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Privatization as a way to tackle the economic recession by diversifying income sources in Iraq

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Abstract

The Iraqi economy is a rentier economy that mainly depends on the revenues of crude oil exports, especially after 2003, as a result of the underdevelopment of the infrastructure and vital economic institutions of the country. This also contributed to the aggravation of the economic crisis in it, high unemployment rates, low rates of growth of domestic product and its dependence on fluctuations in international oil prices. For the purpose of achieving economic growth and sectoral interdependence, desires and invitations were generated from international organizations and economists to shift towards a market economy and encourage and urge the private sector to participate in the development of the national economy and address economic recession.

Keywords: Privatization, economic recession, rentier economy.

La privatización como una forma de abordar la recesión económica mediante la diversificación de las fuentes de ingresos en Iraq

Resumen

La economía iraquí es una economía rentista que depende principalmente de los ingresos de las exportaciones de petróleo crudo, especialmente después de 2003, como resultado del subdesarrollo de la infraestructura y las instituciones económicas vitales del país. Esto también contribuyó al agravamiento de la crisis económica, las altas tasas de desempleo, las bajas tasas de crecimiento del producto interno y su dependencia de las fluctuaciones en los precios internacionales del petróleo. Con el fin de lograr el crecimiento económico y la interdependencia sectorial, se generaron deseos e invitaciones de organizaciones internacionales y economistas para avanzar hacia una economía de mercado y alentar e instar al sector privado a participar en el desarrollo de la economía nacional y abordar la recesión económica.

Palabras clave: privatización, recesión económica, economía rentista.

1. INTRODUCTION

The privatization program is one of the best economic mechanisms in the hands of governments, which is to transfer the ownership of public companies from the state to the private sector in whole or at a specific rate, while maintaining their ownership of the state in an attempt to expand the scope of the private sector's tasks, and support it to take a greater role in the development process, a

policy that is resorted to countries for various reasons and goals may be to address economic problems, such as recurrent deficits in the state or public budget, by reducing public expenditures and providing the public budget with new resources to reduce the deficit, and achieve a balance in payments balance, or the government's desire to go towards a market economy, a withdrawing her hand from some non-national projects to expand private sector activity and support domestic and foreign direct and indirect investment.

And in Iraq, whose economy is rentier dependent on an almost entirely monolithic source, through over-reliance on revenues earned from the export of crude oil after 2003, as a result of the collapse of the country's infrastructure and economic institutions after the wars that Iraq fought at the end of the twentieth century, and the continuing economic blockade imposed by the international community, and then the American occupation of Iraq, and its complete destruction of the infrastructure and vital economic installations. Reliance on crude oil exports has become the largest part of the gross domestic product, with a percentage ranging between (50 - 68%).

This has contributed to the aggravation of the economic crisis in the country, the high unemployment rates and the constant decrease in domestic product as a result of its close association with international oil prices, which are characterized by continuous fluctuation, as a result of being affected by many regional and global interactions and fluctuations in exchange rates affected by these factors. Between the economic sectors and making use of the available resources and using them in the optimal way to achieve economic growth, so there were

calls from international organizations and economists to shift towards a market economy and support and encouragement of the private sector and make way for it to greater participation in the development process, addressing the recession and achieving economic growth, and the state began to respond to these calls and a number of projects were applied that have been privatized, but they did not rise to the required level. The reality of the Iraqi economy is still suffering from many problems, as a result of wrong policies accumulated by successive governments after 2003.

The research problem is represented by Iraq's dependence on imports resulting from the export of oil almost completely, and with the decline in oil prices in recent years and the resultant continuous deficit in Iraqi budgets, it has become imperative to search for alternatives, and draw a clear economic and financial policy to advance the Iraqi economic reality, and perhaps the method of privatization is the best solution that can achieve economic development in Iraq, if it is applied according to valid foundations and with external support and supervision because of the availability of all the capabilities required by economic reform from natural, material and human resources.

2. RESEARCH METHODOLOGY

The importance of the research lies in the fact that it highlights one of the most important economic tools that have been used since

the end of the eighties of the last century after the success of the experiment applied by the United Kingdom in this field, which called on some countries, especially developing countries, to implement the privatization policy, and adopt it as an optimal solution to financial and economic crises that have been ravaged by it, and can be used to extract the Iraqi economic reality, and move towards diversifying sources of income, the private sector's contribution to the gross domestic product further, and reducing unemployment by attracting the workforce, especially from the youth's class, to get rid of the recession.

The researcher relies in this study on the main hypothesis that the private sector's contribution and the government's privatization of some projects has become a necessity required by the current situation in Iraq to open new windows for the state's public revenues, especially as Iraq has all the ingredients to make this process successful.

