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SIIRT UNIVERSITY

INSTITUTE OF SOCIAL SCIENCES

THE SITUATION OF FDI AND ECONOMIC GROWTH IN IRAQI KURDISTAN REGION

(During the Period 2007-2012)

MASTER THESIS

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(153202013)

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April -2018

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SİİRT ÜNİVERSİTESİ
Sosyal Bilimler Enstitüsü

SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜ'NE

Siirt Üniversitesi Lisansüstü Eğitim-Öğretim ve Sınav Yönetmeliğine göre hazırlamış olduğum "The Situation Of FDI And economic Growth In Iraqi Kurdistan Region (During the Period 2007-2012)" 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 açılabilir.

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Dr. Öğretim Üyesi Arif GÜLLER danışmanlığında, Newar Ameen SALEH tarafından hazırlanan bu çalışma 11/04/2018 tarihinde aşağıdaki jüri tarafından İktisat Anabilim Dalında Yüksek Lisans tezi olarak kabul edilmiştir.

Başkan (Tez Yöneticisi) : Dr. Öğretim Üyesi Arif GÜLLER İmza: .....
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Yukarıdaki imzalar adı geçen öğretim üyelerine aittir.
11./.04./.2018

Dr. Öğretim Üyesi Veysel OKÇU
Enstitü Müdürü

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YÜKSEK LİSANS

Irak Kürdistan Bölgesi'nde Yabancı Doğrudan Yatırımın Durumu ve Ekonomik Büyüme (2007-2012)

Newar Ameen SALEH

Danışman: Dr. Arif GÜLLER

2018, 71 Sayfa

Irak Ekonomisi, genel olarak petrole bağlıdır. Bu nedenle, uluslararası petrol piyasasındaki fiyat dalgalanmaları Irak'ın ekonomik durumunu doğrudan etkilemektedir.

Irak Kürdistan Bölgesi federal devletin bir parçası olduğundan Irak ekonomisindeki değişiklikler bölge ekonomisini de etkilemektedir. Federal Bölge bütçesinin büyük bir kısmı Merkezi Hükümet tarafından sağlanmaktadır. Bölgesel Yönetimin kamu gelirlerinin küçük bir kısmı gümrük vergilerinden oluşmaktadır.

Bölgedeki siyasal gelişmelere bağlı olarak yabancı doğrudan yatırım girişi değişmektedir. Gelen yabancı doğrudan yatırım da ekonomik büyümenin artmasına yardımcı olmaktadır.

Çalışma bölgeye gelen yabancı yatırım ile ekonomik büyüme arasındaki ilişkiye ışık tutmayı amaçlamaktadır.

Anahtar Kelimeler: Irak Kürdistan Bölgesinde YDY, Ekonomik büyüme,

ABSTRACT

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2018, 71 Pages

The Iraqi economy, in general, depends on oil, therefore, any fluctuations of the oil price in international oil market directly affect the economic situation and change of most of Iraq's economic activities. Accordingly, since Iraqi Kurdistan region is the federal region in Iraq, changes in the Iraqi economy are also affecting the regional economy, the increase of public income in the region affects the rise of national investment and foreign investment as well.

Thus, a large part of the federal budget provide by the central government, and the small piece of public income comes from local sources, such as taxes and customs duties.

Foreign direct investment inflows vary depending on the political developments in the region. Incoming foreign direct investment also helps increase economic growth. Also, the study found the significant relationship between FDI and economic growth in the region.

Keywords: FDI, Iraqi Kurdistan region, GDP, and Economic Growth

LIST OF ABBREVIATIONS

Abbreviations	Explanation
FD	**:** Foreign Direct Investment
GDP	**:** Gross Domestic Product
ID	**:** Iraqi Dinar
KRG	**:** Kurdistan Regional Government-Iraq
UNCTAD	**:** United Nations Conference on Trade and Development
OECD	**:** Organization for Economic Cooperation and Development
IMF	**:** International Monetary Fund
UN	**:** United Nations
UNDP	**:** United Nations Development Program
ESCWA:	**:** Economic and Social Commission for Western Asia
%	**:** Percentage
$	**:** US Dollar

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ACKNOWLEDGEMENTS

I most honestly desire to express my sincere gratitude to all people who in one way or another helped me of any kind when I worked on this thesis.

I would like to express my profound thankfulness to my supervisor Dr. Arif GÜLLER, for his supervision, assists, and helpful advice.

I would like to thank University of Duhok, Nawroz University, and Cihan University for providing me with necessary academic sources.

I also appreciate the support of Assist. Lecturer Mr. Hussein A. Mustafa, and thanks to all governmental directorates and offices for giving me data. And finally, but not least, I prerequisite to thank my family for their substantial inspiration.

INTRODUCTION

Foreign direct investment has factually contributed to the growth of many host nations by way of refining their infrastructure, technical skills, entrepreneur abilities and financial resources in terms of government revenue and foreign exchange, also is a significant form of worldwide capital transference and has increased substantially over the last decades as a consequence of rising international economic integration. It has even grown faster than world GDP and merchandise trade even despite the massive drop in world FDI flows at the turn of the millennium.

Hence, the FDI is the transfer of foreign capital to invest abroad directly, the issue of FDI is one of the significant pillars of the acceleration in achieving the rates of growth and economic development in various countries of the world, especially developing countries, contributes to FDI in many things, the expansion of the investment base in the host country.

It is also an essential factor for creating new jobs, higher skill, and more significant experience, and is an essential factor in assimilating the technology at home country, establishing productive projects, identifying the modern methods of management, organization, communication, and marketing, and entering into the circle of sustainable economic growth and development. In particular, where developing countries, in particular, are trying to attract FDI.

Consequently, many developing countries have relied on the inherent possibilities available externally as part of the opportunities offered by the global economic system to achieve their financial growth by building on FDI for their leadership.

Therefore, by observing the massive inflows of these investments in developing countries in general, as a result of the feeling of developing nations of the role that FDI can play in their economies. Consequently, many amendments have been made to investment laws in developing countries in order to attract more foreign investments.

The study problem is that the FDI is an essential element of economic growth which avoided Iraqi Kurdistan region in the context of the economic transformations and there must be, methods and programs included mechanisms to achieve this development through FDI.

The literature on the foreign direct investment is the significance of the study because there is a deficiency of the research investigating the foreign direct investment in the region. Hence, the consequences of the current research would contribute to enlightening of the understanding of FDI. Therefore, the significance of survey in illuminating the lengths and importance of the FDI in the Kurdistan region of Iraq.

The purposes of the study are to investigating the substance of foreign direct investment, which was able to identify the investment situation and economic growth in the region through the period of time 2007 to 2012, after the investment law of Kurdistan region of Iraq No. 4 of 2006 approved.

The thesis hypothesis is that the foreign investment plays an important in various developing countries, including the Kurdistan region of Iraq an active role in economic growth and achieved without the tools of this investment and overcome its obstacles remain progress process performed in a problematic the area and is experiencing real difficulties should be addressed and response. The majority of FDI number goes to the oil sector, therefore the FDI plays an essential role in the oil sector in the region.

This thesis structured into three chapters, the first chapter is about the introduction and the literature relevant to the concepts of FDI, and economic growth. In chapter two the material and method of the study are well-defined. Also, the chapter three obtains outcomes and discussion.

CHAPTER ONE

1. LITERATURE REVIEW

The aim of this chapter is to presents the literature reviewed of many kinds of research related to the extent of study variables. Consequently, in the first section, it covers the subjects on the foreign direct investment. Then the second section reveal the literature related with the economic growth.

Abdul salam, (2010) conduct a study to analysis the determinant of the investment climate in the Iraqi Kurdistan region, governorate of Duhok model 2007-2008. While, the study purposes to identify the determinants that create the suitable investment climate, as well as the factors that will encourage investment in Duhok governorate. However, the most important conclusions of the study that, the region was found to be rich in natural resources. It enjoys political and security stability and a legislative base to attract investments. Besides, the economic activities in the region were affected by the political changes and the security conditions experienced by the region.

Nabaz, (2013), investigated the role of FDI in developing Kurdistan's economy. The study purpose to explain the policies used by the KRG to attract FDI. To determine how FDI allocated in the region. And to identify the barriers of FDI in the region. However, to examine the effects of FDI on the economy of KRG. Further, to suggest ways of improving FDI in KRG.

The most important conclusions of the study are the region successful policies explained in terms of stability, security, exploration of oil and gas which is among the world top ten, business-friendly environment, the government supports and investment law that guaranteed the interest of the investors and fascinated more FDI inflow. However, the study identified a significant relationship between FDI and economic growth.

Mamori, (2012), the study examined the role of investment in the growth of GDP in the Kurdistan region of Iraq. While, the study goal to analyses of the impact of different changes in the volume of investment on GDP and the relative contributions of

its constituent sectors determining the primary factors governing the growth of investment and output in the Kurdistan region – Iraq.

The most important conclusions of the study are: The Iraqi economy has undergone great difficulties and complex political and economic factors have been reflected negatively on the performance of the economy of the Kurdistan region, increasing the severity of structural imbalances and swing the contributions of constituent sectors. The transport, communications, and storage sector were characterized by a relatively high due to the composition of GDP compared to other industries. The distribution of investments between different areas was uneven, creating uneven growth for different industries as well. Private investment contributed more than government investment, clearly indicating the weakness of government policies in this direction.

Al-Kawaz (2012), studied the FDI flows: particular outlook Kurdistan region-Iraq, the study aims to clarify the trends of foreign direct investment to the various countries of the world, as well as showing the effects on the economies of host countries, with reference to the Iraqi Kurdistan region.

The most important conclusions of the study are: analysis of trends in FDI flows there have been apparent developments, developed countries had the most significant share until 2007, due to the global openness of its markets and the globalization of its productive activity, on the other hand, there has been a decline due to the global financial crisis. The developing countries had a modest share compared to developed countries; however, this does not hide the significant development in these flows, especially after 2002 in order to improve the investment environment in those countries. An analysis of the development of investment flows in the region showed that domestic investment accounted for 70% of total expenditure, while foreign investment was 25% and the rest was for mixed investment.

1.1. The Concepts of Foreign Direct Investment (FDI)

The FD is a net inflow of the investment to get hold of a long-term running interest that is ten percent or more of voting power in an initiative working in an economy other than that of the investor. So, FDI is the amount of equity capital, reinvestment of earnings, additional 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 (Awan, Ahmad, & Shahid, 2014).

A company can transfer its products; it can license a foreign company, employ agents or can engage in FDI. By participating in FDI it is possible for a company to produce directly in the country it desires to retail its products (Petroulas, 2007).

Through a past century, FDI in developing countries has led a significant role in the growth of the economies, and increased its significance of FDI after World War II and became organizes one of the features of the international economic, as a result of the growth of international industrial relations, the FDI is one of the essential factors that help domestic economy.

1.1.1. Definition of Investment

As stated in the concept of public investment framework, the investment is in fact determined by the natural or legal person other than his own country by using his experience money to carry out economic projects. Whether alone or in combination with a natural or legal person is local or foreign, or with the State concerned or with the citizens in the creation of a project or joint ventures, and for this the investment and economic means to understand it as a productive employment head money of any capital directed toward uses lead to satiate the need or financial needs in order to get income or profit from these uses (Hassan & Saleh, 2012).

Accordingly, in economic terms has been known that investment is the flow of spending on durable assets that operate either to increase the ability to produce products in the future or to create consumer benefits in the future (James & Richard , 1999). And also known as the foreign economic investment added Samlesson the shares of capital in the facilities of state and equipment and inventory during the year, and Samlesson make differences between real investment, which means the production of durable goods capitalism and the financial investment, which is the purchase of shares, bonds or open an account savings, because it does not achieve the production of capital goods, but is to replace another financial assets (Samlesson & Nordhaus , 2006).

Characterize the money in order to achieve a return of income or profit (Hardan, 1997) . The investment is also a financial sacrifice specific values in order to obtain more significant benefits of uncertain future (Obaid, 1988):

Domestic investment, the investment which is within the country's borders and internal sources of funding and management of local investors, and the usefulness of returning them and their country, and is useful in reducing dependence on external funding sources from other countries of the loans and foreign aid to developing countries in general (Gilles , 1982).

Foreign investment is defined as the movement of capital between the two countries with a view to their employment in different economic processes, such as buying securities or movable leaves yield a profit or owning property give an advantage, or intent to employ them in credit operations fruitful to lend or non-productive activities like maintaining the money in the bank or house deposit, in order to avoid the risks that may be exposed to in the political and economic (Jassim, 1967). Foreign indirect investment or investment in securities is intended by the total capital obtained by the state or individual their institutions when you issue securities shares and bonds in the international capital markets or when the foreign investor's individuals or institutions to purchase securities in the domestic market for these recipient countries (Alsoai, 2006).

1.1.2. Definition of FDI

The meaning of FDI by the United Nations Conference on Trade (UNCTAD) as syndication of funds of foreign non-national in fixed capital assets in a particular country, and that investment involves a long-term relationship reflect the benefit to an investor in another state have the right to the administration and its assets and control of the foreign state or the country of residence, regardless of the investor's individual or a company or institution (UNCTAD, 1999).

