an increase in unemployment rates, which is considered one of the manifestations of the economic crisis due to the destruction of institutions. The conditions of instability in the security and political situation led to a

significant shortage of goods and services and an increase in demand for them, which led to an increase in public prices. (Salih, 2019: 17)

**2-3. The impact of instability on investment: (Abdul Hussein & Hussein, 2020: 2-13):** Economic life represents a series of economic decisions taken in accordance with development regarding investment or non-investment in a country that cannot be considered as a decision for any country, but as a commitment to engage in a particular economy for a certain period. The future may be years or decades away, if not longer for investors.

During this period, the investor has to take a series of decisions to face different possibilities and expectations, so the investment decision depends on the availability of a suitable environment to achieve political stability.

It is necessary here to specify a number of conditions that must be met by the country wishing to invest, namely:

**2-3-1. The first condition:** (AlRafii, 2022: 550) The availability of a minimum and acceptable level of ability to make economic decisions in the future to ensure the security of the investment project and protect its interests. This condition depends on some elements that must be available in the host country for investment.

When the political situation in the host country is unstable and the security situation is unstable, the future of this country's image will remain obscured and full of fog, and he cannot at any moment encourage the investor to take suicidal or difficult decisions, knowing that their wealth is in danger of terrorists, kidnapping, looting and other chaos and insecurity, as well as political stability. It is a prerequisite and necessary for any type of investment, local or foreigner, but it is not a sufficient condition, there will be in doubt .

**2. 3. 2. The second condition: Safety is a prerequisite** (AlRafii, 2022: 550): We must show that political corruption has a negative impact on political stability, which in turn leads to decay. Free competition leads to the inability to make sound and appropriate economic decisions. One of the established rules is the ability to make wise and rational economic decisions that are important for political and security stability, and this requires achieving a kind of legal stability, because economic decisions involve legal procedures. For example (the right to dispose of property, contract with suppliers, deliver goods, and prepare contracts with all parties). An open framework, in the Arab and regional context, is a necessary condition for economic activity in

general and investment in particular, especially in Iraq and its surrounding areas. These rights are recognized and their borders are regulated. Its control clearly through property rights and entitlements is indispensable when making various economic decisions. The absence of such laws or their abundance and imposition at times and their inconsistency is a deterrent to investors.

In some Arab countries, especially Iraq, we find multiple legal systems, Sharia and civil law, between Sharia and civil law requires a number of existing control circles such as courts, and there are general law and others in addition to many laws on one subject, for example there are general laws for investment companies and for money market companies and others.

Legal stability is not limited to the openness and transparency of existing legal systems, but also requires the need to predict the future of legal positions without common grounds for legal stability, recognition of the legality of private property or certain contracts, and property must be completely nationalized or confiscated without public, clear and accurate oversight, and legal inequality may arise.

**2-3-3. The third condition:** respect for expectations (AlRafii, 2022: 556): Avoid sudden legislation that changes investors' expectations and creates imbalances in their economic accounts. Here, as in the latter case, there is an overlap between legal and political stability. This prevents sudden and radical changes in legal positions. Internal and external political stability is an important element to attract and encourage domestic and foreign investment without preemptive chaos, riots and demonstrations. That is, in the event that internal security is stable, internal and external security is represented in the absence of border problems between countries due to the generally unstable political situation in Iraq, we note that it still suffers from internal and external political instability, which affects the investment climate in it and leads to the flight of capital and competencies abroad. One of the problems is destabilizing internal security as external forces play and terrorism plays and still plays a major role in foreign affairs in Iraq, which Influenced and affects the process of reconstruction and the process of economic reforms, especially after the American occupation and its consequences.

### **3. The third topic: The reality of the economy and the impact of instability on investment in Iraq:**

**3-1. The reality of the security and political situation in Iraq for the period 2003 to 2022: (Alshammari, 2017: 660):** The security and political situation in Iraq changed in 2003, and an alternative regime appeared that appeared to be a peaceful, non-authoritarian regime based on partisan pluralism and adherence to the constitution. Many changes and problems occurred in the system of governance in Iraq since the entry of US forces, as the new political system was based on racism and sectarianism, as security is considered necessary. To build the state, and its absence threatens political life, and the conditions at that time did not provide a safe environment for political candidates, investors, and businessmen to carry out their political and economic work properly and properly.