Given the importance of the subject of the research, its study required more than one methodical approach, as the researcher used the descriptive inductive approach, by looking at what was available under our hands of the literature represented in economic literature, studies and research that dealt with the topic of research, and try to take advantage of them, with the use of the analytical approach complementing it.

3. RESULTS

Privatization is a relatively recent terminology in economics, as it is a method that some countries have resorted to as a financial policy to deal with some emergency conditions and economic crises that have passed through it has proven successful in many areas, and provided impressive results in some countries despite the criticism directed by some economists and scholars who reject this economic method, and we will discuss it in this topic.

Privatization has many definitions, and it has been called several names, such as allocation, specialization, privatization, special and other terms that indicate the same meaning. This is due to the difference in the name because this term is a Latin basis that has been translated from Western economic thought which is called (Privatization), except that most of the vocabulary usage is privatization. In general, privatization is an economic policy that aims to transfer ownership of capital for public companies to companies that follow the private sector, and whether that transfer is partial or total, and this is done through following different methods. This is done through different methods, which may be in the form of direct selling, or it may be through financial markets. Privatization is the opposite of the term nationalization. (Al-Ubaidi, 2011, 17).

There are those who see privatization as a complete economic approach represented in transferring an economic system in a country from one authority or classification to another different body, while others see that privatization is a partial economic approach aimed at

modifying some special particles in the economic structure followed, without affecting the system or the overall structure of the economy (Elias, 1994,31).

A recent trend has emerged that follows the new classic school calling for ridding state companies of state ownership and transferring them to the private sector, as this step, in their opinion, represents the best solution to tackle the inflationary recession crisis. (Parker. 1995. 172).

Therefore, the definitions of privatization have multiplied and diversified, especially in recent periods after its spread in many countries, and after many experiments have proven successful, which led to the direction of many researchers and specialists in this field to conduct studies and research on this topic. As a result of these studies, many conceptual formulations of privatization reflect the view of the different scientific schools that each scientist follows, and the extent to which he is influenced by their ideas and orientations. Sometimes privatization was defined as the process of renting production units owned by the public sector and transferring them to private sector ownership, according to a private contract that results in the state retaining ownership of that units, while the state and the leasing party share the profits, in the sense that they contract or sell services or institutions owned by the state to parties belonging to the private sector. (Al-Ubaidi, 2011,20).

There are those who have expressed it as a process of selling the assets of failed projects that are owned by the state in order to liquidate it, i.e. transferring its ownership to the private sector completely,

meaning that it is a way to present a larger market that contains a greater degree of competition for economic activities. (Hagan, et al. 2009, 63).

Through the foregoing and in light of the multiplicity of views on the interpretation of this economic tool, the researcher believes that privatization can be defined as an instrument or method used by governments to address specific economic crises, such as inflation and depression, and is to transfer ownership of some public institutions and services owned by the state to the private sector, whether this transfer was in part, so those institutions or services remain owned by the government and exploited by the lessor, according to the contract, or they are totally transferred to the private sector, and it represents an integrated economic approach that has proven successful in light of different economic conditions, both in Europe and the industrialized countries, or developing and lagging countries.

Most studies in this regard agree on the beginning of the emergence of privatization as one of the newly emerging economic processes and methods as it appeared in the twentieth century for the first time, and specifically in the mid-fifties, but it did not receive wide resonance and acceptance until the end of the seventies of the same century, when a Britain leader (Margaret Thatcher) by calling for a trend towards privatization of state-owned public enterprises in 1979. (Canaan et al., 2016, 25).

This matter is true in terms of the emergence of the term privatization and the prevalence of its use, but the general meaning of the concept of privatization may be much older than that, as there were

those who discussed in his writings in previous periods about the importance of the private sector in terms of production, and the need to allocate and divide the work between the public and private sectors, as the Islamic thinker and Arab sociologist Ibn Khaldoun pointed out to indirectly apply the privatization policy in his writings by calling for a shift towards a private production pattern and the importance of that to countries and their economy, he saw that the commercial activities that are in the hands of the government are harmful to society and destroy tax revenues, in addition to limiting competitors' entry into the market, which leads to the collapse of many businesses, and that was in the year 1377. (Al-Rubaie, 2004, 13).

As for contemporary and modern history, the beginning of privatization was as we indicated earlier, beginning with the mid-fifties of the last century, but it became famous and became famous in the world after Britain's experience at the end of the seventies of the last century, so calls began to increase in many countries to move towards the privatization of companies and public services to address the economic crises that some countries are going through have been applied in Western and Eastern Europe, and then Southeast Asian countries have worked with them and then into Africa until privatization has become the locus of nationalization movements that appeared in some Arab countries at the end of the fifties and beginning of the sixties of the last century, and continued after that, and at the beginning of the nineties of the same century, privatization experiences were applied in more than (50) countries, and the financial value of companies that shifted from the public sector to the private

sector, following the method of privatization between 1985-1992 amounted to (328) billion dollars (Karim, 2010, 149).

