

T.C.
SIIRT ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ
İKTİSAT ANABİLİM DALI
BÖLGESEL KALKINMA İKTİSADI
TEZLİ YÜKSEK LİSANS PROGRAMI

**THE OBSTACLES IN FRONT OF THE FOREIGN DIRECT INVESTMENT
(FDI) IN THE AGRICULTURAL SECTOR OF THE NORTHERN REGION OF
IRAQ**
AN ECONOMIC STUDY OF THE PERIOD 2006-2016

YÜKSEK LİSANS TEZİ

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Ağustos - 2018
SIIRT

SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ'NE

Siirt Üniversitesi Lisansüstü Eğitim-Öğretim ve Sınav Yönetmeliğine göre hazırlamış olduğum "Kuzey Irak'ta Tarım Sektöründe Doğrudan Yabancı Sermaye Yatırımları Önündeki Engeller: 2006-2016 Dönemine İlişkin Ekonomik Bir Araştırma" adlı tezin tamamen kendi çalışmam olduğunu ve her alıntıya kaynak gösterdiğimi taahhüt eder, tezimin kağıt ve elektronik kopyalarının Siirt Üniversitesi Sosyal Bilimler Enstitüsü arşivlerinde aşağıda belirttiğim koşullarda saklanmasına izin verdiğimi onaylarım.

Lisansüstü Eğitim-Öğretim yönetmeliğinin ilgili maddeleri uyarınca gereğinin yapılmasını arz ederim.

Tezimin tamamı her yerden erişime açılabılır.



[15/8/2018]

[Mahir Rashid HAMA]





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Yukarıdaki imzalar adı geçen öğretim üyelerine aittir.

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ÖZET

YÜKSEK LİSANS TEZİ

**KUZEY IRAK'TA TARIM SEKTÖRÜNDE DOĞRUDAN YABANCI SERMAYE
YATIRIMLARI ÖNÜNDEKİ ENGELLER: 2006-2016 DÖNEMINE İLİŞKİN
EKONOMİK BİR ARAŞTIRMA**

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Tarım sektöründeki büyümenin, sürdürülebilir kalkınmanın sağlanmasında ve gelişmekte olan ülkelerde yoksulluğun önemli ölçüde azaltılmasında hayati önemi olduğu görülmüştür. Bu nedenle, kalkınma ve tarım ekonomistleri tarım sektöründeki verimlilik artışını önemli görmektedir. Fakat tarımsal üretim, yoksulluğun üstesinden gelmek için yeterince hızlı bir oranda büyümelidir.

Bu nedenle, yabancı yatırımlar gelişmiş ve gelişmekte olan ülkelerde önemli bir ekonomik büyüme kaynağı olarak görülmektedir. KRG, kalkınma ivmesini artırmak için bölgeye mümkün olduğu kadar yabancı yatırımcıları çekmek için elverişli bir yatırım ortamı oluşturmayı planlamıştır.

Bu çalışma, yabancı yatırımcıların bölgedeki tarım sektörüne yatırım yapmasını engelleyen temel engelleri veya faktörleri değerlendirmektedir. Bölgenin tarım sektörüne yatırım yapma konusunda isteksiz olan yabancıları analiz etmenin yanı sıra, özellikle de 2006-2016 döneminde DYY'nin bölgede son on yılda neden önemli ölçüde artmadığının temel nedenlerini değerlendirmektedir.

Anahtar Kelimeler: Tarım Sektörü, DYY, Yatırım Ortamı ve Yatırım Engelleri.

ABSTRACT

MASTERS THESIS

**THE OBSTACLES IN FRONT OF THE FDI IN THE AGRICULTURAL
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The growth in agricultural sector measured as vital in achieving sustainable development and a significant reduction in poverty in developing countries, so, equally developmental and agricultural economists view productivity growth in the agricultural sector as significant if the agricultural output is to growth at a sufficiently rapid rate to tackle poverty.

Thus, FDI considered as a significant source of economic growth in both developed and developing countries. KRG, as most of the other countries, planned to make a friendly investment environment to attract FDI as much as possible toward its region to enhance development acceleration.

However, this study evaluates the main obstacles or factors that deter foreign investors from investing in the region's agricultural sector. It assesses the key reasons why FDI has not increased in the region significantly over the past ten years particularly during 2006-2016, besides analysis the foreigners reluctant to invest in the region's agricultural sector. It also investigates the total investment during past ten years by the region's board of investment and the share of FDI both entire and agriculture sector in this investment flow.

Keywords: Agricultural Sector, FDI, Investment Environment, and Investment Obstacles.

ABBREVIATION AND SYMBOLS

<u>Abbreviation</u>	<u>Explanation</u>
FDI	: Foreign Direct Investment
WFP	: World Food Program
BOI	: Board of Investment
UNCTAD	: United Nations Conference on Trade and Development
GDP	: Gross Domestic Product
UNWIR	: United Nations' World Investment Report
MAWR	: Ministry of Agriculture and Water Resources
R&D	: Research and Development
OLS	: Ordinary Least Squares
MNEs	: Multinational Enterprises
S & T	: Science and Technology
KRG	: Kurdistan Regional Government
DYY	: Doğrudan Yabancı Yatırım

<u>Symbol</u>	<u>Explanation</u>
%	: Percentage
\$: US Dollar

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DEDICATION

I proudly dedicated this thesis to my mother who teaches me human values, social norms. Besides, your teachings about trying tough, never giving up were life-changing, thanks for your beautiful and remarkable existence.



ACKNOWLEDGMENT

I would like to thank some individuals, especially who provided support in conducting this study. Therefore, I am genuinely appreciative for their maintenance, helps in thoughtful discussions, and guidance regarding the study themes and its purpose.

I sincerely express gratitude to the presidency of Siirt University for offering valued opportunity to study master degree. Moreover, I thank the profs and the academic staffs in the department of economics at Siirt University.

I would like to direct my sincere gratitude to my thesis supervisor, Asst. Prof. Dr. Semih Serkant AKTUĞ for his appreciated advice, boundless and distinctive direction, academic observation, guidance and most of all for his perseverance, patience, and considerate while conducting this study.

I would also like to express my gratitude to Assist. Lecturer Mr. Hussein A. Mustafa for his constant instructing on the applied side of the study. Lastly, I would like to thanks my family members, particularly my mother for her significant encouragement.

INTRODUCTION

Foreign Direct Investment FDI has revealed to play a significant role in promoting economic growth as a general and agricultural sector in particular, as well as raising a country's technological level, and generating new employment in developing countries. While development in agricultural sector considered as vital in achieving sustainable development and a significant reduction in poverty in developing countries, so, equally developmental and agricultural economists view productivity growth in the agricultural sector as significant if the agricultural output is to growth at a sufficiently rapid rate to tackle poverty.

However, the agricultural sector of the northern region of Iraq has ample resources such as plentiful water resources, fertile land, and favorable climate. Although this sector was highly productive and had considerable potential for exports in the past, nowadays it is suffering from a decreasing output which is insufficient to satisfy even the local demand. The government is engaged in many policy actions to attract foreign investors to this sector, the most important of those achievements being the Investment Law of 2006 which is granting privileges to all domestic and foreign investors. However, this sector is still suffering from low foreign direct investment (FDI).

Therefore, this study effort to argue at what level does this law contributed in developing a northern region of Iraq economy by analyzing data well obtain from the ministry of agriculture. It deals with the main economic repercussions of the law to attract foreign direct investment to boost agriculture sector development. What are the strengths of the agricultural sector and constraints facing that sector?

While the purpose of the present thesis study is to analyze the FDI inflows into the agricultural sector of the northern region of Iraq, since the investment law came into effect in 2006, the thesis study attempts to identify the main obstacles to FDI flows focusing on the period from 2006 to 2016.

Because of this investment flows to the northern region of Iraq, there is no doubt it contributes to developing the region's economy. The objectives of this thesis study can summarize as general characteristics of the northern region of Iraq; those help to attract FDI, especially to the agriculture sector. Besides, determining the economic

consequences effect of Northern region of Iraq Strategies after 2006. However, extending FDI flows in developing region's economy by cities and sectors as well as ways to increase the contribution of the FDI in the northern region of Iraq agricultural sector.

While, the study significance can summarize in, determining the requirements for developing of the Agriculture sector, evaluated that best suite (sector) for the region. Also to analyze at what degree could foreign investment contribute to the regeneration of the Agriculture sector. Predict whether the foreign investment can assist in the fulfillment of development's plan in the Agriculture sector.

The study problem is the impact of the investment law on the FDI flows through answering these questions: did it have any effect on the FDI? What sorts of obstacles could be removed by this law? What sorts of obstacles have not been addressed by this Law? Moreover, finally, what are the most pressing policy actions for a considerable increase of FDI flows into the agriculture of northern region of Iraq? Although there are many agriculture advantages in the northern region of Iraq and the law of the investment, this sector is suffering from the reluctance of foreign investment to move towards this sector.

The study hypotheses there exists a variety of political, economic and institutional factors which hinder FDI in the agricultural sector of the northern region of Iraq. FDI can be a motivated contributing factor for the developing of the agricultural sector of the Northern region of Iraq.

The study concluded that the region has a pleasant climate for some types of plant and animals' production. The productive agricultural land is existing in its governorates that allow rising agricultural production. However, the region has plentiful underground water to provide farmers for agricultural production. The region's rainy season which extends between October till the end of April can feed agricultural land, in general, it forms about 37.2 % of the overall cultivable land, considered to be relatively high in comparison with the irrigated cultivable land, forming about 5.3% of the total cultivable land.

However, the region and Iraqi Federal government laws of investment are mostly similar with some differences between them. Nevertheless, there is unproductive labor

quality due to the absence of updated technologies, and short training courses. Institutional availability to enforce agricultural sectors, like the ministry of agriculture and water resources, and college of agriculture, international organizations, have been unable to the explosion the agricultural sector due to the absence of successful policies and lack of both quality and quantity of these institutions.

Adverse effects of double economic sanctions on the agricultural sector, which lead to making this region closed to outside regarding updating technology and techniques. Also, relatively high production cost in agricultural sector due to, using old technology, low skilled labor, and types of government policies to support farmers, make the local farmers unable to compete with the neighboring countries.

The study involves four chapters; Chapter one review of definitions and determinants of foreign direct investment. In this chapter, some definitions and the main deterrents of FDI attracting have mentioned. Chapter two discusses obstacles to FDI in the agricultural sector and KRG's law of investment.

Chapter three, analysis the obstacles in front of the foreign direct investment (FDI) in the agricultural sector of the northern region of Iraq. Lastly, the thesis presents some conclusions and suggestions for further work in the field.

CHAPTER ONE

1. LITERATURE RESEARCH

The significance of FDI in economic development has expansively argued in the empirical literature on economic. However, analyses may divide into two essential types: those first, observing the determinants of FDI and second those considering the effect of FDI on the national economy. The primary determinants of FDI contain domestic market size and its development, local business environment, technological capability, trade policy, investment policy, a guarantee of international rules and agreements, and other factors. While the second set comprises a growing number of empirical research studying at many levels of aggregation, how FDI effects the economic growth process.

Iddrisu et al (2015), in this research they investigated the effect of FDI on the performance of Ghana's agricultural sector. The research found that FDI negatively effects the agricultural sector productivity in the long run but with positive relationship in the short run. The study also found that the decrease of the cedi negatively affects the growth of the agricultural sector in the long run. However, trade openness had positive and significant long-run effect on the agricultural sector. The researchers recommended that the government harnesses trade relations, stabilizes the local currency and ensures that FDI inflows to agriculture and the entire economy are not harmful to the economy by way of capital and excessive profit repatriations.

In the context of FDI and agricultural sector, a research conducted by Elibariki (2007), this research examined the impact of FDI on agricultural productivity and poverty reduction. Based on the researcher argument factors that hinder FDI flow to agriculture in Tanzania assessed, specifically, the role of FDI in improving an agricultural efficiency in Tanzania and reforms required for more effective investment promotion in agriculture examined. The study uses literature review to draw its conclusions and policy recommendations. It observed that FDI has a positive impact on productivity especially to smallholder farmers who related in combined producer schemes.

Weissleder (2009), analyzed the impact of foreign direct investment in the Ethiopian agricultural sector. However, the researcher argued that Ethiopia choose for this research since the government of the state puts much effort into inviting FDIs to drive agricultural and rural improvement. FDI flows in the agribusiness sector have improved highly in Ethiopia in the last three years, particularly since 2006. As Ethiopia is among the most populated nations on the African continent, where more than 45 % of the population suffer from hunger (WFP, 2009) and 40 % of the population live from less than one US\$ a day.

However, this research found that Ethiopia is one of the emerging states that has to stimulate the consideration of foreign investors as it is significantly awarded productive land and has developed a very investor-friendly environment over the last ten years over significant changes in their national policy framework. Investments in the Ethiopian agricultural sector has increased from US\$ 135 million in 2000 up to US\$ 3500 million in 2008, while high investments in the agricultural sector are mainly required for a sustainable development nonetheless only if a comprehensive policy framework is in place.

Yusuff et al (2015), this research analyzed the impact of foreign direct investment in the agricultural sector and its contribution to GDP in Nigeria. The researcher argued that confirmation from literature has revealed that the benefits of FDI as a technology transfer, providing of superior skills, management procedure and improvement of local firm access to international markets vary significantly across the sector.

So, considerate the relation between the flow of FDI to the agricultural sector and the level of productivity in the sector is necessary to classify policy measures that may gear towards maximizing the flows and gains of FDI to the agricultural sector. The outcome obtained indicates that the inflow of FDI to agricultural sector does not follow a regular pattern and the sector's contribution to GDP is in direct relationship with the inflow of FDI.

Mwakalasya (2017), in this research investigates the impact of FDI on the agricultural sector in Tanzania. While the research also tests the declining involvement of agriculture to GDP growth even though agricultural sector works more than 70 percent of the overall labor force. However, annual time sequences data spanning for

the period 1990-2015 used to test the significance of the relationship between FDI inflow and agriculture value added-to GDP ratio.

Besides the relationship between FDI inflows between and economic growth. So, variables such as gross fixed capital formation, inflation rate, trade liberalization, real exchange rate and population considered as control variables. The results show that FDI inflows-to-GDP ratio and real GDP growth rate are positively correlated. Although, agriculture sector, which constitutes the most significant percentage of the overall labor force, gives, on regular, less than 30 percent, to total GDP.