Non-democratic regimes have dominated Iraq since 1921 to 2003, and the monarchy period in Iraq is considered the most democratic, and after the monarchy period from 1958 to 2003, the country became in the hands of dictatorial regimes, after which formal partisan pluralism appeared and its accompanying sectarianism, political confusion, and regional and international influences did not serve Iraq and its renter economy did not move it to a new and positive stage of planning and investment encouragement.

Since 1932, the economy of Iraq has been considered a feudal economy and a backward economy. It is described from a political and economic point of view as a developing economy. It is characterized by low per capita income and dependence on the export of basic commodities on the agricultural sector, which is the largest part in the employment of the labor force.

The economic situation did not witness any development before 1950, and the total dependence was on agriculture, which was the only sector that dominated the economy, and neglected all other sectors due to the lack of capital for the establishment of another industry. It has become the main source of government spending and is considered a unilateral economy where oil is the main dynamic factor of the economy and it is also the source of economic growth to finance government activities. And the state budget and to finance government development programs and investment spending

in general in the fifty years that followed the middle of the last century and the following decades of the atheist century twenty.

The Iraqi economy became more vulnerable to external shocks and economic fluctuations, and despite Iraq's wealth, the economy became dependent on political decisions. And the failure of economic policies led to a direct failure in developing the country's infrastructure, and in the seventies of the last century, infrastructure, industry and agriculture developed in addition to the sector health services, education and housing as a result of the correction of oil prices. The growth of production rates became rapid and oil exports were the basis for the development of other sectors and due to the lack of a labor force in that period, Iraq became one of the countries receiving the Arab labor force.

Oil imports increased in 1970 from (6197.2) million dinars to reach (19416.6) million dinars. The year 1980 was associated with abundant oil revenues and the rise in the global price of oil, as it rose from (1.3) dollars per barrel in 1970 to (11.26) dollars per barrel in 2018. 1974 (as a result of the outbreak of the 1973 war with Israel) and also in 1980, the growth rate of domestic production declined to reach (4.7%), and oil exports stopped as a result of Iraq entering the war with Iran, the value of exported crude oil decreased, resources were depleted, and the economic plan from (1985 to 1985) failed. 1987) in favor of the war and the decline of the labor force and all sectors, which prompted the state to import projects with large capitals and the use of Arab labor, which led to an imbalance in the balance of payments.

The Iraqi economy collapsed at this stage because of the imposition of international sanctions for more than a decade, which was a real deterioration, high prices, deterioration in purchasing power, and a decrease in the standard of living as a result of Iraq's invasion of Kuwait. The value of the exported crude oil in 1991 amounted to (276.3) million dollars. (Alshammari, 2017: 665)

The period of 2003, when the US forces entered Iraq, was one of the most difficult periods, as all security institutions were dissolved by a decision of Paul Bremer, who became the civil governor of Iraq. A set of laws enacted by Bremer and the Governing Council at the time, which legitimized corruption, the demolition of state institutions, the dissolution of the security

services, and a random, unplanned change of ministries, economic sectors, and the country's basic structures.

The political process that began after 2005 witnessed the use of different methods. The Iraqis went to the polls three times for political purposes. The aim was to hold elections for the National Regional Council on January 30, 2005, and other elections on October 15, 2005.

The political and security reality in Iraq since the formation of the government of Prime Minister Nuri al-Maliki in 2006 until the withdrawal of the occupation forces in 2011 led to a lack of bureaucracy in general and rapid changes in the political scene, and the political authority was dependent on the United States and Iran to provide security to solve many problems and obstacles. The situation was not stable as the country witnessed violent conflict between the political factions.

### **3-2. The indicator (political stability and the absence of terrorism and violence) in Iraq for the period under study:**

#### Political Stability and Absence of Violence/Terrorism

Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism

- ❖ Estimate: Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)
- ❖ StdErr: Standard error reflects variability around the point estimate of governance
- ❖ NumSrc: Number of data sources on which estimate is based
- ❖ Rank: Percentile rank among all countries (ranges from 0 (lowest) to 100 (highest) rank)
- ❖ Lower: Lower bound of 90% confidence interval for governance, in percentile rank terms
- ❖ Upper: Upper bound of 90% confidence interval for governance, in percentile rank terms

Table (1): Political Stability and Absence of Violence Terrorism Measures in Iraq 2003-2021

Years	Estimate	StdErr	NumSic	Rank	Lower	Upper
2003	-2.39	0.30	4.00	0.50	0.00	4.02
2004	-3.18	0.32	4.00	0.00	0.00	0.49
2005	-2.69	0.29	5.00	0.49	0.00	0.07