Naturally, any economic policy applied by the state seeks from behind it to reach a set of goals and privatization by being one of the economic approaches and mechanisms that governments resort to address economic crises, where scientists and researchers in economics gather that the most important goals behind the application of privatization is to seek to raise the efficiency of the economy, and support the local growth process, in addition to providing new job opportunities and reducing unemployment, by attracting capital through investment, whether local or foreign, and its positive results, as a result of entering the modern technologies accompanying these investment companies. Consequently, it will result in the process of developing human resources and raising the efficiency of individuals working in the field of management, organization, and marketing, as well as that privatization helps encourage the private sector to enter the economic fields that were monopolized by the public sector and thus expand the scope of ownership, at the level of the economy (Forster & Mouly. 2006: 83).

As for the financial goals of privatization, they are represented in reducing the public expenditures in the state's general budget, and the resulting financial depletion of the state's treasury as a result of supporting some losing projects. The financial returns achieved by the privatization of companies and public services for the private sector represent a financial resource for the state that often helps to bridge the

fiscal deficit in the state's general budget or reduce it as much as possible. (Al-Ubaidi, 2011, 32).

We have also indicated previously in the definition of privatization that it takes many forms and images and is not on the same pattern, as the experiences of countries have differed in following several models when applying privatization, and the choice of the model or image that is most appropriate ,according to the needs of the state or its vision is due to confront the crisis it is going through or the goal that it seeks to reach through its economic and financial policy, the most important forms of privatization are:

In this type of privatization, the process of selling public establishments or services affiliated with the state's property is direct and as a result of this, transferring the basic elements accompanying the property, namely management, assets, and individuals working in the company, directly and completely to the ownership of the private sector, so the government according to this image will sell all its shares in the company, or the greater part of it through offering it for public subscription, that is, by offering all or part of a corporation's capital shares for sale, provided that this company continues to perform its natural activities or services. (Jones et al.,1998,44).

Or the government may sell a small percentage of its shares, and the company becomes mixed between the public and private sectors, due to the government's desire to implement the economic investigation process, or it may be a first step towards a move to fully privatize the company for the private sector, and most of the opinions of researchers and scholars in the field of economics agree that this

method is one of the best methods and forms of privatization, as it leads to the expansion of ownership and the base of competition, and it is the most used method for transferring ownership, which constituted approximately (80%) of transactions during the nineties of the last century, and about (86%) of the total transactions for 1995. (Karim, 2010, 108).

This method is one of the forms of privatization behind which governments aim to ensure cooperation between the company's departments and its employees and to ensure their participation in the largest possible proportion by assuming responsibility and feeling in the public interest, this type is in the control of some of the company's managers and control of its capital in cooperation with its employees where the buyer Bank credit by borrowing from the bank to finance the purchase, provided that the company's assets are presented as collateral to finance the purchase(Jones et al., 1998, 45).

The state may liquidate some public companies that demonstrate the futility of its continued existence as it does not achieve any economic return to the state, but it may represent a financial burden in excess of the government, so continuing to maintain its ownership is a great financial loss and financial drain from the state treasury, so it seeks to get this project out of state ownership, and transfer it to the private sector. (Ashour, 1996, 153).

In lease contracts, the leasing party uses the assets and facilities that are leased from the public sector for its own account, and is determined in accordance with this contract the rent allowance that pays the tenant to the state as well as the responsibilities of the parties

to the contract, and the administration often bears the burden of risks and economic and financial crises that may affect the company in the future in this contract. (Haider, 2008,95).

As for management contracts, they will be between the state and the institutions or local or foreign investors for the purpose of managing a public company in return for a specific fee or for a certain percentage of the project's returns. The administration in this contract will not be responsible for the commercial risks that occur when the value of the company's assets deteriorates unless the contract stipulates that frankly. Developing countries usually tend to contract with companies specialized in this field to manage important strategic facilities, such as telecommunications, electricity and large industrial facilities, because their local administrative bodies lack the capabilities necessary for the success of such companies, so they resort to privatizing them using the contract method. (Al-Rubaie, 2004, 79).

Some call this type of privatization a franchise right, which is represented by the investor, whether foreign or local, to establish a public facility completely from designing, building, operating, managing and benefiting from the financial returns obtained from this project directly for a specific period of time, according to the investment contract, and with the end of this period, the project returns with all its contents are owned by the state according to the contract between the two parties, without any government compensation. (Elias, 1994, 48).

From the foregoing, it becomes clear to the researcher that privatization does not take place in one form or model, but rather takes

multiple forms, including what completely ends the ownership of the state or government and transforms it to the private sector, and this type is also done in multiple forms and cases, including what takes the form of partnership between the public and private sector, by selling a percentage from the company's shares belonging to the government to the private sector, while retaining ownership of a portion of the other shares belonging to the government and the public sector. This difference is due to the diversity of the financial goals and policies that countries seek to reach or the economic problems to be solved by following a specific model of privatization models in line with the economic policy followed in that country.