According to the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) foreign direct investment is a type of international finance that reflects the objective of gaining a lasting interest by a resident entity of one economy direct investor in an enterprise that is resident in another economy the direct investment enterprise. So, the permanent benefit implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. Direct investment involves both the initial transaction establishing the

relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises4, both incorporated and unincorporated (OECD, 1999).

Yet, according to Awan et al, (2014), FDI is the investment undertaken by an object resident of one economy in a company resident in a different economy, with the purpose of gaining and sustaining a lasting interest in the company and also to exercise a significant level of influence in its management. However, (FDI) refers to long-term contribution in management, joint-venture, transfer of technology and expertise by a country A into a country B.

1.1.3. Explorations the FDI Theories

The interrogation of the feasibility of FDI and its role in economic growth and economic development is a substance of a difference between economists. Though some believe that the developing countries will achieve significant benefits from foreign investment. While some of the other saw negative results caused by FDI in developing countries is much higher than the advantage of it.

1.1.3.1. Classical and Neoclassical Theory

- Classical theory is supposed to FDI involve a lot of benefits especially for the multinational parent company, and this theory is based on the number of arguments that can be cleared as follows (Qouaidri, 2011).
- The tendency of multinational companies to transfer the maximum amount of profits generated from its operations to the mother country rather than reinvested in the host country.
- The multinational companies to transfer technology that does not fit with the level of economic, social and cultural development of the host countries' requirements.
- What is produced by multinational companies may lead to the creation of new patterns of consumption in the host countries do not fit with the requirements of comprehensive development in these countries?
- May have on the presence of multinational companies widening the gap between the members of the community with regard to the structure of four income distribution through offerings of high wages for their workers compared to their

counterparts from national companies and the consequent creation of this social class.

- The presence of foreign companies might affect the sovereignty of the host country and its independence through the creation of economic dependency and political dependency "among the criticisms made (Abu kahf, International marketing, 2001).

Neoclassical theory is based on the premise that financial markets in different countries often isolated from each other. Also, because the capital markets are not sufficient and the high extent of development in many countries, especially developing ones Therefore, the theory of neoclassical explaining the flow of capital as a response to the different interest rates from state to state, capital will flow to the areas that get a higher return.

While, (Olin, 1933) gave an explanation for the movement of international capital, which explained the most essential element engine for the export and import of the money is certainly see the difference in the interest rate. It was also on the hands of foreign investment analysis MacDougall (1960) and even Kemp (1961-1964) as the reason for the rise in the interest rate abroad at the end of simplicity is the scarcity of capital elsewhere and for this, the production of wealth will be high (Khayali, 2016).

1.1.3.2. The theory of Market Imperfection and the Theory of Protection

Many theoretical studies interpreted the phenomenon of FDI and for companies to invest outside their home boundaries, such as internationalization theory, monopolistic advantage theory, and imperfection market theory, where emerged these theories asserted that matter imperfection markets create a kind of excellence for companies to carry out FDI.

1.1.3.3. Theory of Monopolistic Advantage

Kindleberger (1969) through extending the work of Hymer, put forward his theory of FDI on the basis of monopolistic power. The advantages defined by Kindleberger might be in the form of managerial expertise, superior technology, and patents etc. Consequently, these advantages frequently encourage a company to invest in a foreign country in order to fully exploit them instead of sharing them with potential

competitors in the international market. Therefore, the better chances of earning monopoly profits, the higher will be the encouragement among companies to invest directly (Nayak & Rahul, 2014).

Accordingly, this theory has developed in a monopoly market, where the small medium-sized companies in a relatively competitive market structures this model focuses on technology-intensive component work transfer, as opposed to the American model, which depends on the size and reduce the element of work and competitive advantage did not explain as well as the wisdom of external production is the best way to take advantage of the monopolistic positions for the company (Bin Arafa & Hamzawy, 2016).

1.1.3.4. Product Cycle Theory

Product cycle theory established by Vernon in 1966 that was used to describe certain types of FDI made by U.S. companies in Western Europe after the Second World War in the manufacturing industry, Vernon believes that there are four stages of production cycle: innovation, growth, maturity, and decline. According to Vernon, in the first stage, the U.S. transnational companies create new innovative products for local consumption and export the surplus in order to serve also the foreign markets. Therefore, American companies began to transport, having the advantage of technology on international competitors (Denisia, 2010).

While, this model helps to explain why the American manufacturing industry has moved from exporting to FDI in the developed countries in general and developing countries in particular, where production will continue to focus in the U. S. despite the fact that production costs in some countries be less, on the other hand, this model shows us how and why the spread of innovations and new technologies and inventions outside the borders of the mother country, and thus the spread of FDI phenomenon (Al-Quraishi M. , 2008).

1.1.3.5. Location Theory

These theories choose the host country, where they are based on the determinants and factors related to the environment and location that affect the decisions of FDI stay in host countries due to the correlation of these factors the costs of the establishment of the project, production, operation and marketing and management,

and this was confirmed by "John Ninig" in his interpretation of the theory he explained that they care about production and marketing process and market factors associated costs (Abu-kahf, 1998:403). It is the reality of the above-mentioned theory and pointed out by many studies that locational factors affect each company's decisions multinational direct investment in one of the countries as well as on its own decision differentiation between this type of investment and the export of such State or other host countries (Abu-kahf, 1998:406).

1.1.4. Forms and Types of FDI

1.1.4.1. Types of FDI

The FDI classifications according to the viewpoint of the exporting country. In addition to the rating based on the motives or incentives for FDI went to the state without the other also are classified as FDI. Where it is divided according to this basis into two types, as follows:

The first type is called horizontal FDI, which is market-oriented and gives companies access to foreign markets. In this form, FDI is acting as a substitute for trade. The second is called vertical FDI, which is production oriented and allows transnational companies to minimize their costs. The international companies try to gain strategic advantage by shifting low-paid jobs abroad while keeping high value-added research at home (Lausberg, 2010).

A theoretical clarification of the difference between horizontal and vertical FDI is that companies engaging in horizontal FDI are supposed to sell their products in foreign markets, unlike companies that employ in vertical FDI which are supposed to serve the home market (Guerin, 2006).

1.1.4.2. The Forms of FDI

It takes the FDI several forms, including:

1. Investment in the free zones: The definition of the free zones by Economic and Social Commission for Western Asia ESCWA: Are the areas located within the customs fence or isolated areas within the seaport and airport, or close to it, take advantage of an exemption from customs duties and so they are outside the customs territory of the state, making it is used for the storage of goods in transit and

preserved for distribution and delay the payment of import duties or avoid amount of indirect taxes on other types of activities that are carried out (Abbas, 2003). The free zone is part of the territory of the state, often this spot is located on the ground a marine outlet, air, needle, or near, put specific special laws in the light of the full sovereignty of the state (Khasawneh, 2010).

2. Projects or assembly operations: These projects may take the form of the convention on the foreign part and the national part (public or private), whereby the first part to provide the second part the components of a particular product (for example a car) for compilation into a final product, and most especially in developing countries often foreign section offers expertise or knowledge necessary and unique interior design of the plant and the flow of processes and methods of storage, maintenance and so on to another and capital equipment in exchange for material return agreed upon, and in this regard it should be noted that the assembly projects may take the mutual fund or the form of full ownership of the project investment and foreign part format (Abu kahf, Different shapes and policies for foreign investments, 2003).
3. Wholly owned foreign investment: These forms of foreign investment have projects unilateral independence, management and administration of any part in the host countries decisions, and is one of the formats favorite for foreign investors, while the offset frequency and even the refusal of some host countries, for fear of political and economic dependence resulting from monopoly multinational companies to their markets (Shalghoum, 2012). This type of foreign investment is wholly owned foreign investor gets high-profit rates and the foreign investor enjoys full freedom in marketing and administration (Al-Obeidi, 2012).

1.1.5. The FDI Importance

Contributing to FDI, in the transferal of advanced technology and modern management skills to host countries, which have a significant role in the improvement of skilled workers and raise production efficiency; because of the experience of foreign companies to economic activity and broad knowledge of the arts of production and marketing Also, it contributes to FDI in the export sector development, which is urgently needed when developing countries, and increases attention to research and development in the host countries, as well as it contributes to increased productivity and

production, leading to increased national income, and then increase the average per capita income, thereby improving the level of luxury (Mokhtar, 2013).

Thus, the FDI is the most essential element of external financing for development in developing countries. FDI can achieve economies of host countries essential features of which source of knowledge and managerial expertise, and a significant source of financial resources, especially for developing countries, and to increase the export capacity of the host countries, and support research and development operations, as well as other benefits that can be achieved in indirect ways, the importance of FDI and its role in economic development in developing countries through (Mohammed N. , 2012):

- Supply state through multinational companies a number of different assets in nature and rare in these countries, such as technology, capital, management skills and is the channel through which marketing products internationally.
- FDI plays an essential role in human development in joint investment projects and private that are held in the new cities are working to create new job opportunities and urban communities, which contributes to solving the problem of unemployment.
- Contribute capital transfers by foreign companies to finance projects to increase exports in the host countries and in reducing the deficit of the balance of payments.
- The spread of the positive effects on the level of the national economy as a whole as a result of the complexity of relations between multinationals and local companies contribute to increased productivity and efficiency of the management of these companies, as reflected on the development of the local sales organizations that are working to understand complex technology in many industries.

1.1.6. The Factors that Affect FDI

Recent studies and previous research have confirmed that there are a number of parameters or factors that affect the movement of FDI, particularly in developing countries by improving these parameters the state can attract more FDI, and those are the factors or determinants in:

1.1.6.1. Political Factors

Political stability plays the significant role in investments within the country concerned, the more the state is stable politically whenever stimulate domestic and

foreign investment to invest in various fields, and investors prefer democratic systems well-established. However, the dictatorial political systems, they are subject to change and stirring controversy and unrest within the state, and the investor will not risk the transfer of expertise or capital to the State of the dictatorship or state what the thirsty security and political stability there. Thus, host state policy affecting FDI. This policy contains various restrictions imposed in return for a package of investment incentives, incentives to invest serve an essential role on the increase in revenues for each international project or to reduce costs (Turkmeneli Europe Friendships, 2017).

1.1.6.2. Economic Factors

The trade policy and fiscal policy are among of the vital factors for FDI, besides open markets would be more attractive to invest overseas, consequently, the fiscal policy is about how to control them and follow-up the financial markets and the other is one of the key things that affect the nature of the foreign investor's decision. Also, infrastructure has an essential role to attract FDI, infrastructure; including electricity, services of telecommunications, internet, roads, bridges, networks, and communications of all kinds (Shabib, 2009).

However, economic factors play a fundamental role in FDI and the factors that helped to guide his existence: the degree of openness to the outside world tends to FDI to open economies or away from closed economies. Also, the competitive strength of the national economy is a competitive factor, or the primary determinants of the national economy to attract foreign investment more the competitive position of the national economy improves. Consequently, the presence of these foreign investments and its continuation depends on the excellent management of the national economy and the ability to direct to changing economic conditions. In order to attract foreign investment to compete for different countries to grant various facilities (Mandour, 2010).

1.1.6.3. Legal Factors

The law is one of the critical proportion of the foreign investor factors, facilities and privileges in the law to invest his role high to attract foreign investment, and foreign investors will not provide financing abroad its existing regulations and guarantees from

other countries are not conducive to damage their money and preserve their rights. Issuance of domestic legislation to regulate these investments, and setting specific rules for the treatment of both in terms of attracting or filtered or protected. Besides, it includes essential safeguards such legislation and various advantages designed to encourage FDI, provided that the dysfunctional it to harm the interests of the polarized state investment. The decision to invest in a particular state may not rely on just enjoying some advantages, but the legal approach that deals with incoming FDI by the state (al-Samarrai, 2006).

As noted by the majority of countries in the Middle East has issued legislation to encourage non-national investment, as in the Iraqi Kurdistan region, Iraq, Syria, Jordan, Saudi Arabia, Qatar, Egypt, Libya, and Sudan.

The result which can be reached from an analysis of all factors and determinants is that foreign investment is a function of the vehicle, many of these factors and the complex determinants and interlocking and working together and one system and integrated, and then the interaction creates certain situations different with data and that translated sum agents attractive or repulsive to foreign investment. It should also be noted in this regard that the sheer volume of international movements of foreign private investments in developing flying to the country but also depends on the reaction conditions display this investment and a demand condition (Zaki, 1999).

1.2. The Relationship Between FDI and Economic Growth

The relationship between FDI and economic growth has been a subject of discussion for many scholars, economists, and policy analysts in time mainly in developing countries. It is essential to know if FDI inflows really generate economic growth and if a state with higher GDP rate attracts more FDI inflows (Simionescu, 2016).