Chaudhary (2016), in this research analyzed the role of FDI in the growth of Indian agricultural sector. The researcher argued that the agriculture form the pillar of rural India. Since economic reforms started in 1991, the Indian government has taken many programs to attract FDI inflows, to develop the Indian economy, while the researcher mentioned that the lower level of income in India could recognize the importance of agricultural sector as the means of livelihood.

Moreover, the Indian agricultural sector different to developed nations exists at the existing level, engaging massive chunk of the population. Consequently, to increase the standard of living of the people and to enable them to use the fruits of scientific and technological, astonishing advances in agriculture, industry, transport, communication, education, health services and other fields. It is practically essential that the capital formation should take place at a higher rate than before.

Abdul Rashida et al (2016) in this research empirically observed the determinants of (FDI) in the agriculture sector that base on certain high-income developing economies in OIC countries. The researchers mentioned that the agriculture sectors respond as the essential keys in the development of any economy growing to reduce the poverty issues. Consequently, it analyses the experiences of agriculture investment in selected some states with an observation to identify potential roles for states seeking FDI and their development partners in cultivating FDI intra OIC, especially in the agriculture new investment. In this research, the FDI in agriculture sector reacts as the dependent variable and the independent variable economic determinant, list of market size, inflation, poverty, exchange rate and infrastructure in selected OIC Countries (Malaysia, Oman, and Brunei).

In this context, a research conducted by Unegbu and Okanlawon (2015), in this research the researchers analyzed the FDI in Kurdistan region of Iraq: Non-Oil Sector, While the researchers mentioned that Kurdistan region is a tourist hub. However, the research analyzes other Non-Oil Sectors that have vast attractions of FDI into the region during the period 2005-2013. So, the researchers used comparative analysis between Iraq and its northern region, besides between vital sectors of the economy. T-test and ANOVA are statistical tools employed in testing the research hypotheses.

The research identifies that there exist significant FDI inflows across the governorates in the region and among vital sectors of the economy including the agricultural sector. The research also emphasized areas of high level of investment needs, sectors that have packed out and business changes in the region that requires enormous FDI. It recommended that the KRG should board on cashless fiscal policies to encourage further spill-off effects of interesting enormous non-oil sectors of FDI into the region.

1.1. Definitions of FDI

According to the United Nations Conference on Trade and Development (UNCTAD), foreign direct investment is the acquirement of a group of assets by foreigners or outsiders of economic value (Al-Mihya, 2017). However, FDI defined as the effort of external capital to invest overseas directly in the industrial units, building, finance, and agricultural sector or service. Also, that FDI drive by profit (Alasrag, 2005).

According to Awan et al (2014), FDI is the amount of equity capital, reinvestment of earnings, other long-term capital, and short-term capital. This arrangement reveals the net inflows which mean the new investment inflows less disinvestment in the exposure economy from foreign investors.

However, FDI is an effort in which an investor inhabitant in one state obtains a lasting interest in, and a significant effect on the management of, an entity resident in another state. Consequently, this may comprise either creating an entirely new enterprise so-called greenfield investment or, more typically, changing the ownership of existing enterprises via mergers and acquisitions. Other types of financial transactions

among related enterprises like reinvesting the earnings of the FDI enterprise or other capital transfers also define as a foreign direct investment. FDI has revealed to play a significant role in supporting economic growth, raising a state's technical level, generating new employment opportunities and providing a source of external capital in developing states (Loungani & Razin, 2001).

According to Zhang (2011, p. 4), foreign direct investment (FDI) plays a critical role in the economies, whether if the developed economy, underdeveloped or transitional economy. In all these economies, the FDI might lead to economic growth by raising the economic productivity. However, FDI leads to growth per-capita-income and changes customer behavior by introducing new goods and services.

In this context, Vladimirov (2010), claims that FDI arises when a corporation directly invests in production or other abilities in a foreign state. While International Monetary Fund (IMF) defines it as the gaining of at least ten percent of the ordinary shares or voting power in public or private corporations through nonresident investors. Nevertheless, direct investment includes a lasting interest in the management of an enterprise and includes reinvestment of profits.

Furthermore, Zhang (2011, p. 5), argues that FDI increases project efficiency by bringing new types of technology into their production process through growing management skills and new means for mixing factors of production. However, it may have contrary economic concerns; like pushing national corporations out of the markets because most of the times FDI is made by large multinational corporations. These corporations have a high quality of management, technology, and skilled labor and this helps to decline the production cost. However, Zhang mentioned that standard propositions of the neoclassical theories suggest that FDI is likely to be an engine of host economic growth, because:

- a) Inward FDI may enhance capital formation and employment expansion.
- b) FDI may support industrial restructuring through competitive pressures or bring new activities or industries to host countries and then increase manufacturing export competitiveness;

- c) By its very nature, FDI may bring into host economies particular resources such as management know-how, the access of skilled labor to international production networks, and established brand names;
- d) FDI may result in technology transfers and spill-over effects

Therefore, the FDI defines as an investment made by an entity or the direct investor in an economy other than its own. Although FDI described by the fact that the foreign direct investment has a substantial degree of effect and control in the management of the project invested or the direct investment enterprise. Moreover, FDI contains a long-term correlation, which reveals the foreign investor lasting interest in the investment (Von, 2009).

1.1.1. The Determinants of FDI Flows

According to Accolley (2007, p. 21), some theories on the determinants and influences of FDI offered and critically argued. However, in the experimental studies which follow this, the effects of some macroeconomic variables such as economic development, market size, the degree of openness, exchange rate, and labor cost on flows of FDI into the USA have tested. In the condition of the econometric model, the account has taken of the fact that economic growth could be both a determinant and impact of FDI inflows.

While the first theoretical studies of the determinants of FDI go back to Adam Smith, Stuart Mill and Torrens, yet, one of the first to address the issue was Ohlin (1933). According to this author, FDI motivated primarily by the possibility of high profitability in growing markets, along with the possibility of financing these investments at relatively low rates of interest in the host country. Other determinants were the necessity to overcome trade barriers and to secure sources of raw materials (Nonnemberg & De Mendonça, 2011).

However, according to Nonnemberg and De Mendonça (2011, p. 3), the researchers like Buckley and Casson (1981), and Buckley (1985) were the first to develop the hypothesis mentioned above, starting with the idea that the intermediate product markets are imperfect, having higher transaction costs when managed by different firms. When MNFs integrate markets, these costs will minimize. MNFs have

proprietary assets in marketing, designs, patents, trademarks, and innovative capacity. Whose transfer may be costly for being intangible assets, or due to a good sense of opportunity, or even because they are diffuse, thus difficult to sell or lease.

It is challenging to analyze FDI determinants that are due to the manifold of the factors that affect FDI like economic, political, social and location factors. Due to the multitude of determinants, there exist several different approaches to determine and distinguish FDI criteria. Some approaches look at individual determinants, while others apply classifications. A selection of the most frequently applied classifications shown below (Von, 2009):

- a) Traditional and transition-specific determinants.
- b) Economic, policy and business pro-active determinants.
- c) Economic, social and political determinants.
- d) Push- and pull-factors.
- e) Demand-side and supply-side determinants.

While, Von (2009), further argued that others like Carstensen (1998) state market size, trade costs plant and firm-specific costs, as well as relevant endowment factors, ranked as traditional determinants. While privatization method, country risk and share of private businesses mentioned as belongings of the transition-specific determinants group. According to Witkowska (1994) listed determinants like integration into the world economy, organizing of a modern banking system for transformation process which themselves can also classify as transition-specific FDI determinants.

Regarding the UNWIR (2009), the policy outline and business enablement measures can realize as an essential classification of FDI. These factors together affect the FDI inflow. For instance, economic and policy determinants are inflation and a liberal FDI framework. The facility of incentives and the facilitation of bureaucratic obstacles are some of the business pro-active determinants. In the previous discussion of FDI, it can conclude that FDI either be economic, social or political determinants.

According to Accolley (2007), there are several important FDI determinants: privatization policy, fiscal policy, and infrastructure facilities. Along with some other economic and political factors, these criteria determine the country risk. The country risk itself plays a vital role in the company's investment decision process.

Government actions are considered to have a substantial impact on FDI flows. Several studies have shown that the country's attractiveness as perceived by foreign investors is highly dependent on the country's economic and social policies. So, to attract FDI, it is, therefore, crucial for the host country to develop determinants which both distinguish the host country from other countries and, more importantly, represent those determinants that are required by the foreign company's business.

The degree of influence of each determinant depends on the company's business activities, and the importance of each factor also varies over time. Some studies, Eliasson (1994) and World Trade Organization WTO (1999), have shown that incentives belong to FDI determinants, but they cannot consider as powerful determinants. According to the United Nations (1998), the impact of FDI policies is not symmetric, for example, FDI encouraging measures do not automatically increase the FDI inflow and FDI stock. FDI policies that make investments more difficult and risky however will reduce (or even prevent) FDI. The studies mentioned above have shown that FDI determinants have an impact on whether FDI is taking place or not (Von, 2009). Standard determinants that could found in the literature include:

- The size of the country. The size can measure by the nominal GDP expressed in common currency.
- Economic prospects of the country. These could assess the rate of growth of the GDP.
- Level of income. So, this usually measured by the GDP per capita.
- The openness of the country, this is usually expressed as the ratio of the trade (exports and imports) to GDP but also by import tariffs of the host country.
- Business climate. One of the indicators used to consider the business climate could be the tax rate on companies and capital gains.
- Labour market conditions.

Those determinants can broadly group into two categories: market-related which cover the GDP, GDP per capita and the GDP growth rate, and trade-related - specifically, openness variable. Besides the above mentioned traditional determinants, some economists use non-traditional determents such as human capital. In the case of a chosen sample of countries, from the pool traditional and non-traditional determinants

have chosen, and based on the availability of relevant indicators, chosen the following set of possible determinants of FDI (Schwab & Porter, 2009).

In this regard, Botric and Skuflic (2006), mentioned that the openness of the economy is one of the traditional variables for explaining the FDI movements. It defined as the trade import plus export share of the GDP. The expected effects may differ by the type of investment regarding local market or export orientation, the host country's foreign exchange control laws and applied capital taxation. However, the openness could also realize as the level of integration of the local economy into the regional economic flows. Therefore, the openness should have a positive influence on the FDI.

However, Demirhan and Masca (2011), argued that one of the factors affecting investor's yield the rate of inflation. A high return promotes the FDI, and consequently, the growth of prices of products the investor has invested in should positively associate with the FDI. However, very high inflation rates or volatile inflation can be judged as an impediment to the FDI, since it is a clear sign of macroeconomic instability; therefore, the expected sign on the inflation rate is not ex-ante determined.

The wages represent labor costs. Since the countries in the taken sample relatively less developed with small markets, writers expect that one of the essential motives for the foreign investors could be inexpensive labor. Writers expect initially that higher wages should reduce the inflow of FDI. Though, this might not be the case if FDI is directed predominately in the service sector, where wages are higher than in other sectors. Consequently, there could also be a positive relationship between the FDI and the wages (Von, 2009).

The Information and Communications Technology ICT variable defined as the number of telephone lines per 100 inhabitants or the number of Internet connections. Both indicators judged as a relevant proxy for available infrastructure to foreign investors. The variables could also be used as a proxy for the relationship between the FDI and technology transfer since they might represent the preconditions for the technology transfer. Writers expect the positive relationship (Botric & Skuflic, 2006, p. 367).

In different specifications, writers have also used additional variables, commonly used in the analysis of economic processes in the transition economies. Those are the variables that try to capture the effect of transitional changes, that might influence overall economic activity, and the FDI as well.

To reveal the main determinants of the FDI in South East European countries SEEC-7, the pooled data in the taken sample and used the Generalized Least Square GLS regression method. The basic equation can express as follows:

$$FDI = \alpha + \beta X + \varepsilon$$

Where X denotes a specific vector of explanatory variables.

Since we have specified three separate equations, the set of explanatory variables varies in each case. There are more reasons why we have specified separate equations. First of all, the data quality for the countries in the sample is not deemed to be very high. Explicitly, this can claim for the FDI, which comes from the balance of payment data. Lipsey argues that the problem with the FDI data stems from the fact that their source is balances of payments, which are usually quite frequently revised in the short period. Notably, in countries that writers are investigating these issues could be pronounced for several reasons. First of all, the transition of the statistical system towards the introduction of market concepts is relatively new in these countries with many methodological changes still to be introduced in the years to come (Accolley, 2007).

Secondly, due to the weak financial system and regulation enforcement, it could be expected that the rate of capital movements non-declaring could be higher than in other similar countries. Indeed, a higher percentage of errors and omissions in the balance of payments in these countries in addition to the frequent updates of the data seem to confirm that this problem is present. The second reason is that the sample is not very big. Therefore, writers did not try to include all the variables in the same equation but instead varied them to allow for more degrees of freedom in every specification. In their first specification, the dependent variable is the net FDI (Botric & Skuflic, 2006).

1.1.2. The Size of Local Market

The success of every investment activity depends on the market availability. The goods and services produced by a firm have to be demanded by the consumer. The market size in which can calculate the number of population multiplied by per-capita income is one of the crucial factors of the investment decision (Von, 2009). When the local market suffers from providing the local market with demanded goods and services which it may be due to the insufficiency for home firms or the production style followed by these firms that may help foreign investors to start investing in the host country (Botric & Skuflic, 2006).

The size of an economy also can be seen as an endowment. Larger countries might more easily attract investment just because of their local market potential, even if they are not more competitive. Size might also foster economies of scale in areas such as R&D. Writers include population size as a control, instead of the size of GDP. GDP size is the result of competitiveness, not an independent measure (Schwab & Porter, 2009).

For developing and transition economies, maybe more significant than market size is market growth potential. The economic growth expectations based on population and income progress views mean that many emerging economies offer foreign investors high potential returns on investment and there has been an FDI boom in the world's leading emerging markets. FDI flows into Brazil, the Russian Federation, India, China, and South Africa the "BRICS" economies have developed by an average 28 percent a year over the past five years. These five economies accounted for 18 percent of the world's FDI inflows in 2010, with a combined US \$222 billion (Accolley, 2007).

1.1.3. The Effects of the Income Level

The total volume of capital flows is strongly and positively related to per capita income. This relationship is quite robust and is significant when writers include other determinants such as the overall size and openness of the economy (Botric & Skuflic, 2006). While, According to Heshmati and Davis (2007), the oil revenues flow to the region inflated by recent years of high oil prices has elevated the income level and the power consumption of the KRG and a majority of the region's inhabitants.