Years	Estimate	StdErr	NumSic	Rank	Lower	Upper
2006	-2.83	0.28	5.00	0.00	0.00	0.48
2007	-2.77	0.27	5.00	0.48	0.00	2.42
2008	-2.47	0.27	5.00	1.92	0.00	2.40
2009	-2.17	0.28	4.00	2.37	1.42	6.16
2010	-2.24	0.27	5.00	2.37	0.00	4.27
2011	-1.85	0.26	5.00	4.27	1.90	7.58
2012	-1.93	0.23	6.00	4.74	1.90	7.11
2013	-2.01	0.24	6.00	4.27	1.42	7.58
2014	-2.48	0.21	6.00	2.38	0.00	4.76
2015	-2.26	0.21	6.00	2.86	0.48	6.19
2016	-2.31	0.22	6.00	3.33	0.95	5.71
2017	-2.31	0.22	6.00	2.86	0.48	5.71
2018	-2.53	0.22	6.00	1.42	0.00	3.77
2019	-2.60	0.24	6.00	1.42	0.00	3.30
2020	-2.46	0.24	5.00	1.89	0.00	1.89
2021	-2.40	0.24	5.00	1.89	0.00	4.72

Source: [data.albankaddawli.org/indicator/BX](http://data.albankaddawli.org/indicator/BX) – page 32. The impact of instability in Iraq on investment before 2014

Table (2): Foreign investment flows in Iraq 2003 - 2021

Years	Net Foreign Investment Inflows % of Iraqi GDP 2003-2020	GDP/ Current Markit Prices / Trillion ID	GDP/ Market Prices / Trillion ID
2003	2.00	129	130
2004	2.00	130	132
2005	1.90	143	144
2006	3.85	146	147
2007	5.70	155	158
2008	4.00	169	168
2009	3.25	170	172
2010	2.40	187	188
2011	2.50	192	217
2012	2.80	217	255
2013	3.25	241	273
2014	2.50	292	265

Years	Net Foreign Investment Inflows % of Iraqi GDP 2003-2020	GDP/ Current Markit Prices / Trillion ID	GDP/ Market Prices / Trillion ID
2015	3.00	183	182
2016	2.50	187	185
2017	2.00	208	206
2018	2.00	250	248
2019	1.75	256	255
2020	1.50	271	272
2021	2.00	282	283

Source: data.albankaddawli.org/indicator/BX

Ministry of Planning, Central Statistical Organization Cso, Annual St

By following up and analyzing the political and social development and stability in Iraq and its impact on foreign investment flows to Iraq, and from what is stated in the above tables, it is clear that foreign direct investment flows in Iraq after 2003 have increased due to the openness of Iraq to the outside world and then the lifting of the economic sanctions imposed on Iraq. The issuance of Investment Law No. 13 of 2006 had a great impact in encouraging the flow of foreign investment to Iraq, although these flows are still modest and weak and the majority of them are in the oil sector.

Where we notice that the Rank Index has reached a distinguished level in 2003, as it reached (4.02) at its highest level, corresponding to a level of Rank 0.50 for the same year, while investment flows reached Up to 2% of the total GDP, and foreign investment flows continued to rise due to the relative stability in the security situation, especially after overcoming the effects of the sectarian war that raged in the years 2005, 2006, 2007 and 2008, so that the security and political situation returned to stability somewhat until 2013, which contributed to the arrival of the inflows investment to 3.85% of the GDP in 2006, then 5.70% in 2007, compared to 0.00 and 0.48 as the rank level in 2006 and 2007, then it settles at 3.25% in 2013, compared to 4.27 as the Rank level for the same year.

And in 2014, which was the year that witnessed the entry of ISIS and its accompanying terrorist operations, which affected a number of Iraq's governorates in the north, west and central regions, which greatly affected the security and political situation in Iraq, and its impact was clear on foreign investment flows, which decreased in that year and what followed

remarkably. It amounted to only 2.50% of the total NM, with a decrease in the Rank index to 2.38, after which it returned to rise to 3.33 in 2016 while maintaining the level of foreign investment inflow, which is 2.50% of GDP for the same year, then it declined later in the following years to settle at 2.00% of the GDP. The total in 2021 is matched by a rank level close to 1.89.

From the foregoing, it appears that security and political stability have an important impact on enhancing foreign investment opportunities along with the rest of the other facilitating factors, but it is not the only or strongest influence in encouraging these flows, as a group of other factors combine, including security and political stability, to increase the entry of these flows into the interior, which means The political and security instability has a negative impact as one of the factors affecting facilitating and encouraging these capital flows to Iraq.