Thus, FDI represents a truck for transferring tangible assets, but also intangible assets like technology such as (innovative product designs and managerial skill). The positive effect of FDI on economic growth is ensured by FDI transferring assets regarding FDI spillover effect and productivity improvement (Lechman & Kaur, 2015). Currently, FDI is playing an important role in rising up the ratios of economic growth, especially in developing countries, because these countries can't depend on themselves

in production areas and the sectors of industry, construction, and transportation. Therefore, each of these countries is trying their best to attract more foreign investors to build some big investment projects in all fields, especially the areas that are lacking in that countries.

1.2.1. Basic Concepts about Economic Growth

Some economists tend to use the terms of economic growth and economic development and one in the sense, besides regarding them as synonymous in essence, and that there was a partial difference in their meaning (Gerald & Baldwin, 1964). The relationship between the presence of both the concept of economic development and economic growth, we will define both the economic development and economic growth:

1.2.2. The Definition of Economic Growth

The concept of economic growth reflects the increased production of the country in the long term, and therefore we can say that economic growth is a station for the expansion of the successive economy, including the growth reflects changes in the production increase, it takes into account the per capita gross.

The economic growth of a new term, relatively in human history, coupled with the emergence of capitalism and its mechanism and industrial production, and the accompanying technology changes continuously and the accumulation of capital, which led to substantial shifts for the communities, they were before this regime primitive societies seeking a means of subsistence and survival, did not concern by the pace or increase it (Morris, 1979).

The continued increase in limits on real income requires continued progress without restrictions in the use of inputs in the production (Hagen, 1988). The definition of economic growth in the incidence of continuous increase in the real gross national product or national income, in order to achieve an increase in the average per capita over time (Ajamiyeh, Attia, & Naja, 2010).

The concept of economic growth of the three necessary conditions: The economic growth should increase in real per capita income and an increase in the total gross domestic product, meaning that the entire income growth rate exceeds the rate of population growth, and many of the GDP over the country and the population increases

at a higher rate and therefore no longer be an increase in the average real per capita income despite an increase in gross domestic product

Economic growth rate =National income growth rate - The population growth rate (Qouaidri, 2011).

- The economic growth and ongoing phenomenon is not a temporary phenomenon, it has provided a rich state subsidy for a poor country, increase the level of real income for sure, but these are not considered temporary increase economic growth (Attia, 2000:13).
- In addition to the increase achieved in the per capita income, it is not only cash but also increase would have to be a real increase, to be excluded from the rate of inflation,

According to Atta (2000) , the economic growth is reflected in:

- Increase the actual gross national product between the two periods.
- The high per capita income.
- The total income growth rate exceeds the rate of population growth.

1.2.3. Economic Growth Measure

Economic growth measure to identify the national income, instead of the average per capita income, though, this measure did not meet in the financial circles of acceptance so that the income increase or decrease may not lead to the attainment of positive or negative results. Increased national income economic growth does not mean when the population increases at a higher rate, on the other hand, the lack of federal income does not mean economic different when the population decline at a higher rate, in addition to not take advantage of it if the spread of migration to and from the state (Ajamiyeh & Yousry, 1999) .

All that produced from the value of goods and services in a given year is equal to the gross national product, and the growth rate of the economy as measured by the change in the gross domestic product during a specified period is usually a year (Abu-Harb, 2008). According to many economists, the soundings and calculable knows some of the problems and difficulties of the developing countries, making it comparable communities it is inaccurate to different principles and methods of measurement and

recognition, such as those based on his account out of the total population or those found on the working people has been lost.

Calculating the income of all residents of the beneficial aspects of consumption, it accounts for the power of useful work from aspects of production. In regard, I think Kindleberger to the attention of development should be directed to productivity and not to the standard of living, and the audience economists cling to the measure of the average per capita income of the fact that the ultimate goal of development is to raise standards of living and well-being, and where:

$$\textbf{Growth rate} = \frac{\text{Rate Real per capita income } \mathbf{t} - \text{Rate Real per capita income } \mathbf{t-1}}{\text{Rate Real per capita income } \mathbf{t-1}}$$

t = time

This standard is used to measure the growth in income in two consecutive terms, which is not suitable for measuring the compound growth rate if long periods of comparison (Kebdani, 2013).

1.2.4. Theories of Economic Growth

The economic growth is considered one of the essential subjects among most of the economists in the world, as they are giving a lot of attention to the economic growth in their countries, especially, the theoretical side of that growth. There are a lot of ideas and theories that have been set to save the economic system of each country, to prevent most of the economic problems, to find the best ways to solve that problem and to rise up the production.

Here are some of the most critical theories that are set to solve the problems mentioned above, each approach tried to get benefit from the mistakes of the previous ones to find better solutions. Some of the most important theories about economic growth are:

1.2.4.1. Classical Theories of Growth

Analysis of the process of economic growth was an essential feature of the work of the English classical economists, as signified mainly by Adam Smith, Thomas Malthus, and David Ricardo. Despite the speculations of others before them, they must be regarded as the primary precursors of modern growth theory. The ideas of this school

reached their highest level of development in the works of Ricardo (Harris, 2007). Classical analysis on many assumptions most crucial private property and the rule of full competition and the case of the full use of resources and individual freedom in the practice of activity has been based. Turn and serious thought to search for the reasons for a long growth in national income depending on the method of microeconomic analysis (Al-Quraishi M. , 2007).

The attention of the classical economists in economic growth resulting also from a theoretical concern with the possibilities of 'progress' an essential condition of which was seen to be the development of the material basis of society. Consequently, it was felt that the purpose of the analysis was to identify the forces in society that promoted or hindered this development, and hence progress, and so to provide a basis for policy and action to influence those forces. Ricardo's campaign against the Corn Laws must obviously be seen in this light, as also Malthus's concern with the problem of population growth and Smith's attacks against the monopoly privileges associated with mercantilism (Harris, 2007).

According to the ideas of Smith that the regular system of non-interference of the state in economic activity and economic freedom is capable of achieving an automatic equilibrium in the economic system, arguing that the natural laws that govern economic life path through the so-called concept of the invisible hand. Thinker interested in the classical school of Adam Smith determining factors that achieve growth, and one of the most significant contributions is the idea of increasing production yields based on the phenomenon, the division of labor, including (Al-Quraishi M. , 2007):

- Increasing labor productivity resulting from increased skill workers.
- Increase innovations arising from specialization.
- Adjusted a decrease in production processes work completion time.

While, Smith confirms that the growth of production and living standards depend on the investment and capital accumulation and that in turn depends on the investment of savings, which is caused by profits generated from industrial activity and agricultural and specialty work (Al-Quraishi M. , 2007). So, Adam Smith believed that the production should be marketed overseas in order to expand the market for local goods and the market expansion of the division of labor will also automatically and

productivity will be increased and will increase it to increase the national income and this will also increase the population, this point of view is one of the essential elements of the classical theory, which holds that the size of the population rises with income.

Yet, Smith also points out that the increase of the population subject to increased income and this leads to the expansion of markets and lower production costs as a result of the rate of foreign savings occurring due to the development and new production methods of transport services (Najafi & Turki , 1988). The following figure is put ideas, Adam Smith;

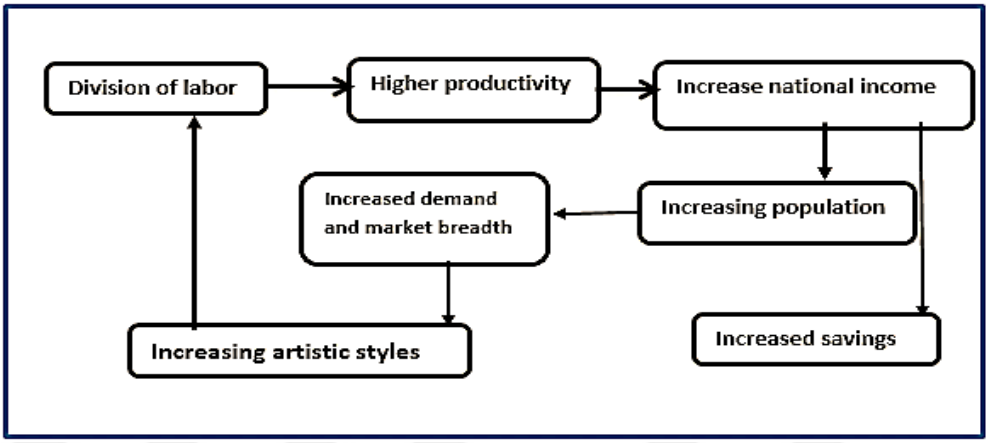


Figure 1.1: Adam Smith's ideas

Source: (Najafi & Turki , 1988)

David Ricardo is a thinker of the classical school and author of the famous book Principles of Political Economy and Taxation, issued in 1817, and the rate of economic growth. In Ricardo's system, agriculture is the most critical sector. According to Ricardo society broke through the increase in population and assembly of capital leads to the increasing scarcity of the most fertile land, this forced producer is in increasing demand for foodstuffs pressure, the use of labor units and authorized capital in the landless and less imaginative and to use the same while growing groups of workers and capital on the most fertile land, bringing them to the stage of diminishing returns in agricultural production (Gerald & Baldwin, 1964).

While Ricardo adds in his theory that the worker's wage is determined in the long-term to the extent necessary to meet the essential needs. Which leads to increase salaries for the subsistence level to improve the labor supply depending on the population reproduction. So, as a result of improved conditions, as the lead landing

from this level to the shortage of labor supply depending on the population decline due to unfortunate how they are expressed. However, Ricardo in his theory of the subsistence wage for the social and economic conditions that were prevalent in the western world for more than a hundred and fifty years ago, which is still in force in some of the different communities in Asia and Africa (Caftan, 1984).

According to the Malthus population theory, well-known by his mode Malthus's theory of population where to see the increase in food lower rate of population growth rate, Malthus realizes that grows consecutive numerical food producing, while the population is increasing by geometric progression, then that it leads to the rate of population increase beyond the rate of growth of food (Ryan, 2013).

Nevertheless, department of Malthus economy to sectors of agricultural and industrial, where is the economic growth in the capital increase investor in each of the segments. Hence, for the farming industry, Malthus suggests following the land reform methods as a means to increase farm production and directing a particular part of the capital towards the industry even profitable investment opportunities which are available (Salama, 1991). In addition, Malthus theory can be described in the population as a theory of economic development figure (1.2)below shows the Malthus model (Al-Mahy, 2010).

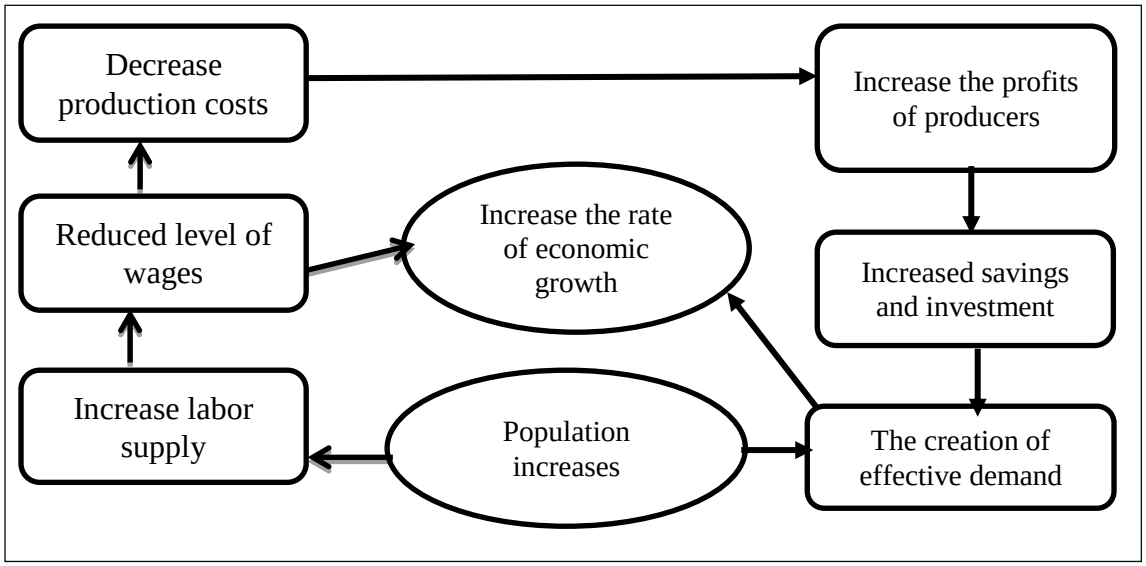


Figure 1.2: Malthus Model

Source: (Al-Mahy, 2010)

While, the analyzes and conclusions of Malthus approaching the prevailing conditions in some parts of Africa and Asia, but in general, the analyzes and the pessimistic outlook Malthus was not realized at the global level because of the emergence of modern methods to control the size of the population on the one hand, and because food production has increased at a higher rate than Malthus predicted and the highest population growth rates due to the technological advances achieved in agriculture, which made up for declining revenues (Al-Quraishi M. , 2007).