Nevertheless, increased consumption, public reconstruction, and development programmes have, as a fourth factor, affected the import and the trade balance negatively.

In particular, development has not only unfavorable but also destructive to local production. The law of investment should promote local production through the imposition of duties on products and services that are or can be available locally, although promoting only the import of technology-embodied capital. Consequently, differentiated incentives and policy measures should be applied to capital by accounting for the nature of products and local production possibilities (Abu-Kahf, 1998).

By contrast, the share of capital inflows that takes the form of FDI is strongly negatively related to income, a relationship that also remains significant when other control variables like a share of FDI in GDP and income per capita included. The share of FDI in GDP, which is the product of the previous two given ratios by the writer, is positively related to income, but the statistical significance of this relationship is not robust to the inclusion of other control variables (Accolley, 2007).

1.1.4. Ownership and Location Advantages

Ownership advantages such as Research and Development R&D and advertising expenditure, skill, and technology intensity, the existence of multiple enterprises and firm size have revealed to be important in some studies. Combined variables such as market size, growth, and trade barriers have also appeared to affect the location of FDI. A mixture of both ownership benefits and location advantages containing market size and characteristics, factor costs, transport costs and protection besides other factors such as political regime and infrastructure quality has revealed to have explanatory power when analyzed under the Ordinary Least Squares (OLS) framework (Faeth, 2005). However, as pointed out by various studies that locational factors affect each corporation's decisions multinational direct investment in one of the states as well as on its decision difference among this type of investment and the export of such state or other host countries (Abu-Kahf, 1998).

1.1.5. Economic and Political Risk

Risk factors, such as market risk, the exchange rate, and the interest rate, have been found to determine the location of Multinational Enterprises MNEs further and thus have policy variables such as company tax rates, tax enterprises and other fiscal and financial investment incentives. Hence, the empirical evidence strengthens the idea that the different approaches do not necessarily replace each other, as some regression analysis can generally support each theoretical model. Outcomes, though, may differ significantly from state to state, an outcome that cross-country studies may hide, as they force outcomes into one single structure. Therefore, there is a necessity for detailed country case studies, as a lot can learn from it (Faeth, 2005).

Then risk factors can be summarizing by market risk, the exchange rate, tax rate, and tax concessions. Concerning the market risk, it refers to some factors like commodity price, currency risk, equity risk and interest rate, in which commodity risk refers to the future value of the commodity and the future income size (Schwab & Porter, 2009).

High future price of a commodity is not all time a positive indicator for investment decision in the host country, and that is due to hyperinflation type, and future income size in the host country and investment decision are positively related. Currency risk or exchange rate refers to the amount of currency has to give up to get one other currency, if the ratio of home currency was high compared to the host country, this might negatively affect the investment decision in the host country (Demirhan & Masca, 2011).

The ranking of political risk among FDI determinants remains slightly unclear. According to ODI (1997), where the host country owns rich natural resources, no further incentive may require, as it seen in politically unstable countries, such as Nigeria and Angola, where high returns in the extractive industries seem to compensate for political instability. In general, as long as the foreign corporation is self-assured of being able to operate profitably without excessive risk to its capital and personnel, it will continue to invest. For example, large mining companies overcome some of the political risks by investing in their infrastructure maintenance and their security forces (Demirhan & Masca, 2011).

Moreover, these companies are limited neither by small local markets nor by exchange-rate risks since they tend to sell almost exclusively on the international market at hard currency prices. Specific proxy variables for instance number of strikes and riots, and work days lost have proven significant in some studies, but these quantitative estimates can capture only some aspects of the qualitative nature of political risk. The empirical relationship between political instability and FDI flows unclear (Demirhan & Masca, 2011).

1.1.6. Economic Openness

In this regard, Charkrabarti (2001), states that there is a different indication regarding the importance of openness, which is measured mostly by the ratio of exports plus imports to GDP, in determining FDI, as well. The maintained hypothesis is: given that most investment projects absorbed towards the tradable sector, a state's degree of openness to global trade should be a related factor in the decision. Jordaan (2004) claims that the impact of openness on FDI depends on the type of investment. When investments are market-seeking, trade restrictions and therefore, less openness can have a positive effect on FDI.

The purpose stems from the tariff-jumping hypothesis, which claims that foreign companies that pursue serve local markets may resolve to set up subsidiaries in the host country if it is difficult to import their products to the country. In contrast, multinational firms engaged in export-oriented investments may prefer to invest in a more open economy since increased imperfections that accompany trade protection generally imply higher transaction costs associated with exporting. However, Demirhan and Masca (2011), observe strong positive support for the hypothesis in the manufacturing sector, but a weak negative link in the electronics sector.

1.1.7. Labour Costs and Productivity

According to Yusuff et al (2015), wage as an indicator of labor cost has been the most contentious of all the potential determinants of FDI. Theoretically, the importance of cheap labor in attracting multinationals is agreed upon by the proponents of the dependency hypothesis as well as those of the modernization hypothesis, though with

very different implications. There is, however, no unanimity even among the comparatively small number of studies that have explored the role of wage in affecting FDI: results range from higher host country wages discouraging inbound FDI to having no significant effect or even a positive association.

The empirical research has also found relative labor costs to be statistically significant, particularly for foreign investment in labor-intensive industries and for export-oriented subsidiaries. However, when the cost of labor is relatively insignificant when wage rates vary little from country to country, the skills of the labor force are expected to have an impact on decisions about FDI location (Demirhan & Masca, 2011).

1.1.8. Quality of Infrastructure

According to Yusuff et al (2015, p. 98), infrastructure covers many dimensions ranging from roads, ports, railways and telecommunication systems to institutional development for example accounting, legal services, the banking system. Inadequate infrastructure can be seen, however, as both an obstacle and an opportunity for foreign investment. For the majority of low-income countries, it is often cited as one of the significant constraints. However, foreign investors also point to the potential for attracting substantial FDI if host governments license more substantial foreign contribution to the infrastructure sector.

Jordaan (2004), argues that good quality and well-developed infrastructure increase the productivity potential of investments in a country and therefore, stimulate FDI flows into the state. The number of telephones per 1,000 populations is a standard extent in the literature for infrastructure improvement. Nevertheless, this measure falls short, since it only captures the availability and not the dependability of the infrastructure. Moreover, it only contains fixed-line infrastructure and not cellular (mobile) telephones (Demirhan & Masca, 2011).

Infrastructure which can be presented by roads, railway, airport, seaport, hospital, schools, and telecommunication. These factors can help investors to undergo their process. Even the infrastructure is not the only one determinant for FDI, but it is one of the most critical factors that have a very prominent role in the Multinational

Corporations (MNCs) abroad investment decisions. Because it associated with production cost, and eventually it influences the profit of the firm (Yusuff, Afolayan, & Adamu, 2015).

1.1.9. Administrative Procedures

Deposit residence and official registration of work permit tax for foreign investment licensing business and trading permit statistical office registration existence, conformity, opening, reporting health care, pension plans, and social security registration (Rajan & Rongala, 2007). All mentioned indicators have a direct influence on investment decision making. Sometimes one or more of these factors may be a negative factor for investment. For example, some days taken by registration routine may obstacle the investment decision or availability, and fast bank procedures may help investment decision and so on (Demirhan & Masca, 2011).

1.1.10. Operations Requirements

According to Rajan and Rongala (2007), import-export intention permits, import-export clearance process, foreign exchange control, fiscal situation certificate, health and safety inspections, labor inspections and social welfare plan payments may help investor about the host country need for doing business there.

The clearance the investors are helped by the clearance of the government policy trends to make their decision at a right position. The clearance of mentioned administrative procedures for investors by the government indicates government's positive participation to attract FDI. They also can be the factors that help to form a business-friendly environment; it may be helpful for a host country to attractively undertake investment promotion policies to fill in information gaps or correct the perception gaps that may restrict FDI inflows (Faeth, 2005).

1.2. ECONOMIC POLICIES TO ATTRACT FDI

This section attempts to argue the significance of the investment situation is evident in attracting domestic and foreign investments since it comprises essential aspects to successful investments and suitable to investors active in the present and

future time. However, investment environment contains all policies, indicators, and tools that affect directly and indirectly decisions regarding economic policies such as; financial, monetary and trade. In addition to legal regulations and infrastructure. It also connected to other factors such as necessary facilities, laws, and regulations, political and security situation besides to real investment opportunities, incentives, and various markets for production (National Investment Commission, 2017).

According to Joong-Wan (2011), most developed and developing states around the world, recently, have taken a liberal framework for FDI inward policy to achieve the liberalization of fundamental FDI policies, several steps taken like inward FDI barriers reduction, strong foreign investor's treatment standards and guarantying proper market functioning and a level playing field for all investors.

1.2.1. Role of the Government

In general, it is necessary for the host economy to improve the quality of their fixed assets to attract internationally mobile factors of production, for example, institutions comprising those that enhance human resources and infrastructure such as social, legal, and physical. Governments typically can attract more FDI by reducing uncertainty, asymmetric information, connected search, and another transaction cost mainly time and number of steps involved in acquiring approval faced by foreign investors. Ultimately positive or negative influence of FDI on a host economy depends on the context in which the investment activity occurs (Accolley, 2007).

Despite the acceptance of the KRI, a series of incentive measures to attract more FDI such as the issuance of an investment law comprises many economic incentives, customs, and tax, but the volume of investment flows to the foreign sector is still below the required level. Because of many legislative, judicial and administrative factors in the forefront of routine and slow completion of the procedures that precede the establishment of investment projects (Al-Mihya, 2017).

For attracting FDI, the government should be open in its policy and arrangement. The government has to take care of the things like time managing, the world economic progress and harmful consequence of unsuccessful decisions on the economy. For example, " Latin America did not take advantage of the first FDI boom of the late 1980s,

primarily because of macroeconomic instability and restrictions on some sectors of FDI and on the repatriation of profits and capital (Accolley, 2007).

FDI inflows into the region remained relatively stable from 1980 through 1993, increasing at an annual rate of less than two percent. Around 1993, the FDI boom in Latin America started, when the majority of the restrictions mentioned above had taken away, and infrastructure sectors opened to private participation. During six years after 1993, the growth of 30 percent for each year happened into the flows of the region. As a result of the latest boom, Latin America has regained the share in FDI flows it had lost during the late 1980s and is currently receiving around 10 percent of all FDI flows (National Investment Commission, 2017).

1.2.2. Tax Incentives

Tax incentives can define as any inducements that reduce the tax burden of enterprises to induce them to invest in particular projects or sectors. They are exceptions to the general tax regime. Tax incentives would contain, for example, reduced tax rates on profits, tax holidays, accounting rules that permit accelerated depreciation and loss carryforwards for tax purposes. Furthermore, reduced tariffs on imported equipment, components, and raw materials, or increased tariffs to protect the domestic market for import-substituting investment projects (United Nations, 2000).

However, progressively, states are trying to attract more multinational businesses and to improve technology transfer related to them. So, tax incentives have become a global occurrence - the tax holiday UNCTAD reports established a large number of states that provide this kind of fiscal stimulus. They provide benefits as soon as firms start to earn revenue while the benefits of a lower rate tax outcome slower, after a more extended period. Primarily, from these facilities benefits short-term investments, the kind that can move quickly from one jurisdiction to another (Nuta & Nuta, 2012).

Based on a survey which was done by Fias, found that tax policy matters but it is not the only one and the most critical factor that influences Multinationals. Most econometric tests enhance this conclusion; investors make their investment decision by the market and political factors much more than tax policy concerning the location FDI (Zhang, 2011). Attitudinal and empirical research on the effect of tax incentives on FDI

has been inconclusive. Some studies have found tax incentives to be an essential factor in attracting FDI and in the making of local investment decisions, whereas others have come to the opposite conclusion (United Nations, 2000).

In fact, the effective tax rate has more influence on investors investment decisions compared to the nominal rate of tax. The effective tax rate or real tax rate was net of total amount when tax bunds, offsets, discounts, and reductions took away. Inflation and substantial different funding and financing as deductions make real tax rate varies from the nominal rate of tax. For example, Vodacom in South Africa is subject to the standard corporate profits tax rate of as 29%, but estimates of direct and indirect taxes it pays on income, spectrum, revenues, licenses, and sales push its effective tax rate up to 37% (Biggs, 2007).

1.2.3. Innovation Policy

Innovation producing for the method of technological upgrading is still contingent on hardworking efforts been appropriately fixed yet for technological accumulation by household companies and advancing the countrywide scheme discovery through the enhancement of investing human asset development. Besides, reinforcing of linkages of nationwide grade of Science & Technology (S&T) organizations with household, companies, defending of discovery producing methods by sustaining the openings in the organization of thoughtful house privileges Intellectual Property Rights (IPRs) for original discovery and dwelling market protection (Zhang, 2011). However, today the principle regimes in evolving nations are distinguished by blends that offer more benefit to the multinational enterprise (MNEs) as in evaluation to firms. The analysis shows that the balance of benefits suggested has diverse and is not that identical in the appearing economies (Nuta & Nuta, 2012).

The most straight-forward principle equipment is to supply public inducements to enterprise research & development (R&D), which may be financial. The influence of (R&D) inducement bundle influenced by its scope of treatment, its magnitude relation to other nations, its alleviation of implementation in the distinct phases of the (R&D) cycle, and the balanced use of sharp fiscal and economic instruments. Incentives to (R&D) can be over the board or discriminatory. Fiscal inducements are over the board

since all companies that obey the eligibility obligations may advantage from them. Financial inducements are occasionally over the board but more often are discriminatory, for example, administered only to goal sectors, firms and activities (Jose, 2008).

1.2.4. Trade Policy

The WTO is conscious of the relationship between trade and FDI and the dynamic effects of FDI on trade. It pressures that, further overall economic growth, capital flows, and trade policy are the significant factors of international trade flows. However, the effect of trade policy changes on regional trade patterns is frequently realized only over the medium term, changes in capital flows often have immediate repercussions for year-to-year trade developments (Hai-Qing, 2001).

The administration sustains high rates of protection because it allows house business mobilized to argue in world markets. Unfortunately, the know-how in most countries is that house business functioning behind high tariff obstacles. Organizing not have the right inducements to raise merchandise and yield assesses to world degrees, and so the house purchaser misplaces out in the time span of cost and quality. As manufacturers are purchasers too, house business moreover, suffers the use of directed at evolved values world emerge to mighty government organizations that can supply (Nuta & Nuta, 2012).