Economic recession is a common economic situation, especially in developing countries, and is represented by the continuous decline in the rate of economic growth for a specific period, and this can be illustrated through several axes.

The recession in economics is defined as a state of contraction in a country's economy, resulting in a general slowdown in the level of economic activity. (Saadi, 2017).

It is also known as a decrease in a country's GDP, or a negative growth rate of GDP for two or more quarters, respectively (Saleh, 2013, 223).

The definition of economic recession as a decline in gross domestic product has been widely opposed by researchers and scholars in the field of economics, because this definition does not look at the changes that occur in some indicators, such as the changes that occur in the unemployment rate during the study period, as well as relying on

half-term period, that is, for three months, it is difficult from the task of determining the period during which the recession began or ended, meaning that the recession that lasts for 9 months or more cannot be monitored (Arther, 1998: 116).

In general, the economic recession can be defined as a decrease in the rate of economic growth and the gross domestic product of a particular country during two consecutive financial periods, due to the inadequacy between production and consumption, so the production rate decreases and unemployment rates rise.

Economic recession causes many harmful economic effects and may lead to some or all of these effects, depending on the nature of the recession, and the mechanism for dealing with it. (Saadi, 2017).

1- Falling prices: - This is due to an excess of supply, due to the depression of commodities.

2- Low production by factories: - This is because the market does not absorb additional products.

3- Decrease in revenues: This is due to the low level of production and falling prices.

4- Decrease in cash liquidity: - Because liquidity is related to revenues, and the lower the percentage of revenues, the lack of cash liquidity. As a result, many companies and economic institutions go bankrupt with their various activities, due to low cash liquidity, accumulation of losses, and companies' inability to cover their operating expenses.

5- An increase in unemployment rates: - Because many workers lost their jobs, as a result of the previous factors.

Economic recession is a common situation in the world and often continues in economic countries for easy periods, as a result of crises or emergency events to which states are exposed. When an economic recession occurs in a country, the state must take the following measures to reduce its effects, as much as possible:

1 - Orientation towards open market policy: - This requires the Central Bank to interfere directly in the money market by purchasing securities, leading to an increase in the volume of cash or money circulated, and reaching the level that enables it to absorb the excess in the supply of goods.

2- Reducing the interest rate: - It is one of the economic policies pursued by the state to confront the economic recession, and this process is done in one of two forms, as it may be in the form of the cost of loans or the return of the deposit. When the recession, the central bank often reduces the interest rate for commercial banks, which reflects this to bank customers, so the lending capacity of these banks doubles, and the tendency towards saving decreases, as a result of which is the increase in the money circulating in the market, the high rate of consumption and the absorption of surplus goods, which leads to absorption commodity surplus.

3- Going towards the obligatory reserve of banks: - As the central bank works in this mechanism to reduce the reserve ratio to enhance the ability of banks to grant loans for the purpose of increasing the cash or money circulation and moving the wheel of consumption, the surplus of goods is consumed at a faster rate. (Salem, 2012).

The Iraqi economy suffers from many economic problems, including recession whose roots extend to many different sectors, which are the result of wrong economic policies of the previous regime, through some laws and rapid and ill-considered procedures, and successive governments after 2003 could not find any solutions mentioned for many reasons that are no longer concealed by anyone, but that the state administration after this year has also contributed to the collapse of economic activity further, due to the devastation that has occurred in most of the productive institutions in the country, and the disruption of all production institutions, and this has caused high rates of unemployment in the years that followed the year 2003, as unemployment in the year 2004 reached an estimated rate of (43.81%), and despite the decrease in this rate to (22.7%) in 2016, it is still high (see Table 1), and this is confirmed by the modest extent of the contribution of the production sectors in the gross domestic product, which reflects the government's lack of interest in these vital sectors, which can be an important gateway to address the crises that beset the Iraqi economy, as well as the deterioration of the security situation and the vague current political situation, and its ongoing conflicts that have led to disruption of economic life, and deepening the existing imbalance, and thus deepening the crisis rather than solving it (Al-Athawi , 2018, 144) (Al-Mandhari, 20), which constituted an obstacle to reconstruction projects and the entry of investment companies to work inside Iraq. As a result, the economic recession has loomed on the joints of the Iraqi economy for many years, and to address this imbalance in the structure of the current Iraqi economy, alternative

methods must be sought to supplement the public revenues of the state treasury with other resources, and reduce dependence on oil revenues.

Table 1: Unemployment rates in Iraq for the period (2004-2016)

Years	2004	2005	2006	2008	2011	2012	2014	2016
unemployment rate (%)	43.8	29.6	30.3	30.0	18.0	21.8	20.1	22.7

Source: Ministry of Planning, Central Statistical Organization, annual statistical group, several years.