But, Marx realize that the wages are determined by the minimum subsistence level or cost of reproduction of the working-class Marx's words and that the surplus value created by the worker, represents the difference between the amount of production of the worker and the minimum wage of the worker (Al-Quraishi M. , 2007). Despite the differences in views among classical economists but they agree on a lot of opinions about economic growth theory and the discovery of the causes of long-term growth in national income the following are some of these views(Al-Quraishi M. , 2007):

- A function of production of a number of factors are labor, capital, natural resources and technological progress, as the change in output (growth) is achieved when it gets a change in one element or all, in addition to the natural resources (agricultural land) fixed and the rest of the elements variable.
- The existence of a relationship between population growth and capital accumulation as the rising capitalist accumulation leads to the increasing size of the population while increasing the size of the population leads to a reduction of capital formation.
- The existence of the free market will hand light to expand the national income.
- The direction of profits downward for a classic benefit do not grow continuously but tend to decline when much competition to increase capital accumulation, and thus perceive the appearance of the recession and consistency as the end of the process of capital accumulation.

1.2.4.2. Keynesian Theory of Economic Growth

Keynes theory assumes the investment function depends on the difference between the cost of money and expected profitability. However, the interest rate may not be increasing in the investment size, profitability is assumed to lower the higher the

amount of capital that is newly introduced, which guarantees some finite solution for the level of new to capital to be installed (Chick, 1983).

Though, "Harrod-Domar" studied the rates of economic growth and try to identify the role of investment in achieving the national income growth rates. Besides gaining a divorce basic idea in the form of the double impact of the investment spending and representation in increasing the production capacity of the community which means the supply side and income meaning the demand side with the absorption of labor available in the community, (bin Kanah, 2012).

According to the Harrod-Domar model determined the economic growth rate, which is measured by the rate of growth in national income through domestic savings through any percentage in-store community of national income, which is converted into investments where reached researchers "Harrod-Domar" to the formulation of this relationship as athlete below (Ajamiyeh, Attia, & Naja, 2010).

$$\text{National income growth rate of change} = \frac{\text{Saving coefficient}}{\text{Coefficient (capital / output)}}$$

Where:

$$\text{Saving coefficient} = \frac{\text{Change in the savings}}{\text{Change in income}}$$

As for:

$$\text{Coefficient (capital / output)} = \frac{\text{Changes in capital}}{\text{The change in the gross national product}}$$

And to get the real per capita income growth rate, that is asking the population growth of the national income growth rate of an average per capita real income growth rate.

$$\frac{\text{Saving coefficient}}{\text{Capital output coefficient}} - \text{The population growth rate}$$

And from the economic growth of linking rate (Abdullah, 2014):

- A positive correlation coefficient of savings and investment.

– The inverse correlation coefficient (capital/production), and high rates of population growth.

The model distinguishes between the so-called rate of natural growth and is income that ensures the use of available resources are fully utilized the growth rate, equal to the labor force growth rate, and the rate of unwanted growth and depends on national savings rate and capital output coefficient and desirable growth rate includes investment all savings, that is characterized by a draw investment estimated with the estimated savings. Rates were not leveled only by chance. If the second more significant of the first encounters of the national economy while inflation continues if the first largest national economy has suffered from chronic depression (Saidi, 2015).

1.2.4.3. Neoclassical Theory of Economic Growth

The neoclassical school began at the end of the 19th century as some new and different ideas have developed that were better than classical school's plans, especially about economic growth. Thus, a lot of thinkers and economists appeared in this school and each of them gave a more modern approach than the others and put their theories about economic growth, but in the main points, all of these thinkers gave some common beliefs. One of the most critical thinkers who appeared at the beginning of this school was the British economist Alfred Marshall this thinker gave an vital theory that had a significant role in this school.

So, in his last years, especially after the second world war the ideas of this school took an essential role in the economic growth, especially after appearing of some new ideas that were entirely different from the previous school's ideas like the Keynes school. Some of the most critical thinkers and economists in neoclassical school were Harrod-Domar and Solow-Swan model.

In the Solow-Swan Model, the growth rate does not depend upon the saving rate, in the position of steady state both output per worker and capital per worker being constant, the growth rate is not affected by the saving rate. As the long run growth depended on exogenous factors (Mishra, 2016).

Also, the Solow-Swan model is to determine the impact of technological development in the rate of economic growth over time, besides this model trying to measure the rate of growth in technical development, where professional event is

defined as the change in the total volume of production minus the sum of the contribution of each of the labor, and capital, weighted specific weights. Besides, it measures the difference resulting from the subtraction process references mechanism prototype "residual" arithmetic mean, and therefore the amount remaining this measure the change in the total volume of production, which cannot be explained on the basis of the difference in the amount of user action, or of the capital (Al-Dabbagh, 2007).

The Solow growth model came after "Harrod-Domar" model that was his conclusion pessimistic regarding the inability to balanced economic growth occurs when the full operating condition and not to the possibility of bringing capital to work or vice versa (Khalaf, 2006). I have used Robert Solow - Cobb-Douglass production elasticity for capital- which allowed for capital and labor to grow at different rates take the following image: (Najafi & Turki , 1988).

$$\mathbf{Q = y\ K^{\alpha} L^{\beta}}$$

Q = output **K** =Capital **α** = production elastic for capital

β = production elastic for work **L** =work, **y** = steady

Swan: Developed model "Solo" hands-on "Swan" and others, where it was through this form was to clarify the economic growth in the long term in light of the stability of yields in size, explains, "Swan" that economic growth is determined by three factors: (Alsriyta & naja, 2008).

- the change in the volume of employment,
- the difference in the capital balance of society,
- Technological change, where change refers to a gross domestic product (**Δy**) to growth.

$$\boldsymbol{y = A\chi_1\alpha\chi_2\beta}$$

We can determine the growth formula to trade-off the previous production function differential entirely under the assumption that the stability of yields in size in the long term and thus: (Ajamiyeh & Attia, 2007).

Whereas: $\mathbf{1 = \beta + \alpha}$

$$\mathbf{\beta = 1 - \alpha}$$

β = Flexible output for an element of capital, and be less than one.

α = Flexible output for component work is less than one.

This means that the change in the labor and capital together by a particular element leads to a change in the gross domestic product (***y***) in the same proportion.

Whereas:

$$\beta + \alpha = \frac{\text{The relative change in the gross domestic product}}{\text{The relative change in the work item and capital}}$$

The application of differentiation on the production function Cobb - Douglas earlier we get to that: (Khayali, 2016) .

Whereas $C_y = c_0 A + a c_1 x_1 + \beta c_2 \chi_2$

C_y = the rate of growth in GDP c_0 = Technological change rate.

c_1 = The growth rate in the work item c_2 = The growth rate in the capital element. x_1 = Unskilled labor component χ_2 = Capital element (human and material).

A = Technological level and is stable in the short term.

1.2.4.4. A New Theory of Economic Growth (Internal Growth)

A new theory of economic growth began to take shape since the end of the eighties and early nineties of the last century, modern growth theories in order to address the constraints on the neoclassical model. It has been through the (knowledge - human capital) to highlight the role of the two main channels for growth, and that is through the development of (knowledge- human capital) to generate long-term growth. On the other hand, this theory carries two opposites cannot be ignored, namely (Michael, 2006):

1. Using the neoclassical framework is impossible to analyze the determinants of technological progress because it is entirely independent of the economic decisions.
2. Neoclassical theory failed to give an explanation for the significant differences between the countries are using similar technology.

Establish internal growth theory positive for the relationship between international trade, economic growth, and long-term development, they are looking at reducing trade barriers , speed up economic growth and development rates in the long term. Through absorbing developing countries advanced technology in developed countries at a faster rate, increasing the benefits flowing from the research and development and achieve economies of scale in production.

Besides reduce price distortions in the form that leads to more excellent use of local resources in the economic sectors, as well efficiency, and achieve higher efficiency and specialization in the production of intermediate inputs and provide new products and services (Alsoai, 2006).

1.2.5. Relationship (impact) of Foreign Investment and Economic Growth

Economic theory holds mixed predictions about the potential impact of FDI on economic growth. The macroeconomic effects of FDI increases exponentially and has a multifaceted effect on economic growth by improving the overall productivity of production factors and more broadly by maximizing the efficiency of the resources available in the economy. Where these results can be reached through drawing upon three mechanisms: linkages between FDI flows and the promotion of international trade, projections, and benefits to local firms, direct impacts on structural factors of the host economy (OECD, 2002).

However, according to(Lyroudı & Papanastasıou, 2004), early studies on FDI, such as Singer (1950) and Prebisch (1968) claimed that the target countries of FDI receive very few benefits because most benefits are transferred to the multinational company's state. One view about the adverse effect of FDI on the host country's economic growth is that although FDI raises the level of investment and perhaps the productivity of investments, as well as the consumption in the host country, it lowers the rate of growth due to factor price distortions or misallocations of resources

So, various studies argue how FDI flows into developing countries can be harnessed to contribute to their economic growth. Overall, the relationship between FDI and economic growth is complicated for several reasons:

1. In terms of capital accumulation in a host economy, this accumulation is expected to be enhanced by FDI through the promotion of the integration of

inputs and technologies into the productive sector of the host nation (Al-Eid , 2011).

2. FDI improves the efficiency of local companies of the host country through communication and the effects of tradition and their exposure to intense competition by multinational corporations (Al-Eid , 2011).
3. FDI is supposed to be a guaranteed means of technological change and the development of human capital in developing countries. Technological development occurs through the process of "capitalist deepening" in the form of an introduction to the diversification of a new variety of capital goods, increasing productivity and ownership of skills developed by multinational corporations (Al-Eid , 2011).

1.2.5.1. The Relationship of FDI and Economic Growth in Terms of Technological Advances

Definition of technology as "the art and science of the assets of workmanship, and so as they contain the required studies and research, skills and experience is necessary for the application in the areas of productivity, technology can also be divided into several categories including, (Bin-Hafez, 2011):

1. Robust technology includes mechanisms and engineering drawings and technical descriptions used in the exploitation of stable devices. There is also soft technology represented in management, marketing and financing methods and programming.
2. Old technology and advanced technology.
3. Bundled technology come only as part of a package or agreement and linked to it, or the free technology available upon goldsmiths.

The manifold study results, which is devoted to the study of the nature of the technology available from transnational companies in developing countries, showed that these companies are focused on the use of capital technology and that are not commensurate with the costs in developing countries factor, making a tight job opportunities provided and the impact from then on the possibility of acquiring local labor modern technological skills not only assigns her routine and regular jobs (Abdul Ghaffar, 1999).

Thus, could be limited to the impact of foreign direct investment in the field of technology transfer are as follows: (Khayali, 2016)

1. Can FDI generate effects on enhancing efficiency through the competition between foreign affiliates and domestic companies, forcing local companies to raise technological capability as a result of this competitive weakness or through the establishment of relations in the field of scientific research, development, and acquisition of local companies to the events of the reached by international companies.
2. The acquisition of skills and training through employment opportunities branches of foreign companies and give them the modern technological skills through business events and training methods, and therefore the transfer of knowledge and skills acquired to national companies.
3. Establishment of branches of foreign companies by providing national needs of machinery and equipment and in-kind assistance and the conditions of the march, all this gives opportunities to produce goods meeting international standards for domestic companies.

1.2.5.2. The Impact of FDI on Wages

Multinational companies have become one of the leading factors for the global economy and its importance will continue to grow worldwide, the increasing influence of multinational companies based in the OECD in the impressively developing countries to consider in particular. Currently, developing countries accounted for nearly a third of the global stock of foreign direct investment into the interior (FDI), compared with slightly more than a fifth in 1990 And it raised the growing role of FDI in developing and emerging economies expectations about the potential to contribute to its development, foreign direct investment can bring significant benefits through the creation of high-quality jobs and the introduction of modern production and management methods. Accordingly, voluminous governments have developed policies to promote inward FDI, it seems in the number of nationalities contribute to conditions in the host countries and governments to work better, both in their countries and the host, and can be done to promote ethical business practices by multinational companies (OECD, 2008). The difference in pay offered by domestic firms and MNEs may reflect

the more significant technology gap between foreign MNEs and local firms in less developed countries.

1.2.5.3. Effects of Short-Term FDI on the General Level of Wages

The rate of change in the wage level after three years of FDI inflows of five different economies in terms of economic growth, as figure (1.3) shows that FDI increases wages in the short time, especially in developing economies, this increase ranges between 10% and 20% percent after the entry of FDI to Brazil and Indonesia, while the rise in the rest of the countries under study between 0% and 10% percent (OECD, 2008).