While, Harrison and Clare (2007), review new outcomes suggesting that trade policy should assess in combination with other policies, such as macroeconomic stability and investment in human capital. However, the researchers argue that this stress on trade as part of a broader package of reforms is a significant innovation inconsiderate the role of trade policies in economic growth. It concludes the section on trade by reviewing recent advances in trade theory that propose a variety of mechanisms through which openness to trade affects growth.

1.2.5. Removal of Restrictions

Various types of restrictions directed to FDI in the evolving nations in the pre-liberalized era. These concerns to admission and establishment, ownership and

command, and other operational measures. Admission and establishment limits encompassed concluding certain parts, commerce or undertakings to FDI; screening, authorization, and registration of investment and smallest capital requirements. Ownership and command limits lived in diverse forms (United Nations, 2000).

For demonstration, permitting only a repaired percentage of foreign-owned capital in an enterprise; compulsory joint ventures; the necessary move of ownership to localized private companies, generally over a time span of time; and limits on reimbursement of capital upon liquidation. Even after application, foreign companies could face certain limits on their procedures, for example, limits on paid work of essential foreign personnel; and presentation obligations, for example, locating or localized content obligations, teaching obligations and trade item's targets (Banga, 2003). However, in the WTO regime due to the enforcement of trade-related investment measures (TRIMS) numerous of these limits have now been removed and the kinds of limits about FDI have substantially liberalized in a large number of nations in Asia. Many of them now manage not need investment acceptances or authorizing except for a couple of parts that are closed to FDI mainly for security reasons (Banga, 2003).

1.2.6. Quality of Institutions

The relationship between quality of institutions and FDI flows has received significant attention in recent years. It is well known that foreign investors pay a great deal of attention to the institutional framework of the states in which they accept an investment (OECD, 2012). Thus, it highlighted in the literature that developing countries should try to launch high and robust quality institutions to attract more FDI flows (Kurul & Yalta, 2017).

However, there is an increasing figure of empirical literature that studies the role of quality institutions on FDI flows. So, the literature on this topic can divide into three aspects. One aspect of literature emphasizes mostly on classifying the effects of a particular institutional dimension such as corruption and the political regime on FDI. In this context, (Shang, 2000) indicates that corruption has a destructive effect on FDI location preferences of multinationals by increasing the cost of doing business and uncertainty.

While the second aspect of the literature deals with examining the significance of different dimensions of institutional quality, according to (Daude & Stein, 2007) the dimensions of the quality of institutions impact the investment decisions of foreign investors and find that changeable policies, excessive directing burden, and a lack of commitment of government discourage FDI inflows. So, the third aspect of the literature searches the influence of a composite institutional indicator, which is made by relating different dimensions of institutional variables. For instance, Buchanan et al (2012) argue that, while institutional quality index positively affects FDI flows, it negatively impacts the instability of FDI flows.

Institutions are significant for two nearly associated reasons. They can decrease the cost of managing an enterprise, but after this “expected” result, good organizations can considerably boost the predictability of the directions of the game inside which companies perform their business. Foreign investors may disappoint by unpredictable directions as much as they are by excessive ones. Political volatility, the integrity of the government and esteem for the direct to regulating all sway that predictability, so does corruption, which would be just like a levy if it were predictable, yet is in detail; much more levying than a tax” accurately because of its unpredictability. As for a guideline, when it is unwarranted, it tends to be publicity and unpredictable as well (Kurul & Yalta, 2017).

1.2.7. FDI Economic Promotion Policies

Investment promotion includes only specific marketing activities through which incentives to foreign investors, the screening of foreign investment, and negotiation with foreign investors, even though many of the organizations responsible for conducting investment promotion activities may also conduct these other activities. Investment promotion covers a range of activities, including investment generation, for instance, image-building, general marketing, investor targeting, investment facilitation, aftercare services and policy advocacy to enhance the competitiveness of a location (Zhang, 2011).

However, investment climate should regulator the exchange rate and inflation rate, since rapid fluctuations in exchange rates have a negative impact on the investment

environment, which makes it difficult to conduct a feasibility study for projects and eventually exposure to loss. As well as, the rate of inflation has an impact on pricing policies and the volume of production and thus to restore movement and the impact on costs of production factors. The more expansive monetary policy is, the more attractive to investors. Iraq's central bank continued the stable monetary policy, which led to the stability of inflation and interest and that had a positive reflection on the investment climate in Iraq (National Investment Commission, 2017).

In another way, investment promotion includes marketing activities guarantee within foreign investors incentives seeking to acquire foreign investors, discussing investors activities rights clarify what investors should do concerning working staff employing assets, land using and so on (Nuta & Nuta, 2012).

The adoption of new macroeconomic policies: convertibility, fiscal policy, privatization, central bank independence, market deregulation, open economy through the world link creation, firm's financial subsidies, special regulations, adoption of foreign investment law to attract capital boarder movement toward the country can help to attract more investment toward the economy (Kurul & Yalta, 2017).

However, according to Rajan and Rongala (2007), any investment promotion strategy must be geared towards the following:

- a) Image constructing activities promoting the country and its regions and states as favorable locations for investment.
- b) Investment producing activities through direct targeting of firms by the promotion of specific sectors and industries, and personal selling and establishing direct contacts with prospective investors.
- c) Investment service activities tailored to prospective and current investors' needs.
- d) Raising the awareness ratio, for example, the percentage of the FDI approvals translated into actual flows.

CHAPTER TWO

OBSTACLES TO FDI IN THE AGRICULTURAL SECTOR AND KRG'S LAW OF INVESTMENT

2.1. OBSTACLES TO FDI IN THE AGRICULTURAL SECTOR

According to UNDP (2012), improvement in the agricultural sector and irrigation hamper by both ineffective and outdated regulations and insufficient infrastructures such as irrigation networks and systems. While, the agricultural sector shortages evidence-based, strategic long-term planning and identification of potentially competitive products and value chains. So, development and modernization of agriculture infrastructure comprising irrigation networks are crucial for developing agriculture productivity.

Accordingly, Lucani and Saade (2011), recovering the existing large and small irrigation schemes before creating new ones is faster and more cost-effective. Also, principal investment requires to introduce new agricultural and irrigation methods in addition to the hard infrastructure mentioned above.

2.1.1. Agriculture Sector Obstacles

The dispute that the government's ministry of agriculture and agricultural department frequently supervised and guided agriculturalists in implementing a simple traceability system to manage the information related to individual agricultural products. However, agrarians' knowledge regards the agricultural sector important, whom they were not well educated on information about the production or did they have any knowledge of genetic engineering or genetic improvement as today, nevertheless what they learned about using soil preparation and fertilization, are picked up from their elders, and transferred that to their next generations (Heshmati & Davis, 2007).

Consequently, the agricultural authorities have also helped them like providing various crop protection methods and solutions, including herbicides, fungicides, insecticides, plant regulators and seed technologies that offered a satisfactory level of

crop protection. So, this sometimes helped their products get an acceptable level (Qaradaghi, 2008). Consequently, KRG would transfer from supported agriculture to competitive agriculture. The critical challenge facing the agriculture sector in the region is an absence of adequate policies, rules, and regulations. Such policies merge the needs for achieving food security and sector development through investments with the demands of the whole economic and social development of the region and environmental sustainability (UNDP, 2012).

2.1.2. Irrigation and Drainage Infrastructures

The Iraqi long political situation which suffers from instability and economic condition brought substantial damages to the agricultural infrastructure. So, during unstable periods and bad economic situation, lots of agricultural equipment legally or illegally had sold to other neighboring countries like Iran (Lucani & Saade, 2011).

Furthermore, wars also had a very significant role in damaging infrastructure as a whole, the agriculture particularly. Irrigation and transportation were among the infrastructural capital that affected by the war, although it is difficult to evaluate the extent or severity of the damage (Schnepf, 2004).

While the agricultural sector is the crucial sector in consumption of water in Iraq, it estimates that 85 percent of the water resources used in agriculture and about 8 percent used for other purposes, however, the rest is lost, mainly through evaporation. Water losses in irrigation schemes, all over Iraq, are substantial. By and large, water conveys to farmers' fields through very poorly maintained distribution systems made of earth canals and ditches which suffer significant water losses because of infiltration, seepage or leakage (Lucani & Saade, 2011).

In the eighties of 20th Century, the irrigation and drainage infrastructure network built-in majority. Besides, over the past decade, much of these infrastructures have destroyed due to lack of maintenance. Breakage of canal lining and outgrowth of weeds and silting of unlined canal shaves reduced their flow and conveyance capacity significantly. After the war, most of the generators, electrical systems, and spare parts of the pumping stations were looted or destroyed (Schnepf, 2004).

More water shortages and reduced water quality expect to occur in the future, after Turkey's completion of its irrigation projects and Syria's development of its irrigation projects. These two states pursue to cultivate about one million hectares, with water fed from the Tigris water basin. Subsequently, the Tigris will experience a water deficit reaching, according to some estimates, to 40% in 2016. Ministry of Agriculture and Water Resources (MAWR) is therefore required to have an updated water plan comprehensive planning of water resources and lands. In light of subsequent results of the conducted study, policies on optimal management and investment of water resources and lands will develop (Lucani & Saade, 2011).

At the international level, an appropriate diplomatic action should be taken to ensure equitable water sharing that would minimize the damage caused by water scarcity. Intensified negotiations with water sharing states should be made to have water acquisition rights through strategic agreements and treaties, based on a package of common interests with these countries (UNDP, 2012).

According to (KRG, 2011), The circumstances faced by the region in the water shortage year ending in 30/9/2008 represented a better experience which had negative impacts on the vegetable production and animal resources in particular due to the following reasons:

- 1) Drought and unfavorable weather conditions
- 2) Water shortage at the Tigris and its tributaries
- 3) Problems concerned with management and operation of some dams
- 4) Insufficient or absent water-related guidance

In addition to what has mentioned above, the global climate changes are likely to cause more droughts in our region. Therefore, proper and flexible water policies, efficient and integrated water resources management systems, and long-term plans have to be adopted. Water consumers have to share responsibility and treat water as a rare commodity, given foreseen difficulties and challenges vis-à-vis provision of sustainable water resources (UNDP, 2012).

2.1.3. Land Reform

The agricultural sector for Iraq and its northern region is still a significant source of livelihood for the weak and food insecure and is the most significant source of rural employment. The sector contribution to GDP (agriculture is the second contributor after oil revenues), declined from about 9 percent in 2002 to 3.3 percent in 2008 and 3.6 percent in 2009, one but it still provides 20 percent of employment. The population is about 32 million of which one third resides in rural areas and depends upon agriculture for their livelihoods. Population growth rate is about 3 percent at the national level (Lucani & Saade, 2011).

The skewed nature of land ownership well documented during most of the 20th century in Iraq, and the combination of uneven distribution of land and a farm management structure that frequently divorced owners from day-to-day operations kept cultivation techniques at a primitive level. Share-cropping practices varied considerably depending on the cultural regime, whether dry land or irrigated farming was in question, and depending on how many factors of production – land, water, seed, draft animals and labor, the landowners provided. The sharecropper may end up taking as little as 20% of the crop he cultivated. During the last 40 years, the agrarian sector witnessed significant drastic measures, like (Heshmati & Davis, 2007):

- Land reform
- Cooperative farms and Collective State Farms
- Central Planning and Private ownership

After the revolution in 1972, the key to solving problems of Iraqi agriculture was felt to lie in the introduction of land reform by which the cultivated area could be redistributed or consolidated, and the sector opened up for modernization. Moreover, with consideration of political objectives, including the destruction of landlord classes' power and the imposition of central control on the rural population (Lucani & Saade, 2011).

Performance of the land reform agency in Iraq was far from satisfactory, because of political and bureaucracy reasons. In many ways, the pre-reform agrarian system was deficient, but subsequent research showed that land reform was no cure, and reform activities probably diminished the security of tenure, reduced peasant initiative,

undermined private farming enterprise, and inhibited growth in output from the cultivated area in Iraq (Jaradat, 2012).

The landholding system in Iraq is a mixture of the owner-operator, leaseholder, and sharecropper. The size of land holding depends upon the type of land. According to the agricultural reform regulations of 1990, the maximum holding size is 75 ha in the rain-fed area. State-owned lands divided into two types: state-owned lands that have never occupied and lands exploited by individual owners or cooperatives with an official land registration title (Lucani & Saade, 2011).

The successive Iraqi governments' inability to redistribute lands so readily expropriated from former owners and yet commitments to creeping bureaucratization of the countryside were the two main features of the implementation of agrarian reform were. "On the one hand, farmers were deprived of freedom of action or reasonable access to necessary inputs, such as fertilizer and seed, or participation in marketing, while, on the other hand, they not provided with active new management structures and support services by the government. In 1979, approximately 0.4m farmers organized in 1,987 cooperatives. As a consequence, rural depopulation rates were high, and erratic and falling farm outputs observed in the wake of continuing land reforms (Jaradat, 2012).

2.1.4. Economic Obstacles

2.1.4.1. Capital and Investment Risks

The lack of infrastructure and investment capacity in a lower level of actual capital investment than it could have been under normal conditions is one of the main obstacles that hinder investor decisions. Due to the lack of attractive investment opportunities to encourage capital investment in the region, the capital outflows lead to a low rate of the capital investment in the region. Since investment programs efforts with the magnitude observed in current years in the KRI are a new phenomenon, there is little experience in the identification of investment opportunities and factors determining a decision for investment. There is a lack of necessary experience and

efforts to improve the smooth functioning of the barely existing or incomplete financial market through regulations (Heshmati & Davis, 2007).

Unskilled labor force due to the low level of education and because of the low quality of the education does not provide the labor force with necessary ability to function in an environment with organized production by any international standard (Abu-Kahf, 1998). The relatively high rate of wage compared to the labor productivity are two main factors that are preventing an inflow of foreign direct investment to the region as well as causing an outflow of domestic capital. The domestic capital does not accumulate because of production activities but originates from irregularities in public spending or profits from import and the distribution of goods (Lucani & Saade, 2011).

They also may affect negatively on domestic investors to find investing alternatives elsewhere or in the neighboring countries. The current situation hurts the development program, and they weaken the prospect of the development of the financial market in the region. High labor costs, a non-productive labor force, and a high inflation rate discourage potential investors from the region (Jaradat, 2012).