Iraq can be classified as one of the most important countries rich in natural and human resources in the world, but despite that, in the last decades, there has been no development at the level of the economy, as a result of mistakes accumulated for decades, and the lack of any serious successive governments to reform the economic situation and the balance between rentier and non-rentier economy, and that by supporting and giving more importance to the other non-oil sectors in order to enhance their role in the national income and the local output, and therefore the high contribution of the non-oil sectors gives the Iraqi economy a strong boost, in the face of global fluctuations in oil prices. (Haloub, Ahmad 2015, 59).

In light of the successive economic crises witnessed by the world and the repercussions of the recent drop in oil prices, it became necessary to follow a financial policy based on a flexible economic vision in terms of implementation, in order to extract the Iraqi

economy from its recession. The financial policy is the forefront of economic policies that countries adopt to achieve social and economic goals, and their relationship to a rate of economic growth is a direct relationship due to the latter's dependence on public revenues in the public budget, especially as the public expenditures of the state constitute the most important part of the demand affecting the volume of economic activity that is geared towards achieving public benefit and satisfaction of needs. (Hussein, 2017, 9).

And if we discussed the solutions proposed to address the economic recession, we find that the best solution lies in following the market policy and diversifying the sources of revenue to supplement the public treasury, through the use of some of the available resources that suffer from waste, as reliance on the rentier economy has made economic growth in Iraq dependent on the global oil market, any decline in oil rates reflects a deterioration on the economic side of the country, due to the dominance of the oil sector over other sectors in the formation of gross domestic product, as the contribution of the oil sector to GDP during the last decade ranged between (50-68), and Table (2) shows the relative contribution of the oil sector compared to the non-oil sectors in the gross domestic product during the last decade.

Table 2: The relative contribution of the oil sector compared to the non-oil sectors in the gross domestic product during the period (2008-2017)

Years	sectors	contribution rate
2008	oil sectors	56%
	Non-oil sectors	43%
2011	oil sectors	52%
	Non-oil sectors	48%
2017	oil sectors	62%
	Non-oil sectors	38%

Source: Prepared by the researcher, based on research sources.

The importance of these sectors has ranged within the limits of these modest proportions during the past decade ,with a slight variation in the rise and fall of the total percentage, but the fixed basis is the continued domination of the oil sector over the formation of the gross domestic product, and its acquisition of the largest percentage between the sectors in light of the state's dependence on the rentier economy, and its lack of seriousness in seeking solutions to diversify sources of income.

Accordingly, in light of the decline in global oil prices, there has become a necessity to support the private sector, and rationalize government spending by searching for radical solutions to develop the Iraqi economy, through the trend towards converting activities of goods and services to the private sector by selling or participating, according to the nature and type of activity, despite the major political

change that Iraq has witnessed, and the constitutional legislator's move towards major economic change, represented in supporting the private sector and investment, and moving towards the open market, as Article (24) of the Iraqi constitution of 2005 stipulated that the state guarantees freedom of movement of manpower, goods and capital. Iraqi funds among all Iraqi provinces and regions, but this text did not include the transfer of foreign capital, goods, and goods to and from other countries, and is one of the main pillars in the process of heading towards the opening of the economic market, as well as the legal development that was manifested in the legislation of many laws that support foreign direct investment and private sector support, despite some observations in that legislation.

All these attempts were not crowned by actual application on the ground, which led to the continued domination of the rentier economy dependent on oil exports in the formation of the local product, and the failure of other sectors to give the importance required to move towards the process of reforming the economy, and the continuation of the recession. The economic recession in Iraq during the recent years was represented by three manifestations, where the annual growth rate of the non-oil GDP in Iraq remained at a rate of less than (1%) during the last five years, while the total unemployment rates increased to more than (28%) of the total workforce, of which youth represent the largest group, and annual inflation ranges between less than (2%), which is somewhat strange if it takes into account the fluctuations experienced by Iraq at the level of exchange rates during recent years (Saleh, 2018).

In spite of the response of successive Iraqi governments after 2003 to the international directives, and the calls of the International Monetary Fund for Iraq to the necessity of adopting a free market policy, and rationalization of government spending by supporting the private sector and limiting public sector activities and its domination of most of the joints of the Iraqi economy. However, that response was very shy by the state administration, and the projects that were privatized were subject to many shortcomings and criticisms, despite their scarcity.

The beginning of the trend towards privatizing government projects after 2003 was made according to the American vision, through the then-civil administrator of Iraq (Paul Bremer), who started selling more than 200 companies to the private sector, and layoff nearly half a million workers. The interim administration of the Coalition Authority issued several decisions to support this approach, including allowing multinational foreign companies to operate in Iraq, in addition to reducing the tax rate imposed on companies and making them (15%) only after they were (45%), it also issued a resolution later that allows foreign investors in Iraq to transfer (100%) of their profits to outside of Iraq, and owning (10%) of Iraqi assets (Karim, 2010, 164).