The conditions that Iraq went through from the wars and the economic blockade before or after 2003 led to the collapse of the infrastructure, and Iraq suffers from the backwardness of reality and the great shortcomings in investment plans and the basic elements that make up the investment climate in Iraq and many obstacles that impede investment. The cost of reconstruction was estimated at (187) billion dollars, and according to the estimates of the five-year plan (2010-2015), it impedes productive projects and employment of workers, national economy. (Alshammari, 2017, 667)

The high inflation rates that the Iraqi economy suffers from due to government spending in the nineties on the military and security establishment of the former regime, and the reflection of this greatly on the purchasing power and the collapse of the national currency, as this is one of the most important obstacles since the entry of companies and investment. The investment climate in Iraq has been greatly affected by the political and security conditions, which reflect negatively on investment in terms of the flight of national capital. Instability has led to the exposure of many owners of money and merchants to assassination and kidnapping, which led to impotence and in addition to sectarian wars within a year (2006-2007). (Alshammari, 2017: 670)

**3-3. Political factors affecting the flow of foreign investment in Iraq:** One of the factors attracting foreign investment is the positive political and security factors because capital is a coward, as it is said, that political and security stability encourages the foreign investor, and this is what studies and

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research have indicated. The lack of stability and the security situation leads to the flight of capital, its non-localization, the high risk to the investment project, and also one of the factors The negative repelling of the foreign investor, which leads to the investor searching for a place to invest Russian money, whether he is a foreign or local investor, and that among the political factors that lead to non-investment are riots, conflicts, incidents of political coups, internal conflicts, sectarian fighting, and others. (Ibrahim & Ghafour, 2014: 52).

The size of the market and prospects for economic growth are among the important factors affecting the decision to locate foreign investment.

The size of the market leads to an increase in the flow of foreign investment and the increase in the purchasing power of individuals in society and reflects stability and the achievement of stable rates of economic growth that exceeded the growth of the population and could lead to an increase in the volume of the flow of foreign capital. In a study conducted in 1997 by Shan and Tian Sun, the rapid economic growth in China was the reason behind the confidence of foreign investors in the country, and that increasing these rates means greater opportunities for progress and improvement in the performance of the national economy of the future country and attracting more foreign investment to satisfy the new desires generated by each growth at these rates. (Ibrahim & Ghafour, 2014: 53).

In conclusion, we see that political, economic and security instability are the most important factors that impede internal and external investment operations in any country. In Iraq, the existence of high renter revenues from the sale of crude oil can be used rationally in the process of economic development after working to provide a safe security and political environment. To encourage local and foreign investors to invest their money in Iraq under a stable and secure security and political environment, because money and politics are closely linked and inseparable. If politics is good, investment is good, and vice versa.

### **Conclusions:**

1. *Security and political stability have an important impact on enhancing foreign investment opportunities along with the rest of the other enabling factors, but it is not the only or strongest influence in encouraging these flows.*

2. Political stability is one of the most important factors in economic and social construction.
3. Foreign direct investment flows in Iraq after 2003 have increased due to the openness of Iraq to the outside world and then the lifting of economic sanctions imposed on Iraq, and the issuance of Investment Law No. 13 of 2006 had a great impact in encouraging the flow of foreign investment to Iraq, although these the flows are still modest and weak, and most of them are in the oil sector. The security and political instability and cases of administrative and financial corruption were among the reasons that prevented the provision of an appropriate investment climate capable of attracting foreign investments.
4. Political stability is an attractive factor for foreign investors to invest their money inside the country because stability is one of the important elements for the investor.
5. Iraq's economy must be developed because Iraq's economy is a unilateral rentier economy that depends on oil
6. Developing the rest of the sectors to advance the economic reality and build a strong state.
7. The instability index is considered one of the dangerous and important indicators, and due to the fluctuations of government systems and their unstable policies in recent times, this has led to a deterioration in conditions and a decrease in the demand for investment.
8. From the foregoing, it appears that security and political stability have an important impact on enhancing foreign investment opportunities along with the rest of the other facilitating factors, but it is not the only or strongest influence in encouraging these flows, as a group of other factors combine, including security and political stability, to increase the entry of these flows into the interior, which means The political and security instability has a negative impact as one of the factors affecting facilitating and encouraging these capital flows to Iraq.

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