The geographic conditions, an excess of money supply together with the last years of comprehensive public investment programs in the infrastructure, have helped to attract relatively high returns on investment in the region. Despite good opportunities to make a profitable investment in KRI, there are high risks face investments in region which reduce the optimal level of investment. The increasing inflation rate and the subsequent loss of necessary investment capital are the significant risks to investment (Accolley, 2007).

Another risk factor is the regional governments and the influential person's interventions in business relations. Officials' direct or indirect participation in decision making in publicly financed development projects is an inappropriate work practice in developed nations. Despite its positive effect on investing decision making by the investor by trust creation, mixing politics with business a cornerstone to the spread of corruption and the alliance is positively associated with the high level of tolerance of corruption. Over time it may reach such a level that the state losses public trust and it gradually undermines the stability and the power itself (Chaudhary, 2016). High consumption because of increasing incomes, an expanding population and growing

urbanization, which in turn has minimized the risks associated with business in the region, including the storage of large quantities of imported commodities (Lucani & Saade, 2011).

The future business climate is to a large extent unknown to both public decision-makers and the potential private investors this is because of several reasons. A lack of clear regulations for financial market in general and capital investment, in particular, is another problem for investment decision makers. Such circumstances affect the actors within the market behave very much with a short-term perspective (Schnepf, 2004).

Certainty and long-term economic steady are bases for investing decision by investors. Short run investment behavior has several disadvantages for the region, among others: high return expectations and low investment in infrastructure, organization, management, and training. The transfer of return earnings abroad is an indication of discontinuity in investment plans. The overall cost to society will be high in the form of lost opportunities, high prices and lost tax revenues, no permanent job opportunities and little spill-over effects and technology and skill transfer from multinational corporations and foreign investors (Heshmati & Davis, 2007).

2.1.4.2. Banking Sector

The limited role of banking sector in a business transaction is one of the economic infrastructure problems that region economy is suffering. So, this untrusting and under developing banking system lead people to rely on cash transferring in economic activities. While this is hindering the economic development of this area, an efficient banking system needs interbank and government securities markets to provide liquid instruments for short and long-term investment (Heshmati & Davis, 2007).

A lack of confidence in the banking sector is due to lots of factors like the deposit amount, the interest amount, security, and religion and culture. The amount of debts provides to the borrowers with the absence of international standards. The return of amounts should be done, sometimes, for example, through two years; the interest rate is between (13-15) percent and should pay at the beginning (Alasrag, 2005).

However, when people put their money in the government banks with just six percent, this shows a big difference between them. Moreover, a high-level insurance request requested by the agricultural banks and the determined level of credit which doesn't pass more than seventy thousand US dollar. Sometimes problems face small farmers because of unexpected circumstances (Lucani & Saade, 2011).

2.2. KRG'S LAW OF INVESTMENT

2.2.1. Summary of the Investment Law

The KRG first published northern Iraqi region's law of investment as law number 4 in July 2006. This law has issued to bring a favorable investment climate to the region investors, removing any legal obstacles to allow investment of national and foreign is the aim of the law. That is to various projects that enforce the economic development of the region. Various facilities and tax exemptions introduced as incentives to promote investment activities in the region. The law contains four chapters covering: general provision; exemptions and obligations; investment hierarchy; and licensing and arbitration. However, twenty-five articles covering all aspects of the law in detail (KRG, 2006).

In article one, concerning definitions, the players and issues of projects, taxes and duties, investors, different authorities, invested funds and foreign capital are defined. While, article two specifies the investment area with particular emphasis on manufacturing, various public and private services, science and technology, information and communication technologies, banking and financial institutions, infrastructure, trade zones, and education (Heshmati & Davis, 2007).

The issue of equality and ownership status of foreign and national investors and capital underlined in article three. The essential incentive factors presented in article four which is the allocation of plots of land. It provides detailed information among others on the proposals, responsibilities of authorities involved, procedures, conditions, and infrastructure, as well as the land provision (KRG, 2011).

Chapter two addresses the exemptions and obligations explained through five articles. Article five of the law outlines the crucial second incentive FDI policy

measure, namely the investment projects tax and customs exemptions offered for a maximum of ten years starting from the date of production or provision of services. Exemption regulations concerning the purchases and import of equipment, machinery, tools, and materials presented in detail.

Additional exemptions to attract FDI to under-developed areas and to promote joint ventures set up by national and foreign investors the employment of local and foreign staff, the entitlement to the transfer of profits, interest, and capital abroad, having bank accounts. Besides, respect for the confidentiality of technical and economic know-how aspects of the projects. Along with investors' rights, their obligations concerning compliance with the project implementation process, the provision of information on different steps, record-keeping, various health and safety regulations and staff training provided in Article eight. The legal procedures about an investor's contravention of any of the provisions of the law or distinct agreements between investors and authorities regarding allocated land plots and their removal regulated in article nine (KRG, 2006).

Chapter three contains investment hierarchy, comprises six more articles. The investment board of the region reported in first article ten; it is organizational structure and independence and the main tasks for carrying out the provisions of the investment law. Article eleven gives the least requirements for the chairman and director general of the board about the requirements of the individual member's level of education and experience. Article twelve states the legitimate and binding aspects of the resolutions passed by the supreme council for investment. Article fourteen in detail describes the organizational structure of the supreme council and its authorities. The budget of the investment board of the region included in the budget of the government of the region which indicated in article fifteen (KRG, 2006).

The final chapter four deals with project licensing and arbitration. Article sixteen outlines the project licensing and applications. Investment disputes or arbitration and settlement of such disputed cases regulated in article seventeen. The remaining articles (18-25) are structured under the final provision and include the issues of the dissolving of the Sulaimaniyah investment board, the nullifying of projects licensed and their transfer to the current region's investment board. However, article nineteen prohibits

the allocation of plots of land containing oil, gas or other expensive, massive mineral resources. So, article twenty explains the security concerning investment and guarantees of the rights of investors. The remaining articles (21-25) are on account auditing, application of general rules in the absence of specific provisions in investment law, instructions for the implementation and publication of the investment law (Heshmati & Davis, 2007).

There are lots of things before and after issuing the law of investment that KRG have done to improve the investment climate in the region as follows:

1. Issuing the law of investment, no (4) of 2006 to regulate and support the investment environment.
2. Establishing Economic Forum in Kurdistan Region at 3-11-2006
3. The law of Intellectual and Technical Property Right No. (10) of 2004
4. Registering Bill (Project) of New Trading Agencies in Kurdistan Region.
5. Law of General Tourism Board in Kurdistan Region.
6. Establishing of Businessmen Union in Kurdistan Region at 2007.
7. Announcement of the formation of the Board of Investment at 29-7-2006, this is regarding to Law of investment No (4) for 2006 establishing a special investment community in Kurdistan Region.
8. Choosing the Kurdistan Region by the United States as a commercial pathway for all Iraq
9. Law of the General Authority for oil, gas and petrochemical Kurdistan Region – Iraq Law No. (19) 2004.
10. Arranging the conferences on trade and investment process of reconstruction in the region
11. Establishing lots of international exhibitions inside region and abroad, for example there is seven international exhibitions in Erbil till 2011. When 850 companies are had been participating 25 countries and 50 % had attended for the first time.
12. The high level of Iraq's budget as a whole (30) to (41) then (43), and (48) Billion for the year 2006 and the years 2007 and 2008, respectively.
13. Through years (1992-2005) the National Council of Kurdistan provinces issued (500) laws, and this is for the provinces organizing.

14. Establishing of Kurdistan International Bank for Investment & Development (KIB) which provides international facilities namely: Banking services through SWIFT international banking NET. Besides Money Transfer through Western Union International money transfer net.

2.2.2. The KRG Investment Law and Iraqi National Investment Law

The KRG law of investment had published in July 2006. More attractive terms and conditions combined for foreign investors than both Iraqi national investment law and similar laws in other developing countries. It permits 100 percent foreign of land and does not prohibit majority ownership of banks and insurance companies, while this is prohibiting any degree of foreign ownership in all three areas.

All facilities like water, electricity, sewage, public road access, and telecommunications, on cost-free basis up to the boundary of a foreign investor's project site, when in the Iraqi national law such offer like this not mentioned. Unrestrained foreign investors ten years of tax exemptions, project investment funds and accrued profits, and other attractive financial incentives offered in both laws (Heshmati & Davis, 2007).

The law of KRG is more generous than the national investment law, in which there is not any mismatch for this with the Iraqi constitution. The potentially turbulent legal interface between differing provisions in the regional and national investment laws as the rules of federalism become established the Iraqi federal, and Kurdistan region Investment laws were passed in 2006, replacing the Coalition Provisional Authority (CPA) order No. 39 of 2003, remains for investors uncertain (KRG, 2006).

The KRG Law based on a previous version in place Sulaimaniyah an Al Sulaimaniyah Administration Law No. 89 of 2004. Both laws have the same structure, trying to achieve new investment by attracting investors. The benefits of the respective laws apply equally to both national and international investors, are and explicitly stated in both laws. The Iraqi constitution, although it is intervention on authority to regulate investment, in particular, it does grant exclusive authority to the federal government in matters relating to formulating foreign sovereign economic and trade policy, and

customs policy regulating commercial policy across regional and governorate boundaries in Iraq (Qaradaghi, 2008).

Table 2.1: Most Similarities and Differences Between Kurdistan Region Law of Investment and Iraqi Federal Law of Investment

Similarities		
	Iraqi Federal Investment Law	Kurdistan Regional Investment Law
1	Project Investment and profit repatriation fully allowed	Project Investment and profit repatriation fully allowed
2	Foreign workers employment allowed, Provided no Iraqis available.	Foreign worker's employment allowed, Provided no Iraqis available.
3	Vehicles, and equipment. Exempt from duties, taxes, and import license for three years.	Vehicles, and equipment. exempt from duties, taxes and import license for two years.
4	Foreign investors and capital treated on an equal footing with national investors.	Foreign investors and capital treated on an equal footing with national investors.
Differences		
1	50 years at a time investors may only rent or lease project land.	Non-oil, gas, or mineral projects ownership are allowed to bearing land
2	Law does not cover investment in Petroleum, banks, or insurance.	Allows Supreme Investment Council to allow investment in any sector.
3	Project income Tax exempted for ten years or 15 years if Iraq's make up more than 50 percent of original project investment.	Project income tax exemption for ten years.
4	Import of spare parts tax exempts up to 20 percent of project cost.	Import of spare parts exempt up to 15 percent of project costs.
5	Law does not provide for government supply of essential services or hookups.	Law offers essential services to the boundary of approved projects.
6	The incentive for the import of raw materials does not support by law.	Imported production raw materials tax exempted from customs duties for five years
7	Law silent as to specify additional incentives for projects in less developed areas or Iraqi/international joint projects.	Law provides specific incentives for projects in less developed areas and for joint Kurdistan/international projects.
8	No assurance of non- "nationalization" no seizure.	Law includes no nationalization or seizure of investment property without a final judicial decision.

Source: (Heshmati & Davis, 2007).

However, both laws are commonly going in the same direction and aim to promote investment in Iraq. So, the investment law of KRG is more liberal by more privileges like tax exemption; and land ownership. Besides, this is not a conflict with the constitution of Iraq. Investors in different economic sectors are treated the same, except oil and mineral sector, and there is no discrimination between national and foreign investors. All employees in the international project can be from home country, on the other hand, all capital and revenue transferring to the home country are allowed.

In this case, even it helps more to attract the investors abroad, but it is possible not to participate in decreasing unemployment in one side and doesn't help to absorb this considerable amount of employees at the public sector and may harm the national investors (Qaradaghi, 2008).

Which the different project is more progressed compared to the national, they have more experience in decreasing costs per unit. Moreover, regarding the KRG situation, especially nowadays, the agricultural sector suffers from low productivity which leads to raising the cost of production and if it treated at the same way like other sectors it makes the problem deeper. This difference between KRG and Iraqi national law of investment may bring problem for foreign investors especially when the investors have to bring his raw materials through another side of the Iraqi border, and the ratio of imported spare parts ratio difference is another issue which should take into account (KRG, 2006).

2.2.3. Strengths and Weaknesses of the Law

The investment law is evident in its content and friendly for foreign investors; it has enough coverage of different aspects of inward FDI. Some factors attributed to the law as explained below:

2.2.3.1. The Strong Aspects of the Law

The first important matter is in article two in which the investment areas selected. The main economic sectors' priority, including agriculture, manufacturing, and services considered, as well as various utilities and infrastructure for development. Non-discrimination of capital by its source as the second strength of the law clarified in article three. The third and the most important factor is related to land plots is explained in article four. Land plot is one of the fundamental bases for setting up of business in any of the capital cities around the world. Tax and customs exemptions, the fourth important article (Heshmati & Davis, 2007).

The maximum duration of ten years of exemption and its broad coverage together with additional facilities and incentives. Article six provides sufficient confidence in business profitability. Article seven is about the provision of legal guarantees is the fifth

strength. It is quite comprehensive and accounts for insurance, employment, repatriation of profits, money transfers, and issues of security. Articles eight and nine clarify the investor's obligations, and legal procedures in the case of contravention are to consider as a sixth decisive factor attributed to the investment law.

The seventh factor is the organizational structure of the board of investment and the supreme council for investment article ten and fourteen and the members' ability indicator. Licensing and risk of arbitration procedures outlined in article sixteen, and seventeen and the final provision of transfer of duplicated investment laws to a unifying factor are respectively (KRG, 2006).

2.2.3.2. The Weak Aspects of the Law

Since of unexpected factors and difficulty of predicting the future, of course, some weaknesses could face the law. There are some problems that the law suffers from and fixing them may help to attract inward investments and national economic boosting. So, the first lack of technology transfers emphasizing skills and management as an integral part of the conditions for FDI and the provision of incentives for investment projects. These are vital for the efficiency improvement of the region's economic development efforts and the desire to attain a high degree of self-sufficiency (KRG, 2006).

The possibility of misuse of land plot allocation is one more weakness in the law. There might be incentives for political reasons to destabilize the region's economy or merely to take advantage of the offer without making determined efforts to undertake any development projects worth supporting.

The risk of misuse is excellent, in particular with project applications by national and foreign investors residing in neighboring countries with an apolitical interest in the region to minimize the risk of misuse of the system, the patterns of application for investment projects and land plots and subsequent business failures or closures should carefully study and monitored (Heshmati & Davis, 2007).