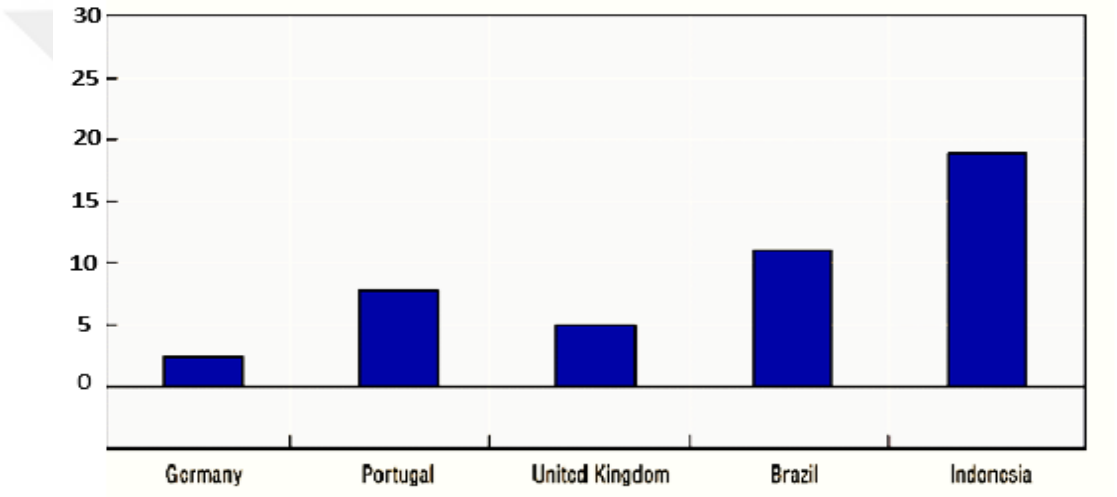


FIGURE 1.3: Effects of short-term FDI of the General Level of Wages

Source: (OECD, 2008).

1.2.5.4. The Effects of Short-Term Foreign Direct Investment on the Level of Wages

The positive impact on wages in the short-term is slightly in this case, Brazil, Germany, Portugal the wage increase is between 1% and 4%, without any impact in the UK, the absence of a positive effect in the UK reflects the relative elasticity of the British labor market compared to other countries, pay for the same workers.

While, the short-term impact of long-term purchases on workers is reasonable, the effect of the transfer of domestic ownership to foreign entities in the form of FDI is more significant in the case of wages paid to the newly polarized local labor, indicating significant wage gains for migrant workers from local companies to multinationals,

which account for 21% in Brazil, 14% in Portugal, 8% in Germany, and 6% in the UK (OECD, 2008), figure (1.4) shows for the original workers of the company.

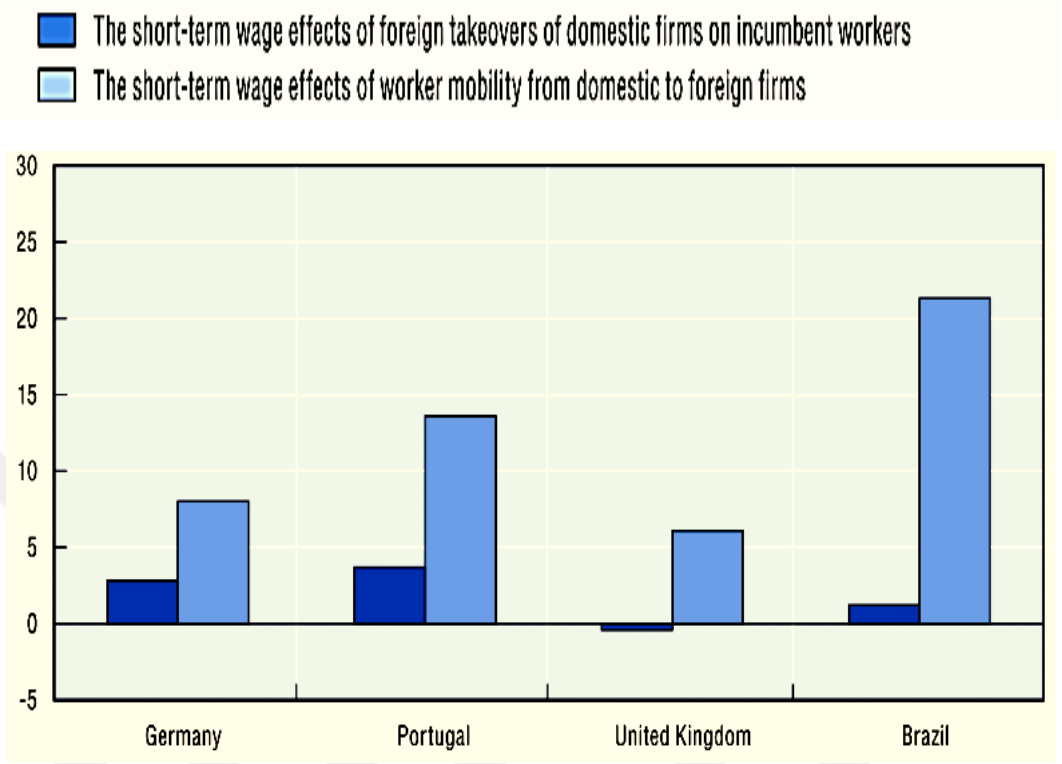


Figure 1.4: The effects of short-term foreign direct investment on the level of wages.

Source: (OECD, 2008)

1.2.5.5. FDI Impact to Increase Rates to Create a Capitalist

This is the interest of the most important benefits that reminds foreign the investments and economic growth, as most developing countries suffer from a lack of mechanisms for achieving economic development capital due to lower national income and the difficulty of saving them, which are forced to make up the shortfall either by resorting to the relevant costs and benefits of foreign loans burdensome and harmful in the short and medium national economy range, either to resort to FDI, which comes mostly by foreign companies that are investing in advanced sectors of the economy is challenging for domestic companies entered into, to the ability of these foreign companies to take the risk in the fields may carry the receiving State prohibitive costs (Bin-Hafez, 2011).

1.2.6. Inward Flow of FDI in World and Developing Country

As presented in the Table (1.1) the previous data is noted that the FDI flowing size to developing countries through the fifteen years from 1985 to 2000 continues to increase, no doubt that such investments if adequately directed could be an add directly to capital formation in those countries, it is conceivable that these investments lead to increased local income where they can be spared along with them and turns into a domestic investment raise the rate of capital formation.

In addition, they contribute to filling some significant gaps in developing countries, they provide to filling the savings gap to finance the necessary investments, and bridging the essential foreign exchange gap for import in general and import production inputs, in particular, bridge the gap between public revenues and public expenditures through tax revenues from activity investment projects (Bin-Hafez, 2011).

Table 1.1: Inward Flow of FDI Measures - US $ at Current Prices in Millions

	World	Developing economies	Developed economies
1985	**55 831**	**14 070**	**41 744**
1986	**86 695**	**15 832**	**70 897**
1987	**136 866**	**21 763**	**115 108**
1988	**164 228**	**30 558**	**133 641**
1989	**196 936**	**30 388**	**166 543**
1990	**204 914**	**34 657**	**170 195**
1991	**153 981**	**39 318**	**114 480**
1992	**162 925**	**53 458**	**107 868**
1993	**220 112**	**75 691**	**141 404**
1994	**254 916**	**102 383**	**150 599**
1995	**341 523**	**117 761**	**219 764**
1996	**388 759**	**147 078**	**236 343**
1997	**481 501**	**185 401**	**286 294**
1998	**692 331**	**176 632**	**508 532**
1999	**1 076 382**	**216 290**	**852 939**
2000	**1 358 820**	**232 390**	**1 120 508**

Source: (UNCTAD, 2017)

The literature revised illustrated the relationship and the effects of the foreign investment on the economic growth in the fields of technology, rents, and the growth of the capital. However, there are more direct effects in a lot of other areas. In the host countries, most of the time, these effects have a negative impact, as the foreign investment results in increasing the differences between rich and poor people and it also effect on the local market and sometimes on the environment and human resources.

CHAPTER TWO

2. MATERIAL AND METHOD

This chapter demonstrates the procedures performed in this study. To reach the study purposes that analysis the situation of FDI and economic growth in Kurdistan region of Iraq: During the period 2007-2012.

Therefore, the study used a quantitative method. A quantitative approach is showing appropriate for the purpose of the study. However, a quantitative approach is regularly used in the study while employed with analyzable data. Besides, the quantitative research would be considered as the method that over statistical and calculated outcomes that are established on the practicality attempts to portion purposes in order to crop generalizable evidence. Consequently, the chapter deliberates the design of the study, data sources, source criticism and the limitation of the study.

2.1. Study Design

The current study aimed to analyze the situation of FDI and economic growth in Kurdistan region of Iraq. Hence, the study applied diagnostic study design as it surveyed to describe and found the relationships between the study variables, precisely, FDI and economic growth in Iraqi Kurdistan region. This kind of study design more relevant as it suitable secondary data was providing evidence from the published reports during the period 2007-2012, on the subjects that have to mean to the study.

2.2. Data

There are two forms of data, primary and secondary, where examiners tend to overlook available data in preference of creating one's own database (Saunders, Lewis, & Thornhil, 2009) . Consequently, this study procedure only secondary data was delivered information and data from the various published accounts. So, the sources covering six years during the period 2007-2012.

According to Bryman and Bell (2011) applying an already obtainable database can save both time and resources while also letting the investigators be able to emphasize more on the analysis and exploration of data than the data gathering itself

Reliability is the amount of which measures are free from error and therefore yield consistent outcomes (i.e. the consistency of a measurement procedure). If a measurement means or method consistently assigns the same score to individuals or objects with equal values, the instrument is considered reliable. Reliability involves the consistency, or reproducibility, of test scores i.e., the degree to which one can expect relatively standardized deviation scores of individuals across testing situations on the same, or parallel, testing instruments, (Thanasegaran, 2005).

According to Devellis (1991) assessing scale, reliability is crucial to maximizing influence in one's study. Simply put, unreliable scales decrease the statistical supremacy of an instrument. This is important in many ways. Most notably, as power drops, larger sample sizes are necessary to find significant results. An increase in statistical consistency result is also observed with an increase in instrument reliability and subsequent power gained. Additionally, reliable instruments introduce less error into the statistical measurement and resulting analysis. Still, the significant results may well be meaningless if the tool is faulty.

Validity has been defined by "the extent to which a test measures what it claims to measure" (Devellis, 1991) . A measure is valid if it measures what it is supposed to measure, and does so cleanly – without accidentally including other factors. Effective validity studies not only demand the integration of multiple sources of evidence but also must continually take place over time, i.e. a measure cannot be deemed valid in a simple instance of study.

Instead, multiple studies must be implemented over different samples, and the collection of validity evidence must cover specified areas (Messick, 1995). Moreover, in recent years researchers have expanded the understanding of validity to comprise more dimensionality than previously recognized, (Thanasegaran, 2005).

CHAPTER THREE

3. RESULTS AND DISCUSSION

This chapter's dedications are to examine and discuss the situation of FDI and economic growth in Iraqi Kurdistan region; during the period time 2007-2012. Over exemplifying the data and information obtained from various sources. Through reveal the data were collected and interpreted the results by using frequency, percentage, graphs, and curves.

3.1. Situation of the FDI in the World and Iraq

The general changes have an impact on the economic activities in each country, especially in the states that are based on the importation and exportation of specific materials. FDI is one of those topics that affect directly or indirectly here.

3.1.1. Total Inward FDI Flows in the World and the Developing Countries

As given in a Table (3.1) the data obtained from the United Nations Conference on Trade and Development (UNCTAD). Which displays the changes in the volume of investment in the world and developing countries. Indicated that the rate of global change in 2008 was -21.26%, which is the lowest rate of difference in the world in FDI. The most economical rate in developing countries in 2009 was -19.56% and the highest annual change rate in developing countries for FDI was recorded for six years; on 2010 was 34.39% in the world and in the same year, it marked the highest change rate which was 17.56%.

Table 3.1: Total Inward FDI Flows

Year	Capital invested for world (million $)	Annual rate of change in world%	Capital invested for developing countries (million $)	The annual rate of change in developing countries. %
2007	**1,902,244.48**		**525,525.04**	
2008	**1,497,788.14**	**-21.26**	**578,482.16**	**10.08**
2009	**1,181,412.19**	**-21.12**	**465,306.64**	**-19.56**
2010	**1,388,821.03**	**17.56**	**625,330.31**	**34.39**
2011	**1,566,838.97**	**12.82**	**670,149.29**	**7.17**
2012	**1,510,918.31**	**-3.57**	**658,773.74**	**-1.70**

Source: (UNCTAD, 2017)

3.1.2. The Total Inward FDI Flows in Iraq during the Period of 2007 to 2012

The Table (3.2) Shows FDI inside Iraq over a period of six years from 2007 to 2012. The annual rate of growth for Iraq in 2008 recorded the most substantial change rate for FDI inside Iraq was 90.95%.

Besides, in 2009 the lowest annual change rate was -13.87%. In the sense that the amounts used in the investment did not record any stability. Nevertheless, was in constant change and this is due to several reasons, the most important is related to security, which has an impact in the housing sector by FDI projects.

Table 3.2: The Total Inward FDI Flows in Iraq

YEAR	Capital (million $)	Annual rate of change%
2007	**971.8**	
2008	**1855.7**	**90.95**
2009	**1598.3**	**-13.87**
2010	**1396.2**	**-12.64**
2011	**1882.3**	**34.81**
2012	**3400.4**	**80.65**

Source: (UNCTAD, 2017)

3.1.3. The Investment Situation in the Iraqi Kurdistan Region from 2007 to 2012

Following the unification of the KRG and the issuance of the investment act No. 4 of 2006 from the Parliament of the Kurdistan region of Iraq.