Accordingly, the high rates achieved by the private sector in the nineties of the last century have returned to fade, and decline after 2003 despite all efforts made to make the privatization project a success and support the private sector, due to the lack of preparedness of the private sector in Iraq and its insufficient awareness of the size of

the responsibility incumbent on it. Therefore, it was among the reasons that contributed to the Iraqi market being dumped after 2003, which led to economic crises that Iraq has not seen before in its recent history, as well as the frustrated and unclear policies that successive governments have taken after 2003 to work for the private sector, which led to a decline. The proportion of the private sector's contribution to the domestic product, as well as Iraq's dependence on oil exports completely, until the proportion of the private sector's contribution to the gross domestic product in 2005 in Iraq reached about (27%) only at a value of (17586713) million dinars, against this, the public sector participation rate reached (73%) at a value of (46413352) million dinars, while it witnessed a slight increase in 2006, bringing the private sector participation rate to (29%) ,compared to (71%) for the public sector, (Karim, 2010, 165). This can be seen from Table (3), which shows the ratio of the contribution of the public and private sectors to the gross domestic product of Iraq during the years 2005-2006.

Table 3: ratio of the contribution of the public sector and the private sector to the gross domestic product of Iraq during the years 2005-2006

Years	The value of the public sector contribution to the GDP	%	The value of the private sector contribution to the GDP	%	GDP
2005	46413352	73	17586713	27	64000065
2006	67512614	71	28075340	29	95587954

Source: The Iraqi Ministry of Planning, Central Statistical Organization, 2007.

The government's efforts in the direction towards the policy of economic reform and adjustment continued in agreement with the International Monetary Fund and the World Bank to provide additional credit and rescheduling of external debts, as well as providing assistance in preparing programs for implementing the economic reform policy to advance the reality of the Iraqi economy in preparation for the provision of financial liquidity through the Iraqi Development Fund (IDF), and Iraqi pledges to those parties to undertake the necessary measures and reforms in order to restore the trade and financial balance, support investment and production, and reduce dependence on the rentier economy to the largest extent of the benefit of the Iraqi economy (Jasim, 2015, 4).

The projects that were privatized in Iraq after 2003 were characterized by limitations, as they were limited to limited sectors and not others, and as usual they were the first administrators of the state after 2003 the most important importance in investing in the energy sector, especially with regard to the development of oil and gas fields, with severe neglect of the rest of the vital sectors despite the destruction of the infrastructure of Iraq, as a result of the many wars that Iraq fought on the domestic level with regard to terrorist organizations, such as al-Qaeda and the Islamic State, or at the external level through the series of wars that the previous regime fought with regional countries, and the end of which was the most recent the American occupation of Iraq, which compounded the crisis, and ended the rest of the vital economic installations, in addition to the random and ill-considered decisions, and the entry of some unprofessional aspects in the privatization operations, as a result of the control of political influence on most of the state's joints, and the influence of some influential high-level decisions, all of this contributed to shifting the privatization course towards the domination of some capitalist companies over the wealth of Iraq in medium and long-term contracts.

At the end of 2009 and the beginning of 2010, the process of privatizing the oil sector started through licensing rounds for oil investment and oil industries, so Iraq offered four rounds of licenses, according to which foreign companies were granted the right to develop the oil sector in Iraq, and carry out exploration and service contracts with a view to increasing the daily production and export capacity of crudeoil, and despite the oil investment contracts for

licensing rounds, it provided for the allocation of a percentage of workers in foreign companies to Iraqi workers, but this clause of the contract did not find its implementation on the de facto situation, like other foreign investment projects that took place in Iraq after 2003, which contributed to deepening the unemployment crisis that Iraq is experiencing, especially among the youth, which has begun to grow in recent years, due to the lack of any serious solutions, see Table (1) (Al-Ubaidi, 2017, 31).

While the manufacturing sector did not acquire the desired importance despite its great role in the economies of developed countries that depend on it as a basic economic resource, as well as developing countries that seek to raise their economic level and achieve growth in the rates of gross domestic product, where the development of industrial productive sectors is the most prominent factors to achieving economic growth and the self-reliance of the state (Al-Shammari, 2018, 67).

This sector did not obtain sufficient investments after 2003, and was repeatedly neglected in light of the successive governments and the financial policies that it adopted and the lack of seriousness in implementing its promises of economic reform, despite Iraq possessing all the capabilities and capabilities that would enable it to expand its role in this field, or open investment in it for the purpose of developing it. At the time that the National Development Plan - which was prepared for the period from 2010-2014 - was counted, manufacturing industries in Iraq were one of the activities targeted to diversify the Iraqi economy, and it represents one of the strategic objectives of the

government's financial policy for the coming years until 2030, though, this sector has not witnessed this noticeable interest so far, and its contribution rate to GDP remains limited (Jasim, 2015, 5).