Another negative factor can be the possibility of a patent register, and the adequate protection of intellectual property rights is a crucial factor negatively affecting the flow of protection-oriented FDI to developing countries. In these countries, technology and skill-based FDI deterred by weak law enforcement. This aversive

investment behavior motivated by the fact that the cost of losing expensive and comprehensive investment programmes is excellent. Thus, to attract technology-embodied investment projects, intellectual property's protection is a significant factor must emphasize, and its law enforcement capacity strengthened (Heshmati & Davis, 2007).

One more point is that the law is that it is very friendly with foreign investors more than local ones because of their high technology and administration level which is another weakness of the law. It is confusing for the local producer to compete with these companies, especially in nowadays agriculture situation. The law has an emphasis on some projects that help to boom the agriculture, for example, new irrigation technology, and infrastructure. Due to the recent years' high oil price, the government's revenue and regions resident income is getting better compared to the past; the demand raised especially the consumption (KRG, 2006).

However, there is no significant improvement in production happened, but the production infrastructure of the region is destroyed by importing especially agricultural products, which is featured by low-cost and price abroad. Then the law can push the companies that they invest in the oil sector by cooperating with the law of oil and gas (Alasrag, 2005).

Full foreign labor force use in the project is allowed, due to this inflated labor force in public sector, local government policies to decreasing employing at the public sector, annually young graduated students will lead to increasing unemployment. The law should push the new projects to employ a ratio of local labor and training courses should be provided on a continuous basis (Heshmati & Davis, 2007).

CHAPTER THREE
ANALYSIS THE OBSTACLES IN FRONT OF THE FOREIGN DIRECT
INVESTMENT (FDI) IN THE AGRICULTURAL SECTOR OF THE
NORTHERN REGION OF IRAQ

The purpose of this chapter is to examine the share of foreign agricultural investment during the period 2006-2016 and reveals the obstacles in front of the FDI in the agricultural sector of the northern region of Iraq. Through representing the data and information collected from various sources from, such as ministry of agriculture, the board of investment the studies and information department directorate of information, the joint report by the KRG ministry of planning and UNDP, and World Bank data for Jordan. Accordingly, the data recorded officially and published by the authorities. However, examine the data collected and interpreted the results by using frequency, percentage, graphs, and curves.

3.1. Agricultural Structure of the Iraqi Northern Region

3.1.1. Agricultural Land

As revealed in Table 3.1, the agricultural sector in northern Iraqi region owns an essential potential of FDI investment that could play a leading part in supporting and diversifying the economy. So, this potential of the agricultural sector in the region based on the availability of about 1,219 million hectares of irrigated and rainfed land, a large primary expanded the population of livestock. A diversity of environmental and natural conditions, which lets for diversifying the vegetable and animal production and exploiting these conditions to develop competitive varieties of products; and some human capital that can be invested in agricultural activities.

However, the complete area of rainfed cultivable land is 1,068,237 hectares, covering about 30.62% of the whole agricultural land, and 30.62% of the overall area of the region. Irrigated area land is 151,584 hectares, representing about 4.35% of all cultivable land of overall area of the region. Irrigation networks covering of these cultivable areas depend, of course, on water availability, given the large-scale plans by

upstream countries to exploit the existing water flow in the light of the present inequitable use of rivers' water by the river-basin sharing states.

Table 3.1. Cultivable Area in Region (hectare)

Governorate	Total Area	Rainfed Lands	Irrigated Lands	Total Cultivable Lands	Uncultivable Lands
Erbil	1,514,120	580,645	45,635	626,280	887,840
Duhok	931,398	254,892	46,650	301,542	629,856
Sulaimaniyah	1,042,808	232,700	59,299	291,999	750,809
Total	3,488,326	1,068,237	151,584	1,219,821	2,268,505
%	%100	%30.62	%4.35	%34.97	%65.03

Sources: (UNDP, 2012).

In this context, the region owns different types of land ownership in agriculture. However, there are three different land tenures in Iraq and the Region: (1) Private ownership, in which the landowner has the right to buy and sell land and to raise capital against the value of the land; (2) land leased from the government on a long-term basis; and, (3) Inherited land, which has passed from generation to generation but frequently results in an unmanageable number of owners.

Based on the KRG's Ministry of Agriculture's total land figures and its estimate that there are 153,669 farmers in the region the average amount of arable land per farmer is approximately 10 hectares in the region versus 5 hectares for the country as a whole.

As the Table 3.2, summarizes that field crops cultivation controls a large area of agricultural lands, a calculation about 720,266 hectares, were 52.8% of which located in Erbil, 24.7% in Duhok and 22.5 in Sulaimaniyah. While, the area of wheat cultivated land is the highest, forming 50.7% of total field crops cultivated land, followed by barley (48%).

Table 3.2. Cultivated Area in Region (hectare) With Field Crops in Region

Governorate	Wheat	Barley	Maize	Sunflower	Rice	Total	%
Erbil	135,145	242,417	182	1,856	292	379,892	52.80
Duhok	122,652	52,207	74	1,608	1,606	178,147	24.70
Sulaimaniyah	107,500	51,375	437	2,098	817	162,227	22.50
Total	365,297	345,999	693	5,562	2,715	720,266	100
%	50.70	48	0.10	0.80	0.40	100%	

Source: (KRG, 2011).

As showed in Table 3.3, that the area of cultivated land on which essential vegetables are grown namely; tomato, cucumber, and eggplant is 34,915 hectares, 50.8% of which are in Erbil, 25.5% in Sulaimaniyah, and 23.7% in Duhok.

Table 3.3. Cultivated Area in Region (hectare) With Vegetables in Region

Governorate	Tomato	Cucumber	Eggplant	Total	%
Erbil	10,452	4,929	2,345	17,726	50.80
Duhok	7,007	1,035	222	8,264	23.70
Sulaimaniyah	6,440	2,110	375	8,925	25.50
Total	23,899	8,074	2,942	34,915	100
%	68.45%	23.12	8.43	100	

Sources: (KRG, 2011).

As revealed in Figure 3.1, that checked on the data, the study also benchmarked and estimates for agricultural yield and value added against several countries in the region, including Iraq overall. The average yield per hectare in the KRI is above the yield for all of Iraq for most significant crops. While the KRI's yield per hectare is similar to Turkey's yield for cucumbers and eggplant and is below Turkey's yield for other major crops, the value added for crops in the KRI amounted to 840.4 billion ID (722 million USD), equivalent to 3.1 percent of GRP. This figure is similar to the value added by crops in Jordan, as revealed in Table below 3.4.

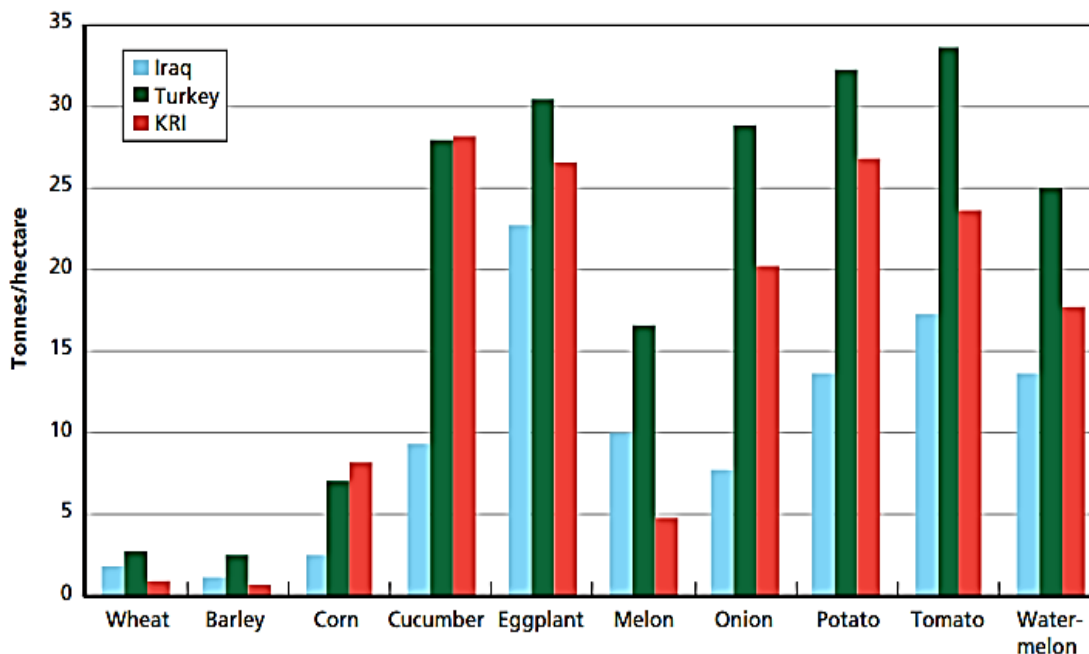


Figure 3.1. Yield of Major Crops for Neighboring Countries

Source: (FAOSTAT, 2013).

Table 3.4. Value Added of Crops as Percentage of GDP/GRP

Country	Total GDP/GRP (billion USD)	Crop Value Added (billion USD)	Crops as % of GDP/GRP
Jordan	28.8	808	2.8
KRI	23.6	722	3.1

Source: (The World Bank, 2013).

However, according to (UNDP, 2012) the contribution of the agricultural sector in the region to GDP is only about 10%. Nevertheless, agriculture was the source of livelihood for 35% of the region's population in 2000, having declined gradually to 23% in 2007 (IHSES), and may have dropped further in the last five years, while agriculture employs about 9% of the region's labor force.

3.1.2. Animal Production

According to (FAOSTAT, 2013), animal production is the principal and complementary part of the food basket, particularly regarding its protein contents. It is also a vital source of some raw materials used by many industries. Indicators demonstrate that animal production is not sufficiently developed to meet the

population's food needs resulted mainly from the high rates of population growth, in addition to improved incomes and standard of living in general in recent years.

However, there is no reliable statistics or estimates are available to help to identify total animal production. Nevertheless, there is evidence that production of red meats and poultry has not experienced substantial development since the beginning of this decade due to rising costs of production, particularly of fodders, competition failures. As a result of dumping the local markets with cheap products exported from abroad especially neighbor countries, unregulated production procedures, and investors' reluctance to use their farms due to lack of well-considered support for this industry.

3.1.3. Animal Resources

First: The Livestock

As revealed in Table 3.5, there are several kinds of animals in the region, while the most important and those who have the significant numbers are cows, sheep and goats, given that they meet the population's food needs of meat and milk, which are rich in proteins, in addition to the skin, wool used in industry. Available statistical records for 2006 show that numbers of livestock were 3,826,265, distributed as follows: 372,791 heads of cattle, 2,195,319 heads of sheep, and 1,258,155 heads of goats. So, sheep form 57% of total livestock, followed by goats (33%) and cattle (10%). At governorate level, livestock at Duhok represents 53.2% of the Region's total livestock, followed by Erbil (24.9%) and Sulaimaniyah (21.9%).

Table 3.5. Total livestock (head) in Region

Governorate	Sheep	Goat	Cow	Total
Erbil	399,442	468,749	82,680	950,871
Duhok	1,281,195	530,753	225,313	2,037,261
Sulaimaniyah	514,682	258,653	64,798	838,133
Total	2,195,319	1,258,155	372,791	3,826,265
%	57%	33%	10%	100%

Sources: (KRG, 2011).

As revealed in Table 3.6, the results of the number of animal fattening farms in the region indicate that the region also has a group of animal fattening farms, totaling

31, based on 2006 statistics. 77.4% of them are calves fattening farms, and 22.6% are sheep fattening farms, spread over the governorates as shown in Table 3.6.

Table 3.6. Number of Animal Fattening Farms in Region

Governorate	Calves Fattening	Sheep Fattening	Total
Erbil	11	1	12
Duhok	2	5	7
Sulaimaniyah	11	1	12
Total	24	7	31
%	77.4 %	22.6%	100.0%

Sources: (KRG, 2011).

However, the results confirm that livestock has affected by the scarcity of rangelands and lack of sufficient veterinary services, leading to a reduction of animal numbers, and livestock as a whole. While, primary cattle of this size has a potential for multiplying its numbers, especially in areas where essential needs exist, like pasturelands, foddors factories and stores, and experienced animal breeders.

Second: Fish

As shown in Table 3.7, that the available statistics of the ministry of planning, KRG, the regional development strategy for the region 2012-2016, indicate that there are 204 fisheries in the region, most of which are fish farms, while hatcheries are in Erbil and Sulaimaniyah. Each hatchery has 80 incubators. Total hatching capacity is about 15 million fish larvae, based on Food and Agriculture Organization (FAO) reports of 2004.

However, the region's board of investment (2013) estimates reveal that the total quantities of fish production (fisheries and river fishing) reached about 4,300 tons in 2006, while these amount reduced to 1,430 tons in 2011. Even though the region needed 6,700tons in the same year, the results indicated that the production, however, was affected by some factors, like fishermen's non-compliance with fishing prohibitions during the breeding season, in addition to fodder shortages, and insufficient monitoring.

Table 3.7. Number of Fisheries in Region

Governorate	Fisheries	Hatcheries	Total	%
Erbil	126	1	127	62.3
Duhok	22	0	22	10.8
Sulaimaniyah	54	1	55	26.9
Total	202	2	204	100.0%

Sources: (KRG, 2011).

Third: Poultry Farms

As revealed in Table 3.8, that the available statistics of the ministry of planning, KRG, the regional development strategy for the region 2012-2016, although indicating that a total number of poultry farms reached 653 farms in 2006, and the figures reached to 888 farms in 2013. However, production volume is unstable and lacks accuracy:

Table 3.8. Number of Poultry Farms by Region's Governorates

Governorate	Number of Farms	%
Erbil	347	53.14
Duhok	76	11.64
Sulaimaniyah	230	35.22
Total	653	100

Sources: (KRG, 2011).

However, in 2013, out of 468 broiler poultry farms in Erbil governorate, 334 farms produced meat and 134 had no production. In Sulaimaniyah governorate, out of 416 farms sum of 345 farms were active and 71 farms were closed. In Duhok governorate out of 204 farms sum of 150 were active and 54 were closed. In Garmian with the total number of 59 out of 92 farms were operating and 33 were closed. The main reason behind shutting down some farms is as follow:

- a) Canceling work permits of farms due to the city's master plan.
- b) The improper environment of halls for breeding chicken.
- c) Lack of a proper system of raising, slaughtering, packing, freezing and later marketing.

These primary factors besides many other ones made only 888 farms work out of the total number of 1179 farms, and 291 of them are closed in the region. The average area allocated for poultry farms in the region is about 3.8 donums for each farm. The most significant area located in Sulaimaniyah with an average of 4.3 donums for each poultry farm and the smallest area located in Garmian with an average of 1.6 donums. The average area of halls in Kurdistan region is about 843 m², and the average capacity of farms is about 9826 chicken per hall, as revealed in Table 3.9.