However, economic activities have grown in general and recorded remarkable growth, especially investment accompanied and to a reasonable extent a significant proportion at the beginning of 2007 to the end of 2012 and invested an amount of $24.562 million the annual growth rate was 28.3%.

3.1.3.1. The Total Investment in the Region

As presented in a Table (3.3) the total investment millions of US dollars in the Kurdistan region during the years 2007-2012 is revealed that the amounts used for investment show that there is a difference in one year, in 2008 which is the lowest percentage of the quantities used and the annual change rate reached - 48.9%. Then in

2009 used the most funds to complete investment projects for six years, which was $4 billion and the annual change rate 105.52%.

Consequently, the investment activity in the region is very encouraging for domestic and foreign investors to use the most extensive amounts in the region. However, the deteriorating security situation and a large number of terrorist acts in most areas of Iraq prompted investors to transfer their capital to the Kurdistan region and the migration of many citizens from various regions of Iraq to the region, to increase the demand for housing units and there are opportunities to invest in this area.

Table 3.3: The Total Investment in The Region (Millions of US Dollars)

Year	Capital investor (million $)	The Annual Rate of Exchange %
2007	**3,965**	
2008	**2,026**	**-48.9**
2009	**4,164**	**105.52**
2010	**4,843**	**16.3**
2011	**3,148**	**-35**
2012	**6,416**	**103.81**

Source: (KRG, 2013)

3.1.3.2. Distribution of Total Investments by Governorates Region

It can be seen in a Table (3.4) the volume of the amounts in all governorates of Erbil, Duhok, and Sulaimaniya during the years 2007-2012. Besides, the lowest value of investment was in the province of Duhok $3,372 million at the rate 13.73% compared to the two areas in the region.

That outstanding to several reasons, including the size of residents and the market in Duhok smaller compared to other provinces in the region and the amount invested in Sulaimaniya during the six years was $5,840 million or 23.77% percent.

This proportion is somewhat appropriate in the province of Erbil was the highest percentage during 2007-2012 that reached the amount of $15 billion at a rate of 62.5% compared to the governorates of Duhok and Sulaimaniya. The volume of the amounts in Erbil is larger than the two provinces and this is due to the fact that Erbil is the capital of the region and the principal commercial center.

Table 3.4: Distribution of Total Investments by Governorates

Governorate	capital (million $)	by capital %
Duhok	**3,372.014**	**13.73**
Erbil	**15,350.93**	**62.5**
Sulaimaniyah	**5,839.51**	**23.77**
Total	**24,562.454**	**100**

Source: (KRG, 2013).

3.1.3.3. Total Investment Capital by Type

Total investment during the period of six years from 2007 to the end of 2012 amounted to $24,562 million. Accordingly, the bulk of the investment is for the internal investment of $19,922 million, or 81% percent. This is due to the increase in the volume of capital in the years 2007 to 2012 in the region. While many owners of capital within the region.

Moreover, the FDI of $3,594 million in all sectors except oil during this period by 14.63%. The investment is deducted for the mixed projects, the FDI with the local amount of $1,046 million at the rate of 4.25% of the total investment in the region for further details. As shown in a chart 3.1.

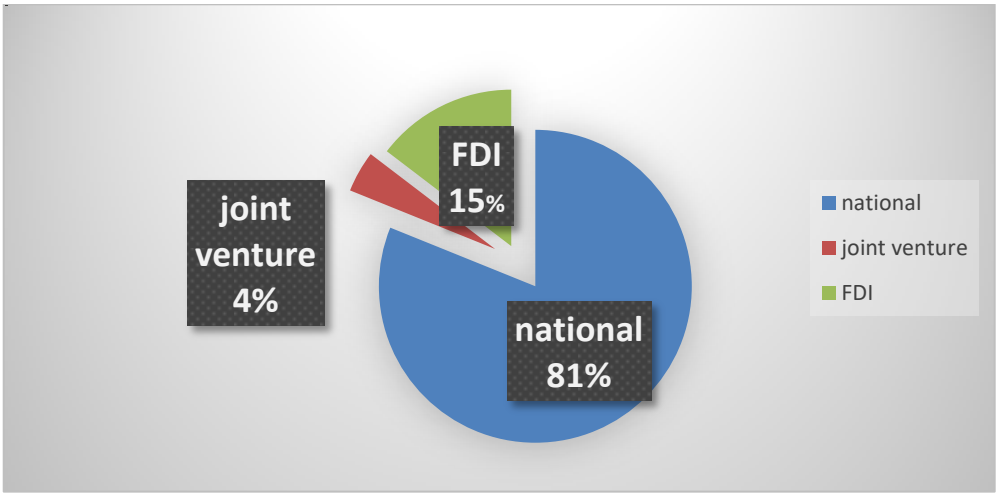


Chart 3.1: Total investment of capital by Type 2007-2012 (in million$)

Source: (KRG, 2013).

3.1.3.4. Total Joint Investment Flows by Sector

The total amount of mixed investment in the region disbursed in the economic sectors during 2007 to 2012. That amounted to $1,045 million, and the bulk of the disbursements were in the housing sector of $ 558 million, or 53% of the total investment and the increase in the demand for housing units.

Consequently, the education sector was $235 million, representing 22.46% of the population, increasing the desire for education among the citizens, increasing the passion for investment, knowledge and the lowest amount of expenditure in the service sector reached $11 million, or 1.1%. Hence, the service sector less profitable for investors and then the agriculture sector by $18.5 million, 1.8%. That the second lowest rate of investment achieved because of the strengthening of the domestic currency against the currency to neighboring countries.

The agricultural sector amounted to $21 million at a rate of 2% and the lowest amount of mixed investment was spent for the tourism sector by $ 90 million by 8.6%. Besides, the commercial industry by $ 66 million or 6% and industrial by $ 46 million at a rate of 4% and the total disbursements in these sectors have become reasonably natural and stable. For further illustration, see chart 3.2.

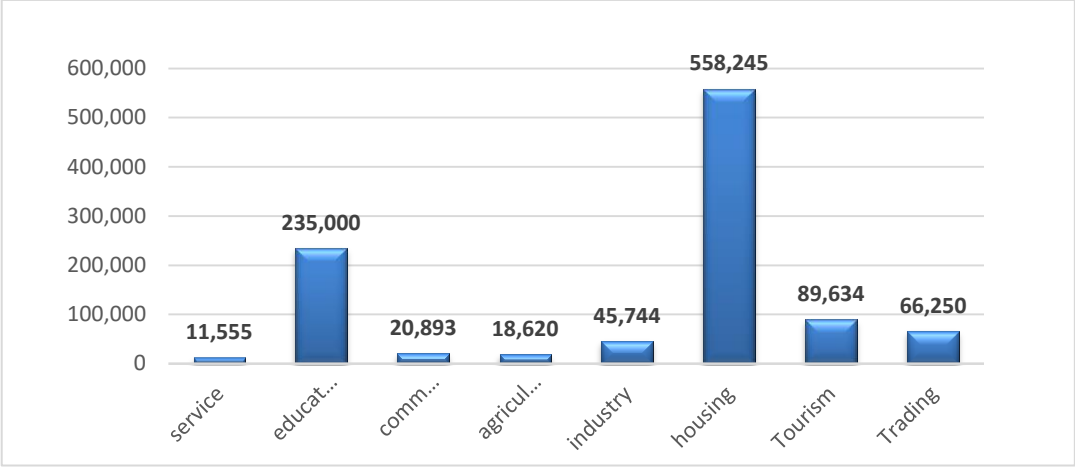


Chart 3.2: Total Joint Investment Flows by Sectors for the Period (2007 - 2012)
Source: (KRG, 2013).

3.1.3.5. Distribution of Joint Investments by Sectors in Region

In Table (3.5) clarified that the division of investment projects by mixed economic industries in the region during the period from 2007-2012. Thus, the table below indicates that more foreign projects in the region were carried out in the industrial sector, which is 7 projects or by 30.43% of the total of all other sectors in the region during the period of 2007-2012.

The reason is that before the war of liberation Iraq, the proportion of industry in the region and Iraq is very few and after the liberation of Iraq filled the industrial vacuum by FDI and local and the implementation of the lowest proportion of service projects, education and communications, each of the 4.34% of the total of all sectors and the implementation in the education sector by local investors.

However, a Table (3.5) illustrates that most projects in the residential sector completed. In the sense that the industrial sector has the largest number of mixed projects completed, but the projects completed in this sector has decreased and spent the most amounts in the residential sector and the least number of industrial projects.

Table 3.5. Distribution of Joint Investments by Sectors of the period (2007-2012)

Sector	No. of Projects	Rate%
Service	**1**	**4.34**
Education	**1**	**4.34**
Communication	**1**	**4.34**
Agriculture	**3**	**13.04**
Industry	**7**	**30.43**
Housing	**5**	**21.73**
Tourism	**3**	**13.04**
Trading	**2**	**8.69**
Total	**23**	**100**

Source: (KRG, 2013)

3.2. The Situation of FDI in the Iraqi Kurdistan region from 2007 to 2012

We will address some of the indicators related to FDI in Iraqi Kurdistan region. Which indicates to the volume of projects completed by FDI and the amounts disbursed in the investment operations in the region during the period 2007-2012.

Besides, the division of the numbers of projects and disbursements according the economic sectors of the region indicating the funds and the preparation of projects for the countries that invested in the region and by the three governorates of Duhok, Erbil and Sulaimaniya and the statement of relative changes in the years and the statement of relative importance.

3.2.1. The Situation FDI in the Governorates in the Iraqi Kurdistan region

Iraqi Kurdistan region from the legal point of view and until 2012 has been divided into three provinces. Then FDI deals with three governorates according to the investment law of the general investment authority in Erbil, Duhok, and Sulaimaniya. To grant project licenses affording to the importance of projects and the amounts invested in the three governorates and the most important annual rates of foreign investment in the province during the years 2007-2012.

As given in a Table (3.6) the total number of projects during the six years was 40 projects and the most accomplished projects in the region were during the year 2012, 13 projects and the largest percentage of the annual change of projects was during the year 2008 where the percentage of change increase to 150% and obtained a change in the number of projects and the lowest rate of change was in 2009 and became (0%) besides the annual rate of investment was 53% within six years of 2007-2012.

Consequently, this ratio is considered good and this change is due to the existence of the investment act No. 4 of 2006 in the region, ratified by Kurdistan Parliament in addition to security and stability in the region. This had an important impact on increasing the growth of FDI projects implemented in the region, which tend to increase.

Table 3.6: FDI Number of Project in the Iraqi Kurdistan region

Year	Number of Projects	Annual Rate of Exchange
2007	**2**	**-**
2008	**5**	**150**
2009	**5**	**0**
2010	**7**	**40**
2011	**8**	**14.28**
2012	**13**	**62.5**

Source: (KRG, 2013)

3.2.2. Total FDI Flows in Iraqi Kurdistan region

As presented in a Table (3.7) the total amount of FDI in the Iraqi Kurdistan region in 2007 to the end of 2012 at $3,594 million. The largest annual relative change in the region in 2010 is a $1,068 million was 730% during 2007-2012. The issuance of the investment law in the region No. 4 of 2006 and paragraphs and this law had an impact on the encouragement of domestic and FDI and security stability in the region compared to the regions of central and southern Iraq, so transfer part of their funds to the region for investment and in 2011 was a lowest annual change rate by -78% in general in 2011, the level is lower amount of investor amount to increase the information see the table below.

Table 3.7: Total FDI Flows in Iraqi Kurdistan region for the Period (2007 - 2012)(US $)

Year	Project Capital by Dollar	Annual Rate of Exchange
2007	**735,000,000**	
2008	**273,043,696**	**-63**
2009	**128,702,542**	**-53**
2010	**1,068,586,182**	**730**
2011	**232,788,658**	**-78**
2012	**1,155,904,841**	**397**

Source: (KRG, 2013)

3.2.3. The distribution of Total FDI by Governorates (2007-2012)

The distribution of total FDI amounts by governorates of Erbil, Sulaimaniya, and Duhok during 2007-2012 in US dollars. Where the largest proportion of FDI amounts were in Erbil $2,542. Million or at the rate of 70.7%. This is a very high compared to the other two provinces in the region.

Hence, the fact that Erbil is the capital of the region and the existence of government institutions and the large demand for it was the lowest proportion of FDI in the province of Sulaimaniya only $12million by 0.35%. Therefore, this percentage is very low compared to the province of Sulaimaniya, due to the high rate of domestic investment to the extent that has dominated the province of Sulaimaniya and the presence of projects in most sectors and therefore the FDI, and the proportion of FDI in the province of Duhok $1,039million by 29%. This is normal compared to Erbil and Sulaimaniya. For further explanation, see chart 3.3.