As the Ministry of Industry possesses more than (140) neglected industrial establishments that have not yet been developed, it can be offered for foreign investment to be rehabilitated and entered into the production line, as well as the services sector, which is one of the vital sectors, as Iraq suffers from a severe weakness in communications and internet services, due to the dominance of some companies to invest in this field after the privatization of mobile phone and internet companies in 2004 in the absence of legitimate competition in front of some monopolistic companies, and their uniqueness in acquiring the largest market share with the support of some influential parties in the state, which contributed and is still in the loss of a large financial resource for the state that can match energy sources in terms of annual income if it is controlled and directed towards the optimal way, and it will generate huge revenues, according to economists and contributes to supplying the state budget with new resources that reduce the importance of oil, and move away from the economy Rentier (Hassan, 2017, 11).

Privatization of companies and the contribution of the private sector in the process of economic growth can help reduce the sudden shocks that affect the Iraqi economy, as do most of the countries with a single-resource rentier economy, as relying on a single source to support public budget revenues will create an anxious and unstable economic situation, because of its vulnerability to any sudden

fluctuations or crises, as in the drop in oil prices and the crises that it causes at the level of the Iraqi economy, here planning in support of foreign investment and diversification of income sources becomes necessary to avoid shock.

Diversification depends on two main sources of income. The first is a surplus, through which the economy or economic activity can be diversified, while the other factor is the availability of human and material resources from techniques and capabilities, through which a high level of real and effective diversity can be achieved in the interest of growth and economic reform (Le zhang, 2013: 11).

The weakness of economic diversification can be seen through Table (4), which shows the percentage of the contribution of a number of economic sectors to the gross domestic product for the period (2005-2015).

Table 4: ratio of the contribution of a number of economic sectors to the gross domestic product for the period (2005-2015).

Years	Gross Domestic Product at current prices (million dinars)	contributionof Agriculture sector %	contribution of Manufacturing sector %	Contribution of other sectors,%
2005	64227555.5	6.6	1.3	30.8

2006	96067160.6	5.8	1.5	37.5
2007	108402970.6	5.0	1.6	39.6
2008	155982258	3.7	1.5	39.3
2009	62764179.3	4.4	2.4	52.4
2010	177008632.3	4.8	2.2	51
2011	217327107.4	4.6	2.8	39.2
2012	254225490.7	4.1	2.7	43.2
2013	271091777.5	4.8	2.4	46.2
2014	260610438.4	4.1	2.9	46.2
2015	209491917.8	3.9	1.8	64.5

Source: Ministry of Planning, Central Statistical Organization, annual statistical group, several years.

It is noticed from the above table the small percentages of the contribution of the non-oil sectors represented in the manufacturing and agricultural sectors and some other sectors such as service sectors in the formation of the gross domestic product after 2003, which are real resources wasted as a result of neglect and confusion in the economic policy of the state during the past years, and lack of seriousness in seeking to advance the economic reality, and push the economy forward.

Therefore, it can be said that the Iraqi government's orientation after 2003 towards the method of privatization was not a successful attempt by those in charge of the decision in the state, as none of the projects that were privatized proved true success, on the contrary, many of those investment projects were suspected of corruption and

great waste of the public money, and the loss of the country's economic wealth as well as the aggravation of the unemployment crisis by excluding the Iraqi workforce, all of these factors led to the injury of the economic situation by a state of recession during the previous periods that varied from one period to another, due to the decrease in the gross domestic product, and the dependence on the revenue obtained from crude oil exports, and the state's lack of direction towards investment in vital projects and disposal of public projects and institutions that have become a financial burden on the public budget and extra rings that lead to an increase in the state's public expenditures without any feasibility, and therefore the issue of privatization has become necessary to save the deteriorating economic situation in Iraq, and pulling him out of the recession.

The most important obstacles that prevented the implementation of the reform policy sought by successive governments, and pledged to implement them in Iraq over the past two decades can be highlighted with the following points:

Financial and administrative corruption has spread in Iraq after the events that followed the American occupation in 2003 in an unprecedented way, as a result of the control of some political parties on the state's capabilities and the disruption of oversight work, and the absence or lack of the full role of the parliament's oversight on the executive agencies. The state joints have enhanced the possibility of corruption spreading, as the political influence has dominated largest projects and services, without any financial and administrative control.

The dismantling the corruption structure requires building a serious and firm political will (Salem, 2012).

The governments that succeeded in running the Iraqi state after 2003 did not have any clear vision to advance the Iraqi economy, and proceed with the development process, as well as to rely entirely on imports obtained from the sale of oil despite the continuous decline in global oil prices during recent years, and the crises behind it at the level of the Iraqi economy (Salem, 2012).