Table 3.9. Number of Broiler Poultry Farms, Allocated Area Per Farm, Average Area Per Hall, And The Hall Capacity in The Region's Governorates 2013

Governorate	Active Poultry Farms	Inactive Poultry Farms	Allocated Area Per Farm (Donum)	Average Area Per Hall (M ²)	Capacity Per Hall (Chick)
Duhok	150	54	3.4	801	9759
Sulaimaniyah	345	71	4.3	898	10323
Erbil	334	134	3.8	785	9239
Garmian	59	33	1.6	951	10408
The Region	888	291	3.8	843	9826

Source: (KRGSO, 2013).

3.1.4. Water Resources

The climate of the region is the Mediterranean, with rainy and cold winter and dry and hot summer, except for the mountainous region which has moderate summer. The rainy season extends from October till April, while the rest of the months are almost dry. While snow covers high mountains throughout winter months, based on average annual rainfall, the region divided into three areas: specific rainfall area (over 500 mm); as well as semi assured rainfall area (350-500 mm); and ensure rainfall area (less than 350 mm). However, rain-fed agricultural land, in general, make about 37.2% of the overall cultivable land, reflected to be relatively high in comparison with the irrigated cultivable land, forming about 5.3% of the total cultivable land.

Table 3.10. Number of Wells by Type of Use in Governorates

Governorate	Wells Used for Housing uses	Wells Used for Irrigation	Wells Used for Industry	Wells Used for Agricultural Research and Extension	Total	%
Erbil	2,370	1,800	85	55	4,310	22.10
Duhok	1,122	235	235	0	1,592	8.2016
Sulaimaniyah	12,022	1,524	0	55	13,601	69.74
Total	15,514	3,559	320	110	19,503	100
%	79.55	18.25	1.64	0.56	100.00	

Sources: (KRG, 2011).

The Table 3.10, show that in 2006 a total number of exploited wells was about 19,503 wells, of which 79.7% used for drinking, 18.3% used in agriculture, and the rest exploited for industrial, and agricultural research purposes.

Considerable efforts should be made to expand the area of agricultural land through concentrating on reclamation of uncultivable land, using different irrigation systems, as well as rationalizing consumption of available irrigation water. Also, groundwater exploitation has to expand, especially water.

However, water resources are mainly associated with the quantity of rainwater and snow falling on dominant water basins and with the policy of operating dams and water reservoirs built upstream the shared rivers in Turkey and Syria. The absence of updated international water-sharing agreements among these states results in instability of available water resources from one year to another. As Table 3.11, demonstrates the water resources available in the region.

Table 3.11. Available Water Resources through Rivers by 2006

Rivers	Length (km)	Annual Water Amounts (billion m3)	Inside the Region	Outside the Region
The Khabur	160	2.2	42%	58%
The Great Zab	392	14.32	58%	42%
The Little Zab	400	7.07	64%	36%
Awa Sipi	230	0.7	100%	0%
Serawan	384	5.86	41%	59%
Total	1,566	30.15	59.80%	40.20%

Sources: (KRG, 2011).

The region also benefits from comparatively abundant water resources in comparison with the rest of Iraq. However, it remains very much an impoverished water region in semi-arid ecology. While, there are three types of water resources: first, surface water such as river flows and springs, second, groundwater, third, (treated) wastewater the latter is currently unavailable in the region. Nevertheless, availability of water resources in the region is subject to two negative trends: climate change and increased water use by the upstream neighbors namely Turkey and Iran, that are likely to reduce the quantity of surface water available to the region. However, in the region the amount of population using improved water sources is on average 85%; but, the quality of service like the continuity of service, water pressure is reduced, and the current infrastructure is in an unfortunate situation with very high leakage.

While the supply of water is intermittent at present, water tariffs about US\$ 1 per month by dwelling unit are not base on volume consumed since connections are not metered, nor do they reflect the actual cost of supply.

Thus, it results that: (1) revenues covered only 3% of operation and maintenance expenses in 2011, and (2) per capita water consumption water ranges from 375 to 400 liters per capita per day (LPCD) in urban areas and 237 to 292 LPCD in rural areas. So, this is too high per international standards, while customers receive no signals that they need to conserve water. Levels of aquifers are dropping because of excessive extraction in some areas the water level has dropped by about 40 m over the last ten years.

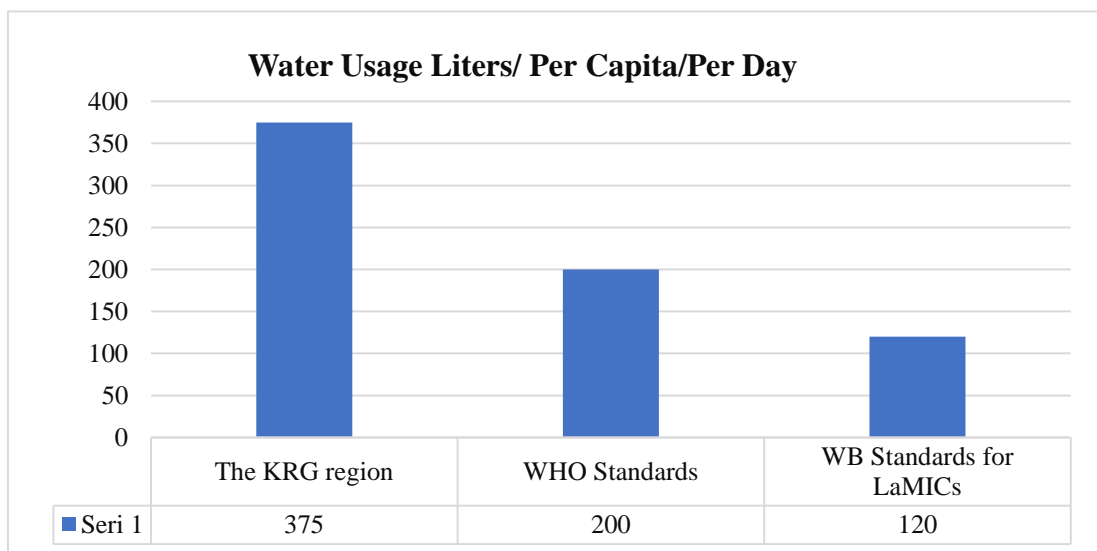


Figure 3.2. Water Usage - Comparison with International Standards

Source: (UNDP, 2012).

3.2. The Realty of FDI in Agricultural Sector in the Region

After 2003, the private sector has pursued by region's government to activate its role, in the region by developing, and revivify it as a critical pillar through making it an active sector in the economic activity. This trend reflects the government commitment to reform the economy in line with the economic principles, which ensures the best use of all its resources; diversifies its resources and promotes the private sector development.

Thus, agriculture projects licensed by the BOI contribute to the sustainable development of the region, enhance its independence from food imports and strengthen local capacities in producing agricultural goods. The BOI's support to specific investment projects thereby facilitates the implementation of the KRG's strategic policy goals in the agricultural sector: food security and self-sufficiency (BOI, 2013).

As revealed in Table 3.12, the number of licensed projects by sectors, the Erbil city has the highest share of the projects. The projects drawn in the table refer to the projects by national and foreigner investors. The number of licensed projects in agriculture is (30) projects during the period 2006-2016. The agricultural sector has sixth ranking among projects after industry, housing, tourism, trading, and health sector respectively. However, it has sixth ranking among 13 sectors in 791 licensed projects.

Table 3.12. Number of Licensed Projects by Sectors for the Period 2006-2016

Sector	Duhok	Sulaimaniya	Erbil	Total
Agriculture	9	5	16	30
Art	0	0	4	4
Banks	1	0	3	4
Communication	0	3	2	5
Education	11	6	8	25
Health	12	3	31	46
Housing	36	50	81	167
Industry	60	54	87	201
Service	0	4	3	7
Sports	13	11	0	24
Tourism	53	19	69	142
Trading	35	59	39	134
Transportation	0	0	2	2
Grand Total	230	214	345	791

Source: KRG, Board of Investment, (2018).

As shown in Table 3.13, that the capital invested in the 30 licensed projects from 2006 to 2016 amounted to \$837,052,066 million, however, by focusing on the sector capital percentage, we can figure out that the agricultural sector has taken only 1.80 %, which is the 6th among other sectors. When we look at sector area percentage, we can realize that also the housing and industry sectors are leading the area taken by the sectors respectively, then the agricultural sector by 15.84% is the third.

Table 3.12. Investment by Capital and Area in the Region During 2006-2016

Governorate	Projects No.	Capital In Dollar	Area In Donum	Sector _Capital	Sector _Area %
Erbil	16	243,291,709	2,936	0.52%	4.76%
Sulaimaniya	5	19,367,385	89	0.04%	0.14%
Duhok	9	574,392,972	6,753	1.24%	10.94%
Overall	30	837,052,066	9,778	1.80%	15.84%

Source: KRG, Board of Investment, (2018).

As shown in Table 3.13, the licensed projects by city and nationality of the investor, in which 714 projects in out of 791 projects are national with the highest ranking compared with other types, then foreign by 46 projects and 31 for the joint venture. While, most of the drawn projects are in Erbil city by 345 projects in total 791 projects, or nearly more than half. Then Duhok by 230 in 791, the third one is Sulaimaniyah city by 214 projects. However, Erbil city's share in the total amount of foreign investment was 35 and 12 joint venture projects. So, this distribution of projects is due to many factors, the most important factors may relate to the strategic location of Erbil, its better infrastructure and being the capital of the region.

Table 3.13. Number of Licensed Projects by City and Nationality during 2006-2016

Governorate	National	Foreign	Joint Venture	Total
Duhok	211	10	9	230
Erbil	298	35	12	345
Sulaimaniyah	203	1	10	214
Sulaimaniyah /Erbil	2	0	0	2
Grand Total	714	46	31	791

Source: KRG, Board of Investment, (2018)

As Table 3.14, summarizes 77.93% of total investment in the region during the period indicated controlled by national investors. While, 13.24% invested in foreign projects, and 8.83% of the overall amount invested by the joint venture. We realize that even the ratio of the foreign and joint venture is smaller compared to national projects. However, this indicates that the amount invested in the region is \$46,470,064,140 and almost half of this amount is in Erbil.

Table 3.14. Investment by Type and Capital in Dollar During 2006-2016

Investors Nationality	Erbil	Sulaimaniya	Duhok	Total	%
Foreign	4,790,993,177	20,192,870	1,342,938,430	6,154,124,477	13.24%
Joint Venture	918,066,503	2,489,853,782	693,091,072	4,101,011,357	8.83%
National	20,509,577,707	11,211,570,128	4,422,682,870	36,214,928,306	77.93%
Grand Total of Investment Type	26,218,637,387	13,721,616,780	6,458,712,372	46,470,064,140	100%

Source: KRG, Board of Investment, (2018).

As given in Table 3.15 below, that the amount invested by investor countries, among foreigners, Emirates is the first by 53.85%, then Turkey by 18.37% of the overall FDI in the region, while, Lebanon came at the third by 16.51%, and the UK by 3.34%. However, Egypt the fifth by 2.44%, further the New Zealand and the USA came in the seventh and eighth place with 2.26% and 1.88% respectively. Germany, Sweden, Iran, Lebanon/France, Russia, and Georgia are at the last ranking by 0.40%, 0.24%, 0.22%, 0.13%, 0.12%, 0.05%, and 0.01% respectively. So, this result clarifies that Russia, and Georgia, do not participate significantly, and may be due to recently invested in the region.

In regard the joint venture projects the same Table 3.15 indicated that the amount invested by joint venture, Iraq/Turkey is the first by 16.12%, in 9 joint projects, then Korea/Canada/Iraq by 8.37% of the overall joint venture in the region, while, Iraq/USA came at the third by 7.68%, and Iraq/Kuwait by 1.25%. Then the last one is 0.10% for Iraq/Lebanon/France these low rates of joint venture explain that national investment and foreign investment are not close to each other. Finally, the national investor of

77.93% indicates that most investments during this period 2006-2016 control the investment process to be continued due to some factors.

Table 15: Investment by Type and Country During 2006-2016

Investment Type	Country Nationality	No. of Projects	Investment In Dollar	Investment Ratio %	Total Investment Ratio%
Foreign	Egypt	1	150,000,000	2.44%	0.32%
Foreign	Emirates	3	3,314,216,000	53.85%	7.13%
Foreign	Georgia	1	600,000	0.01%	0.00%
Foreign	Germany	2	24,355,712	0.40%	0.05%
Foreign	Iran	1	14,950,802	0.24%	0.03%
Foreign	Kuwait	1	10,570,000	0.17%	0.02%
Foreign	Lebanon	9	1,016,281,971	16.51%	2.19%
Foreign	Lebanon / France	1	7,082,207	0.12%	0.02%
Foreign	New Zealand	2	139,389,850	2.26%	0.30%
Foreign	Russia	1	2,805,670	0.05%	0.01%
Foreign	Sweden	1	13,500,000	0.22%	0.03%
Foreign	Syria	1	8,300,000	0.13%	0.02%
Foreign	Turkey	16	1,130,529,340	18.37%	2.43%
Foreign	UK	2	205,720,000	3.34%	0.44%
Foreign	USA	4	115,822,925	1.88%	0.25%
Total by Type		46	6,154,124,477	100%	13.24%
Joint	Iraq / Jordan	1	8,000,000	0.20%	0.02%
Joint	Iraq / Kuwait	1	51,250,000	1.25%	0.11%
Joint	Iraq / Lebanon / France	1	4,282,400	0.10%	0.01%
Joint	Iraq / South Africa	1	12,000,000	0.29%	0.03%
Joint	Iraq / Sweden	1	20,893,549	0.51%	0.04%
Joint	Iraq / Turkey	7	576,855,566	14.07%	1.24%
Joint	Iraq / Turkey	1	30,000,000	0.73%	0.06%
Joint	Iraq / Turkey	1	54,016,013	1.32%	0.12%
Joint	Iraq / UK	3	112,000,000	2.73%	0.24%
Joint	Iraq / USA	2	315,000,000	7.68%	0.68%
Joint	Iraq / Netherland	1	2,500,000	0.06%	0.01%
Joint	Iraq/Pakistan	1	13,000,000	0.32%	0.03%
Joint	Iraq/Spain	1	3,284,530	0.08%	0.01%
Joint	Korea-Canada-Iraq	1	343,132,266	8.37%	0.74%
Total by Type		31	4,101,011,357	100.00%	8.83%
National	Iraq	713	36,164,083,506	99.86%	77.82%
National	Iraq	1	50,844,800	0.14%	0.11%
Total by Type		714	36,214,928,306	100%	77.93%
Grand Total of Investment Type		791	46,470,064,140	100%	100%

Source: KRG, Board of Investment, (2018).