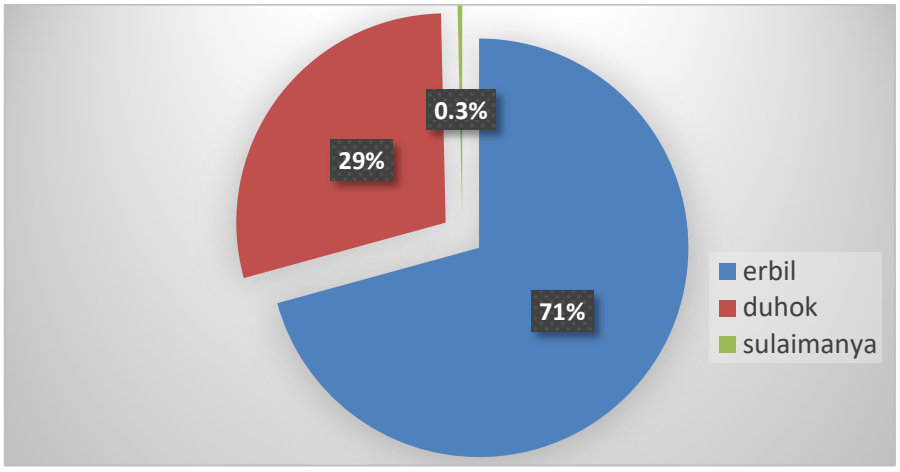


Chart 3.3: Distribution of FDI to the by Governorates (2007-2012)

Source: (KRG, 2013)

3.2.4. The distribution of the Number of FDI Projects (2007-2012)

The division of total FDI projects by provinces that the largest proportion of FDI amounts was in Erbil with 31 projects by 77.5% of the total of the whole region during 2007-2012. This is because Erbil is the capital of the Iraqi Kurdistan region and the existence of government institutions and the presence of representatives of countries and foreign consulates residing in the region.

While the lowest percentage of FDI in the province of Sulaimaniya for six years was one project to become 2.5% of the total FDI in the region. The reason for the lack of projects in Sulaimaniya due to the high volume of local investors and the lack of opportunities for the FDI and completed projects for FDI in Duhok governorate were 8 projects, 20%. Which is a natural percentage according to the population census and geographical area of the province. For further clarification, see the chart No 3.4.

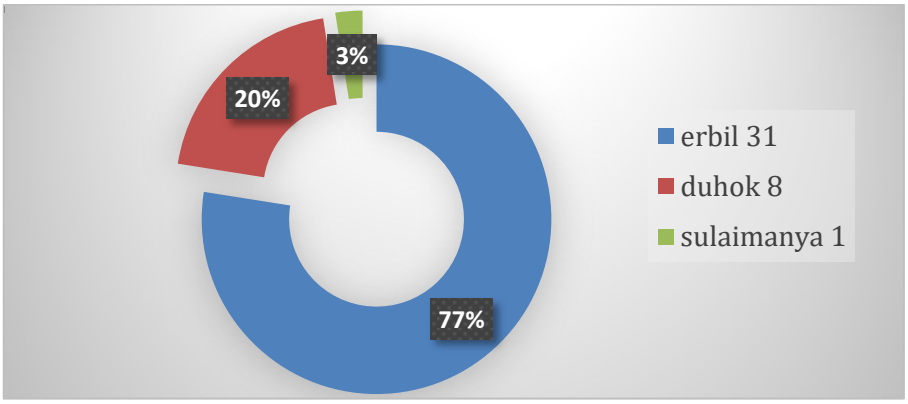


Chart 3.4: The distribution of the Number of FDI Projects (2007-2012)

Source: (KRG, 2013)

3.2.5. The Situation FDI in the Iraqi Kurdistan region by Sector

The geographical and political nature of a region shows the importance of its sectors; there is a difference between a region and another. The FDI is limited in some sectors of the region and the foreign investor focuses on the sectors that achieve more benefit. There are some specific sectors that show more trend by means of the high rates of its benefits. Therefore, the division of the balance in implementing foreign projects and the foreign currency spent in those sectors are divided by regions. As revealed in the table (3.8).

Table 3.8: FDI distribution by Sector for the Years (2007 - 2012)

Sector	Capital (million $)	Rate %
Agriculture	**162**	**4.5**
Banks	**700**	**19.47**
Education	**126**	**3.5**
Health	**12**	**0.33**
Housing	**2,179**	**60.62**
Trading	**42**	**1.16**
Tourism	**65**	**1.8**
Industry	**308**	**8.56**
Total	**3,594**	**100**

Resource: (KRG, 2013)

The table (3.8) indicates that the housing sector recorded the highest rate of investment of 60.6% with a total amount of $2,179 million compared with all other sectors which recorded 39.3%. Which represents more than half of the FDI expended in the housing sector. Thus, to increasing demand of residential units and migration of the citizens to other areas inside the region, as well security reasons and the fewer amounts of the foreign cash was spent in the health sector which was only $12million 0.3% due to shortness of investment in the health sector.

3.2.6. The distribution of the Number of FDI Projects by Sector for the Years (2007-2012)

As performed in a Table (3.9) the number of projects accomplished by FDI according to sectors in the region during 2007-2012. We find that the number of accomplished by foreign projects in the housing sector was 16 projects at a rate of 40% of those completed projects were in the housing sector. Consequently, increasing number of population and increased demand for housing units.

The second most accomplished series are the industrial sector projects were 5 projects or 20% of the total projects of the region. Besides, if we look at table (3.8) we see that the total amounts invested in the industrial sector less than the banking sector in the sense that the projects completed in the industrial sector were small projects and the amount was limited to small sized projects. While the lowest number of projects in the banking sector was one project which was completed to become 2.5% of the total number of projects and the reason for lack of completion of projects in the banking sector is the lack of confidence in banks.

Table 3.9: The distribution of the Number of FDI Projects by Sector for the Years (2007-2012)

Sector	No. of Projects	Rate%
Agriculture	2	5
Banks	**1**	**2.5**
Education	**3**	**7.5**
housing	**16**	**40**
Health	**2**	**5**
Industry	**8**	**20**
Tourism	**3**	**7.5**
Trading	**5**	**12.5**
Total	**40**	**100**

Resource: (KRG, 2013)

The Tables (3.8) and (3.9) reveals the difference in the division of amounts and the number of projects completed by FDI in the region during 2007-2012. The most important sector in FDI is the housing sector, where the largest number of projects completed and the largest amount in this sector. In the next chart, we shall deal with the importance of the residential sector.

3.2.7. The distribution of the Amount Invested FDI from the Housing Sector by Years

Table (3.10) shows the distribution of the amounts invested by the FDI in the housing sector. So, the amount used in the housing sector is not equal or stable. There is a significant change in the amount and there is an increase and decrease over the years. The highest rate of annual alternation was in 2010 grown by 1426% to $ 893 million. While, the lowest annual rate of change in 2011 was -85% by $126 million and the growth rate in the residential sector was 694%, which is a large percentage in the growth of residential activities.

Table 3.10: The distribution of the Amount Invested FDI from the Housing Sector

Year	Capital Invest (Us $)	Annual Rate of Exchange %
2007	**-**	
2008	**98,189,850**	
2009	**58,500,000**	**-40.42**
2010	**893,220,000**	**1,426.87**
2011	**126,171,416**	**-85.87**
2012	**1,002,915,759**	**694.88**

Resource: (KRG, 2013).

3.2.8. The distribution of the Number of Projects for FDI from the Housing Sector

As shown in a Table (3.11) the most significant number of projects accomplished over the years by FDI in the region. There is a noticeable annual increase in the number of projects in 2007, no residential project was completed in the region. In 2008, one project was completed by (New zealandanatconz co.) For $98 million in Erbil province. However, in the following year, two projects were completed and the annual rate of change for 2009 is 100%. Hence, the highest annual rate of change, and that the reason for the increase in the number of projects due to increased demand for housing units, especially following the increase in the number of displaced from central and southern Iraq to the Kurdistan region because of the deteriorating security situation.

Table 3.11: The distribution of the Number of Projects for FDI from the Housing Sector by Years

Year	Number	Annual Rate of Exchange%
2007		
2008	**1**	
2009	**2**	**100**
2010	**3**	**50**
2011	**4**	**33.3**
2012	**6**	**50**

Source: (KRG, 2013).

3.2.9. The situation FDI in the Iraqi Kurdistan region the Countries Invested

Regards to the economic relations; each region has a relationship with geographical location and trade relations in the sense of the importance of each region to other countries displays over the economic relations and FDI one of these activities and the volume of capital and the number of projects is important for the region of foreign countries or importance of foreign countries. During the period from 2007 till the end of 2012 - except for the oil sector 12 countries participated in other sectors to invest in the region to complete the projects. Table (3.12) Shows the most important capital invested in foreign countries:

Table 3.12. The distribution of the Amounts of FDI in Region by Investor Countries

Country	Capital $	Rate%
Egypt	**847,759,257**	**23.58**
Emirates	**142,865,250**	**3.97**
Georgia	**600,000**	**0.01**
Germany	**81,205,712**	**2.26**
Iran	**14,950,802**	**0.41**
Lebanon	**998,059,078**	**27.77**
New Zealand	**98,189,850**	**2.73**
Russia	**2,805,670**	**0.08**
Sweden	**13,500,000**	**0.37**
Turkey	**1,054,863,400**	**29.35**
UK	**214,403,975**	**5.96**
USA	**124,822,925**	**3.47**
Total	**3,594,025,919**	**100**

Source: (KRG, 2013).

Table (3.12) displays total FDI disbursements in the region during the period 2007-2012 by country of investment. The Republic of Turkey is in the first tier of countries investing the largest amount of cash ($1, 54,863,400) 29.5% of the total and Lebanon comes second with ($998,059,078) 27.7%. This means that geography has an impact on the volume of investment because both Turkey and Lebanon are geographically close to the region. Georgia and Russia have invested the least amount in the region; Russian investment was 0.01% and Georgia invested 0.08%.

3.2.10. The Distribution of No. of Project of FDI in Iraqi Kurdistan region by Investor Countries

As presented in a Table (3.13) the number of completed projects varies from country to country. The Republic of Turkey is in the first tier of countries investing the largest number projects 12 projects 30% of the total of accomplished projects, in the sense that geography and political relations have an impact on FDI in the region.

While, Lebanon comes second among the countries that have completed the most projects in the region by the completion of 8 projects, which becomes (20%) of the overall ratio of the countries that completed projects. Iran, Sweden, Russia, Georgia and the UAE come in the last class in the completion of projects and that the completion of one project which (2.5%). Although Iran is geographically a neighboring with the region to the proportion of project achievement is the lowest rate of any that the political factors have an impact on the volume of projects.

Table 3.13: The distribution of No. of Project of FDI in Iraqi Kurdistan region by Investor Countries

Country	No. of project	Rate%
Egypt	**3**	**7.5**
Emirates	**1**	**2.5**
Georgia	**1**	**2.5**
Germany	**3**	**7.5**
Iran	**1**	**2.5**
Lebanon	**8**	**20**
New Zealand	**1**	**2.5**
Russia	**1**	**2.5**
Sweden	**1**	**2.5**
Turkey	**12**	**30**
The UK	**3**	**7.5**
USA	**5**	**12.5**
Total	**40**	**100**

Source: (KRG, 2013).

3.2.11. Distribution of Investments in Governorates of the Region

As summarized in a Table (3.14) the partition of total projects completed by foreign countries in the region at the beginning of 2007 to the end of 2012. That one project was completed in Sulaimaniya governorate where the least projects were completed compared to Duhok and Erbil, the projects in Erbil were 31 projects or 77.5%. This is a large percentage and one-third of the foreign projects completed in the region and the most important countries that completed the most projects in Erbil is the country of Lebanon or 25.8%.

While Turkey comes second, where completed at a rate of 22.6%. So, the completion of seven projects and the reason is that Erbil is located geographically in the middle of the region is the capital of the most important foreign institutions. Besides, completed in the province of Duhok 20% of foreign projects Turkey comes first to complete the most projects and 50% of the total foreign projects completed in the province of Duhok, that is half of the projects completed in Duhok were Turkey done, because of the province of Duhok adjacent to the state of Turkey.

Table 3.14: Distribution of Investments by Governorates Region (Duhok, Erbil, and Sulaimaniya)

Country	Duhok	Erbil	Sulaimaniya
Egypt	**1**	**2**	
Emirates		**1**	
Georgia	**1**		
Germany		**3**	
Iran		**1**	
Lebanon		**8**	
New Zealand		**1**	
Russia		**1**	
Sweden		**1**	
Turkey	**4**	**7**	**1**
The UK	**1**	**2**	
The USA	**1**	**4**	
Total	**8**	**31**	**1**

Resource: (KRG, 2013).

3.2.12. Distribution of Capital to Countries Invested by Governorates in the Iraqi Kurdistan Region

As the Table (3.15) illustrates the distribution of cash invested in the three governorates by investor countries. The lowest amount was spent in Sulaimaniya governorate, 0.35% of the total region, because local investment dominated FDI.

Therefore, opportunities for foreign investors in Sulaimaniya decreased. Erbil province the most foreign amounts of $2,245 million, 70.7% of the total region and Lebanon comes after those countries that spent the most money to invest in Erbil, 39.2%, also Russia invested the least amount of investment, or 0.1%, in the province of Duhok the largest amount of money invested by Turkey is ($530,065,260) 49% which is more than half the amount invested in Duhok and Egypt in the second class by 47.9%. While Georgia with the lowest amounts of investment in the province of Duhok by 0.05%. After the proximity of geographical boundaries social and political relations have an impact on the increase or lack of cash to invest.