The most important factors for economic growth is the availability of security stability, which was not available in Iraq after 2003, when this stage witnessed many security tensions and the emergence of terrorist groups in a number of regions, all of which led to Iraq being a repulsive environment for foreign investment, as well as the flight of Iraqi capital abroad, due to the inability to invest in Iraq due to poor security conditions and the lack of a suitable environment for investment (Al-Athawi, 2018, 149).

It is a key factor in implementing the privatization program, as the public's stance on the government's economic policies is very important, as many successful privatization experiences in which governments have spent large sums and efforts to educate public opinion about the positive effects of privatization, as Britain has done to make its experiment in privatization successful, as it has granted a percentage of shares for workers to ensure their continued participation in the ownership of the public corporation after transferring it to the private sector (Mahmoud, 2013), as the sale of public companies to the private sector often results in layoffs for some of its employees, which

raises the unemployment rate. In addition, many of the public may see the application of privatization as a lifting of government subsidies for goods or services and consequently the high price of the service or commodity, in other words that privatization will enter the element of mistrust and insecurity by the beneficiaries of state projects (Karim, 2010, 161).

4. CONCLUSION

1- Privatization is an economic system or financial policy that governments use to confront a specific economic situation, and the goal of their application varies from one country to another, according to the appropriateness of the method used for that country. Several pictures.

2- After changing the political situation in Iraq in 2003, the trend towards a market economy was with external support from international organizations, and this was supported by many decisions of the Coalition Provisional Authority led by (Bremer) to start the process of development and encourage and motivate the private sector, but all these efforts were not applied to the ground is soundly, due to the lack of a clearly defined economic policy by successive governments, as well as the presence of some security, and legal obstacles that prevented the private sector from appearing strongly, and contributing to this period.

3- Applying the privatization program in any country that requires the presence of priorities that represent fertile ground for the success of this project, such as the presence of clear visions and specific goals set in the economic policy of the state that works to implement them properly, and provides them with all the necessary means for their success from legal legislation, preparing public opinion, supporting the private sector and overcoming obstacles in front of it.

4- In spite of the decline in world oil prices after 2003, and the occurrence of many fluctuations and economic crises on single-resource countries, such as Iraq and some oil countries, Iraq did not seriously seek to diversify the sources of income in an attempt to reform the economic reality in Iraq, and the trend towards a market economy that supports investment, and giving The private sector more room to participate in gross domestic product and national income.

5- The experience of privatization in Iraq was very shy and was confined to limited sectors such as the energy sector, especially as it relates to oil and gas, while the state neglected vital sectors such as services, health and infrastructure roads and bridges and others, and those projects that were privatized were subject to many suspicions and doubts about the economic feasibility behind it, as in licensing contracts, which was a reason for wasting financial and economic resources without any tangible economic progress for Iraq in the oil field.

5. RECOMMENDATIONS

1- The application of the privatization process must be stemming from a pure national decision, as a result of the scientific study, assessing the effects resulting from it, and setting the goals to be achieved from behind the application of this program away from the interference of external parties, and the role of the International Monetary Fund is advisory only, because of its harmful effects in some cases on states.

2- Iraq and other developing countries that seek to implement privatization can benefit from the successful experiences of countries that have applied this program, but scientific experiments have proven that it is not possible to transfer the successful experience from one country to another in the same way, without taking into account the differences resulting from the political, social and economic environment and some other factors. Therefore, these factors must be studied before starting a successful experiment in another country.

3- The state's supervisory agencies must be activated towards investment projects in various sectors to prevent their transformation into monopoly companies, because of their association with the political influence of some of the influential bodies in the state as well as in projects that have been privatized in the telecommunications and electricity sector.

4- With the increasing decline in world oil prices in recent years, Iraq has become required to search for other alternatives to reduce the deficit in the state budget and in the current economic situation in Iraq,

privatization may be the best mechanism for dealing with the crisis, since Iraq suffers from a slack in the number of employees in the public sector as well many public companies have stopped since 2003, and can be used when converting them into the private sector.

5- Working to provide security and stability as much as possible, as well as to support and activate the oversight role of Parliament away from the favoritism and political compliments imposed by the political reality, as a result of the dominance of some political parties on executive positions in the state, and to provide all necessary means to enter foreign investment, and support local investment in a manner that serves economic development in Iraq during the coming years.

6- The authorities concerned with raising public awareness of the role of privatization in the process of economic development, as media support is an important factor for the success of the privatization program and its proper implementation.

7- International financial organizations can be consulted and benefit from their expertise in this field to assess the economic situation in Iraq, and lay the right foundations for the success of the privatization project in Iraq, and work to address all legislative and administrative obstacles before it.

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