The most important one that the national investors know more about the investment opportunities climate. For national investors, establishing a new firm is more comfortable in the region compared to a foreigner investor; this may be mainly due to information available concerning the investment process/economic sectors and so on.

For foreign investor availability of information about investments in the host country is essential, and the most important determinant for the investor concerning data availability is security situation and which the first one differed from region's cities compared to other places of Iraq. However, regarding the other factor corruption due to the international reports from 2003-2009 Iraq was the third-ranked at the world and in 2011 became the 4th one in the ranking. Then these negative indicators may affect investment to attract to the region.

As revealed in Table 3.16, and Figure 3.3, that the sector capital percentage, we can figure out that the agriculture sector has taken only 1.80%, or \$837,052,066, which is the 6th among other sectors. While, the industry sector by 35.95% or \$16,705,496,897 leading the investment, then housing 32.03%. Although frequently agriculture needs more land compared with other sectors, the problem is the absence of a significant role in agriculture compared to the economy.

Table 3.16. Investment Agriculture Sectors Capital and Area During the Period 2006-2016

Sector	Governorate	Projects No.	Capital In Dollar	Area In Donum	Sector Capital	Sector Area %
Agriculture	Duhok	9	574,392,972	6,753	1.24%	10.94%
Agriculture	Erbil	16	243,291,709	2,936	0.52%	4.76%
Agriculture	Sulaimaniya	5	19,367,385	89	0.04%	0.14%
Overall		30	837,052,066	9,778	1.80%	15.84%

Source: KRG, Board of Investment, (2018).

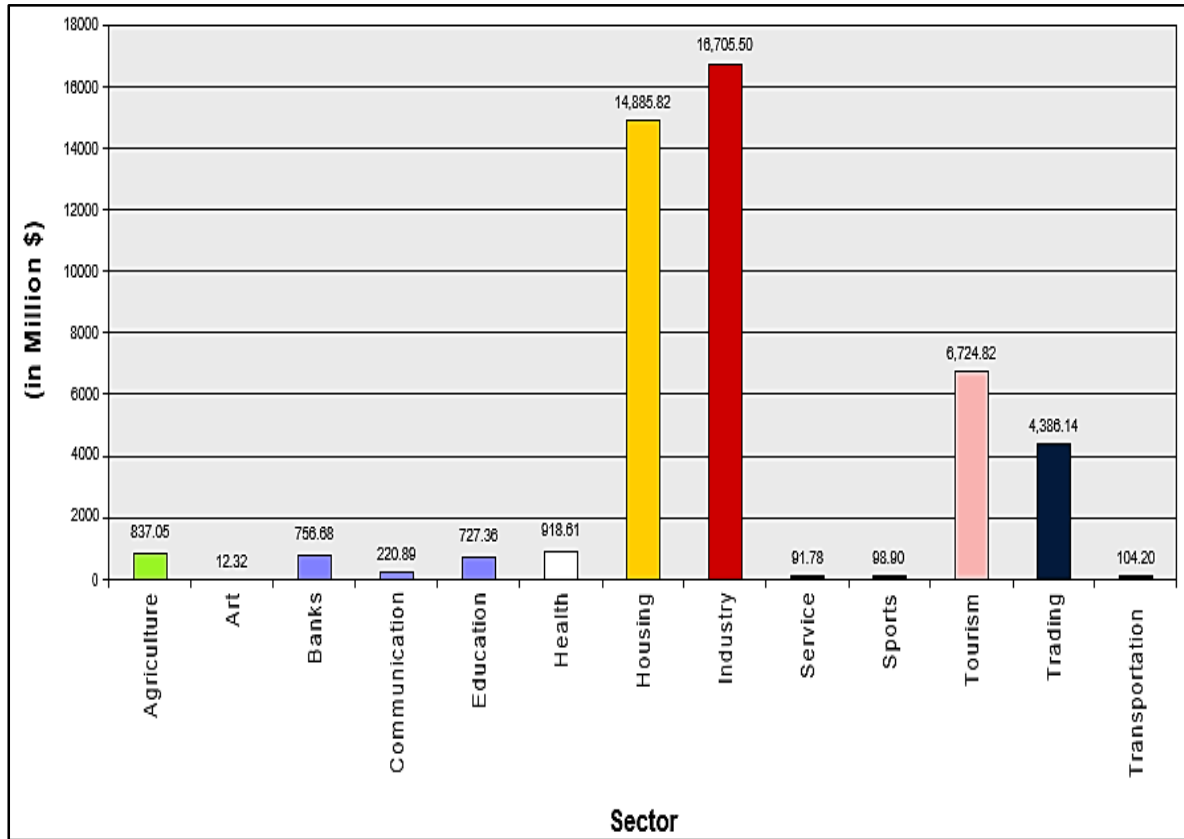


Figure 3.3. Investment Capital by Sector (in Million \$)

Source: KRG, Board of Investment, (2018).

As reveals in Figure 3.4, the amount of fluctuation of investment from 2006 to 2016. Where Erbil city is considering as the most attracted city during the last ten years, Sulaimaniya is taking the second-ranking to attract investors. While Duhok city comes at the last of the ranking, even, if there are different amounts invested in Erbil are fluctuating from year to year, but 2016 is the lowest, but Sulaimaniya obtained better respectively year by year.

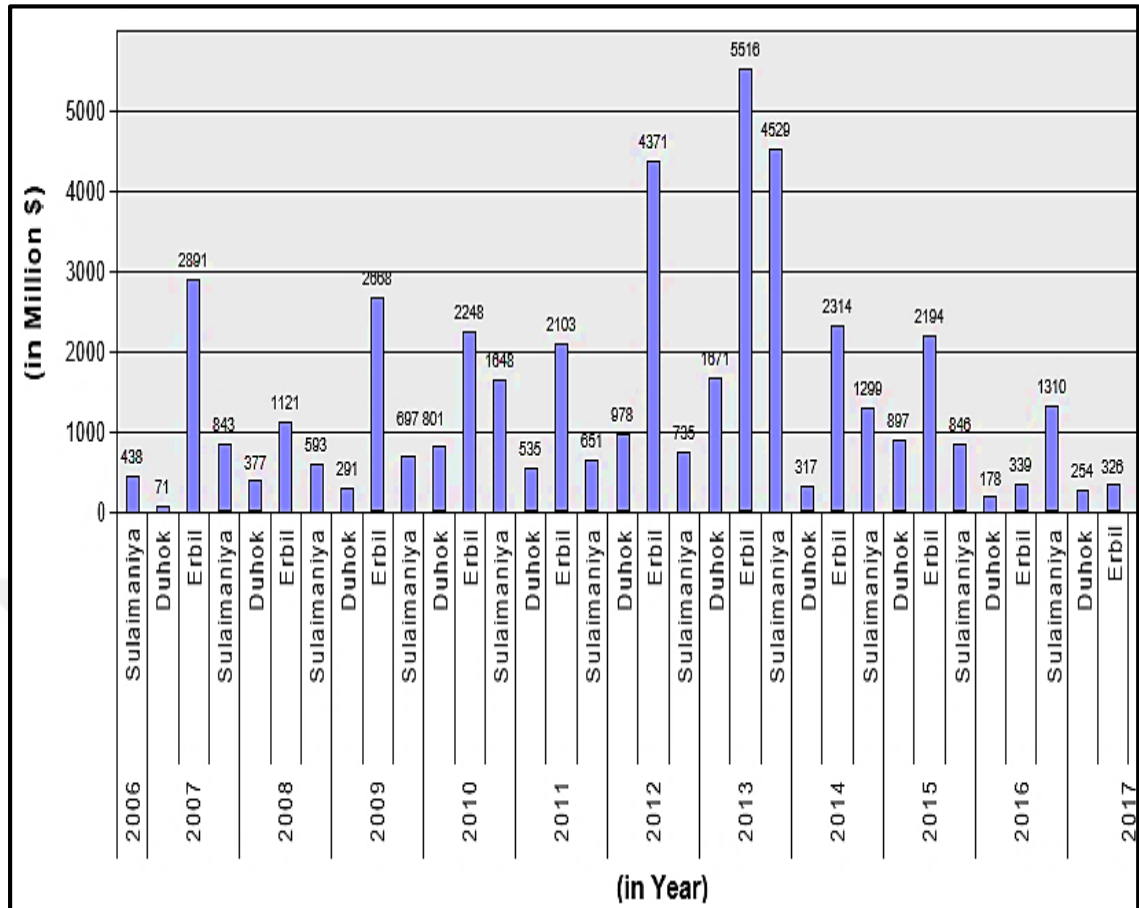


Figure 3.4: Capital by Year and Governorate (Million USA Dollars)

Source: KRG, Board of Investment, (2018).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The purpose of this study is to examine the obstacles in front of the FDI in the agricultural sector of the northern region of Iraq during the period 2006-2016. While the region has excellent security and economic climate, so, these influences support attracting inward FDI. Besides, an active law of investment regarding, tax exemptions, free land allocation, free profit repatriation no differentiation between local, foreign investor and the same opportunities for both local and foreigner investors.

However, the critical challenge facing the agricultural sector in the northern region of Iraq is a lack of adequate policies, rules, and regulations. Such policies merge the needs for achieving food security and sector development through investments with the demands of the overall economic and social development of the region and environmental sustainability.

The study concluded in chapter three, sections 3.1.1, and 3.1.2, that the region has a pleasant climate for some types of plant and animals' production. The productive agricultural land is existing in its governorates that allow rising agricultural production. However, through section 3.1.4, found that the region has plentiful underground water to provide farmers for agricultural production. The region's rainy season which extends between October till the end of April can feed agricultural land, in general, it forms about 37.2 % of the overall cultivable land, considered to be relatively high in comparison with the irrigated cultivable land, forming about 5.3% of the total cultivable land.

However, the region and Iraqi Federal government laws of investment are mostly similar with some differences between them. Nevertheless, there is unproductive labor quality due to the absence of updated technologies, and short training courses. Institutional availability to enforce agricultural sectors, like the ministry of agriculture and water resources, and college of agriculture, international organizations, have been unable to the explosion the agricultural sector due to the absence of successful policies and lack of both quality and quantity of these institutions.

Adverse effects of double economic sanctions on the agricultural sector, which lead to making this region closed to outside regarding updating technology and techniques. Also, relatively high production cost in agricultural sector due to, using old technology, low skilled labor, and types of government policies to support farmers, make the local farmers unable to compete with the neighboring countries.

The quantity and quality of agricultural infrastructure, especially in the rural areas are almost absent. There is a high risk of investment in agriculture because of the nature of the sector; this sector is sensitive because of many factors like type of the land, raining amount. The study also through section 3.2, found that massive and fast profit earning in other sectors, particularly in the housing sector, leads both local and foreign investors to remain away from the agriculture sector. However, little participation in the agriculture sector for both of local and foreign agricultural investment compared to other sectors.

Recommendations

It is believing that improving agricultural sector in the region through FDI require studies and taking consider of the results of those studies, hence I as researcher believed that it is important to provide some essential recommendations as follows:

The agricultural sector in the northern region of Iraq needs long-term strategic planning, which merges smoothly with the regional development plan of the region but also complements the national development plan of Iraq, particularly on safeguarding the quality of shared water resources such as rivers.

The researcher recommended to the administration in a region that they should have a plan for more construction especially in energy and roads sectors in a region where there are many primary items. Whereas, the study found that infrastructure in the region is weak like shortage of distribution, lack of 24 hours' electricity, and shortage of roads and transport system.

While, the strategic planning should address not only the FDI investment requirements of the sector, but also the drought mitigation policies and strategies, land tenure issues, subsidies of the sector, agricultural water usage, marketing, and extension services. Although substantial investments are required, they must be part of long-term development plans, particularly, the required investments on training and capacity

building, as well as research and extension, furthermore, support to improved agricultural technologies and practices including irrigation.

It is necessary that the government need to attempt to decrease its operating expenses and increase investment expenditure for the private sector to play its role and increase chances of investment working, while the role of private sector in economic development is crucial. Besides, lessening the routine of administrative affairs and attempt to decrease obstacles of obtaining investment permission and in a lesser time investment permission be given.

The region's administration can follow rational policies to use the agricultural resources at the best use. Land usage between different economic sectors should take the priority of the government policies, and this is because of land scarcity and amount limitation. In this regard, new methods of doing agriculture, bringing in new technology by attracting more of both domestic and foreign investors.

So, building dams are essential for collecting water during raining seasons to use in seasons that the agriculture suffers from lack of water availability. However, revising the law of investment by giving more priority to the main economic sectors like agricultural and industrial services.

It is necessary that the government need for pressing the oil industries to invest in the agricultural sector as a condition of obtaining rights for oil production. So, allocating part of the budget and oil revenues for real agricultural infrastructure. Furthermore, enhancing the role of related institutions to improve the investment environment in the agricultural sector.

It is necessary that the government activate the role of agricultural institutions like agricultural corporations to help farmers by studying their situations and finding a specific market for their products. Also raising farmers' productivity by encouraging them to share with the foreign agricultural investors to make joint venture and opening more productive training courses.

Therefore, the region should have a firmer policy to obtain an advantage of technology and knowledge of FDI in the agriculture sector by recruiting investment projects in agriculture area and depending on primary tools of agriculture. Those centers that are related to investment must have stronger media during the time of investment

chances, and there is the need for transparency in showing supply and investment contracts.

The researcher recommended that more arrangement planning should be made to help in FDI toward least developed cities and places and to keep investment distribution and development balance among cities and locations, creating skilled local employees (staff) to enhance the acceleration of investment procedures. So, to support and accelerate procedures electronic government is significant for a foreign investor.

Announcing the available investment opportunities that give the local and foreign investor a better image to obtain what is the exact opportunities to invest. Encouraging the joint venture in the agricultural sector which can help the sector's productivity. However, it is necessary to activate the role of the agricultural banking sector to help farmers' projects regarding funding sources, providing reliable data on sectors situations to help the investors especially foreigners to get the real picture of the sectors reality.

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