Table 3.15: Distribution of Capital to Countries Invested by Governorates Region (Duhok, Erbil, and Sulaimaniya)

Country	Duhok	Erbil	Sulaimaniya
Egypt	**497,759,257**	**350,000,000**	-
Emirates		**142,865,250**	-
Georgia	**600,000**		-
Germany		**81,205,712**	-
Iran	--	**14,950,802**	-
Lebanon	-	**998,059,078**	-
New Zealand	-	**98,189,850**	-
Russia	-	**2,805,670**	-
Sweden		**13,500,000**	-
Turkey	**530,065,260**	**512,058,140**	**12,740,000**
UK	**8,683,975**	**205,720,000**	-
USA	**2,000,000**	**122,822,925**	-
Total	**1,039,108,492**	**2,542,177,427**	**12,740,000**

Resource: (KRG, 2013).

3.2.13. Distribution of Number of Turkish project in the region by Sectors

The amounts invested by the countries of Turkey and Egypt in Duhok more than those of Erbil. Also, Turkey comes in the first of the most investment in the region $1,054 million and the first country completed projects in the three provinces are Turkey, because of the importance of Turkey's role in foreign investment in the province.

The table (3.16) displays the most important joint or FDI projects in the sectors of the region by Turkey during the years 2007 - 2012, we notice that 70% of those projects are Turkish projects and implemented directly and 30% joint projects with the partners of the region and completed with companies in the region.

Besides, the number of FDI or joint projects is 53%. However, the most direct investment projects are the housing sector 58%. This is due to the increase in the population and the migration of Iraqi citizens from the central and southern Iraq and the demand for housing units has increased. The lowest percentage of projects in the health sector is 8.3%, direct investment and 20% in the tourism sector for joint investment.

Table 3.16. Distribution of Number of Turkish project in the Iraqi Kurdistan region by sectors

Sector	No. of Project FDI	Rate%	No. of Project Joint	Rate %	No. of All Project Total
Tourism		**0**	**1**	**20**	**1**
Housing	**7**	**58.3**	**2**	**40**	**9**
Industry	**2**	**16.6**	**2**	**40**	**4**
Health	**1**	**8.3**		**0**	**1**
Education	**2**	**16.6**		**0**	**2**
Total	**12**	**100**	**5**	**100**	**17**

Resource: (KRG, 2013).

3.2.14. Distribution of Turkish Investments in the Iraqi Kurdistan region by Sectors

As given in a Table (3.17) the most important amounts of joint and FDI in the sectors invested in the sectors of the region by Turkey during the years 2007 – 2012. That the state of Turkey has invested directly or jointly with the investors of the region for all sectors amounted to $1,260 million and joint investment between Turkey and Iraq is $205million, while FDI was $1,054million.

The most money was spent in the housing sector and invested $781million 62% of the total Turkish investment in the region. The health sector increased by 0.18% to $2,300,000. the joint investment was the most proportion of the housing sector by 55.3%, which invested more than half of the amounts through the joint investment of $113, million. Turkish FDI in the region has been completed in four sectors and the bulk of the disbursements in the housing sector by 63.3% by $668 million, for further clarification see table (3.17) below.

Table 3.17: Distribution of Turkish investments in the Iraqi Kurdistan region by sectors

Sector	FDI	Rate of FDI%	Joint investment	Rate OF joint%	Total Turkish investments in the region by sector($)
Tourism	**-**	**0**	**84,634,507**	**41.25**	**84,634,507**
Housing	**667,805,260**	**63.3**	**113,575,059**	**55.35**	**781,380,319**
Industry	**265,346,610**	**25.15**	**6,960,000**	**3.39**	**272,306,610**
Health	**2,300,000**	**0.21**	**-**	**0**	**2,300,000**
Education	**119,411,530**	**11.32**	**-**	**0**	**119,411,530**
Total	**1,054,863,400**	**%100**	**205,169,566**	**%100**	**1,260,032,966**

Resource: (KRG, 2013).

3.3. The situation of Economic Growth in the Iraqi Kurdistan region from 2007 to 2012

The economy of the Iraqi Kurdistan region has undergone several stages before the unification of and Sulaimaniya administrations in 2006 to a certain extent the weakness of economic activities and the decrease of foreign investment in the region and in the stage after the unification of the two administrations within the unified KRG and the issuance of Investment Act No. 4 of 2006 by the Parliament of Kurdistan-Iraq, as economic activities shoed development and increased (GDP) size year after year.

3.3.1. The Situation of Population Growth in the Iraqi Kurdistan Region

The continuous changes in all sectors took place year after year, and we will take a look at population growth in the region during 2007-2012. If we look at Table (3.18), we see that the population growth in the region increased during the period 2007-2012 and increase of numbers and growth.

To a certain extent, the population growth in the region is relatively small in all years except 2009. The population was 4.662.266, or 6.39%, compared to 2008 as the population was 4.382.167. The increase in 2009 is due to the high migration of the population from the outskirts of Duhok, Erbil, and Sulaimaniya to the region due to the deteriorating security situation in these areas in Mosul and its outskirts and the return of a number of citizens from Europe to the region.

Table 3.18: Population in Kurdistan Region For the period (2007-2012)

Year	Number of Population	Population Growth Rate %
2007	**4,257,773**	**-**
2008	**4,382,167**	**2.92**
2009	**4,662,266**	**6.39**
2010	**4,793,292**	**2.8**
2011	**4,925,629**	**2.76**
2012	**5,059,010**	**2.7**

Source: Year (2007-2008), (KRG, 2011) and Year (2009- 2010 -2011-2012), (KRG, 2012)**.**

3.3.2. Employment of Working-age Population by Economic Sector and Governorates in the Year 2007

The growth rate of the population has been accompanied by increasing the labor force because the rate of the population is the labor force and increase the population increases the workers raised it also increases specialists and technicians' ratio. The table below (3.19) demonstrate that population growth is 3% and if we look at the same table the functioning of the population at the age of work by the government of the public sector and the private sector in the three governorates of Erbil, Duhok, Sulaimaniya.

Table 3.19: Employment of Working-age Population by Economic Sector and Governorates in the Year 2007

Job Rate %				
Governorate	**Public sector**	**private sector**	**mixed sector**	**Other**
Erbil	**37.2**	**49.2**	**1.3**	**12.3**
Duhok	**51.9**	**40.1**	**0.1**	**7.9**
Sulaimaniya	**33.3**	**59.1**	**0**	**7.6**
General rate %	**38**	**52.3**	**0.5**	**9.2**

Source: (KRG, 2011).

Above table, also displays that more manpower ratio in 2007 in the private sector became 52.3% of the total workforce and this please to increase private employment after increasing domestic investment ratio and foreign, the power factor the government sector in the region stood at 38% in 2007 and the majority of this force was in the province of Duhok 51.9% compared to Erbil and Sulaimaniya governorate.

3.3.3. Finance Growth in the Iraqi Kurdistan region

Public finance has a significant role in establishing the formula of administration, economic and political activities within countries. The power and the political decision are related to public finance in the Kurdistan region - Iraq, where the financial region depends on 17% of Iraq's budget.

Article 114 of the Iraqi permanent constitution states that the central government and the regional government are responsible for the formulation of fiscal policy (KRG-Ministry of planning, 2017).

3.3.3.1. Total Operations Expenditure of the Species 2005-2009 (Billion ID)

As clarified in a Table (3.20) the total general expenditure during the years 2005-2009, where it continued to increase, and the highest percentage of expenditure during the year 2007 amounted to ID 5,562 billion compared to the year 2006, which reached ID1, 902 billion and the rate of change in the volume of expenses for the year 2007 amounted to 192.4%, after the issuance of the investment law in the region, the operational expenses increased significantly. The most operating expenses compared to the total expenditure in 2006 became 81.9%. For further clarification.

Table 3.20: Total Operations Expenditure of the Species 2005-2009 (Billion ID)

Year	Operating expenses	Ratio of operating expenses to total expenditure %	Total expenditure
2005	**1,616.70**	**79.40%**	**2,036.70**
2006	**1,902.80**	**81.90%**	**2,322.80**
2007	**5,562.10**	**70.90%**	**7,847.60**
2008	**6,154**	**65%**	**9,541.30**
2009	**5,979.80**	**72.20%**	**8,283.20**

Source: (KRG, 2011).

3.3.3.2. Total Investment Expenditure of the Species2005-2009 (Billion ID)

As preformed in a Table (3.21) indicates that the total investment expenditure in the Iraqi Kurdistan region during the years 2005-2009 and was in billion ID as shown in the table that investment expenses have changed year after year significantly and the highest rate of change occurred in 2007 and increased investment expenses by 444% compared to in 2006, which amounted to only 450 billion ID and the percentage was in 2006 by 18.11% of the total year of expenditure, and the highest proportion of expenditures in 2008 by 35.5% of the total expenditure in the region, and the reason for the increase in expenses this year sue to the issuance of investment act, and increased demand for private projects.

Table 3.21: Total Investment Expenditure of the Species2005-2009 (Billion ID)

Year	Investment expenditure	Ratio of investment expenditure to total expenditure%	Total expenditure
2005	**420**	**20.6%**	**2,036.70**
2006	**420**	**18.1%**	**2,322.80**
2007	**2,285.50**	**29.1%**	**7,847.60**
2008	**3,387.30**	**35.50%**	**9,541.30**
2009	**2,303.30**	**27.80%**	**8,283.20**

Source: (KRG, 2011).

As given in The tables (3.20) and (3.21) that in 2005 the amount was $420 and in 2006 $420 and in 2007 $2,285 and in 2008 $3,387 and in 2009 $2,303 billion Iraqi dinars, all of those amounts spent in the investment sector and in the operational sector spent in 2005 amount $1,616.70 in 2006, the amount of $1,902.80 and in 2007 at $5,562.10 and in 2008 at $6,154 and in 2009 at $5,979.80 shows that the amounts spent on the operational sector during those years was more than the investment sector due to the increasing rate of appointments of public employment of the region. This shows that operating ratio of more investment in the region.

3.3.3.3. Total Public Revenues for the Years 2007-2009 in the Iraqi Kurdistan region (Billion ID)

As summarized in a Table (3.22) the total imports in the region during the years 2007, 2008, 2009. The total imports during the three years were ID779.91 billion and the general imports increased continuously during these three years. In 2007, the imports of the region amounted to ID181 billion and in 2008 Imports increased to ID223.6 billion and the largest rate of annual change in 2009 was 67.7%. This increase was an important reason for the increase in economic activities.

Table 3.22: Total Public Revenues for the Years 2007-2009 in the Iraqi Kurdistan region (Billion ID)

YEAR	Total General Revenues	Growth rate%
2007	**181.18**	**-**
2008	**223.60**	**23.4**
2009	**375.13**	**67.7**
Total	**779.91**	**107.9**

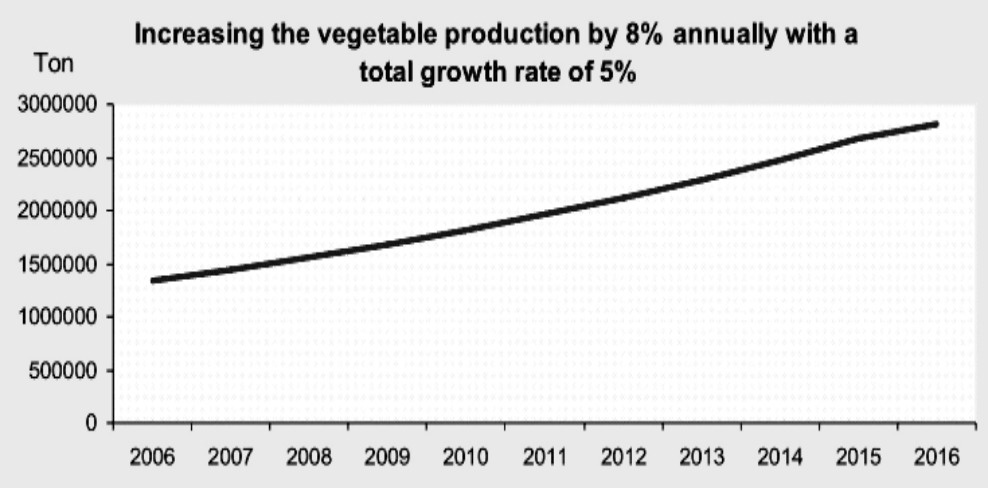
Resource: (KRG, 2011).

3.3.4. Agriculture Sector Growth in the Iraqi Kurdistan region

The geographical location of the Kurdistan region of Iraq is located southwest of the continent of Asia. With regards to rain, the Mediterranean Sea has an impact on the climate of the region. It has a large area that can be exploited for agriculture. The land and water area help to exploit 1,219,821 hectares by 34.96% Agricultural land, and 65.04% The land is cannot use for agriculture. (KRG- Ministry of planning, 2017).

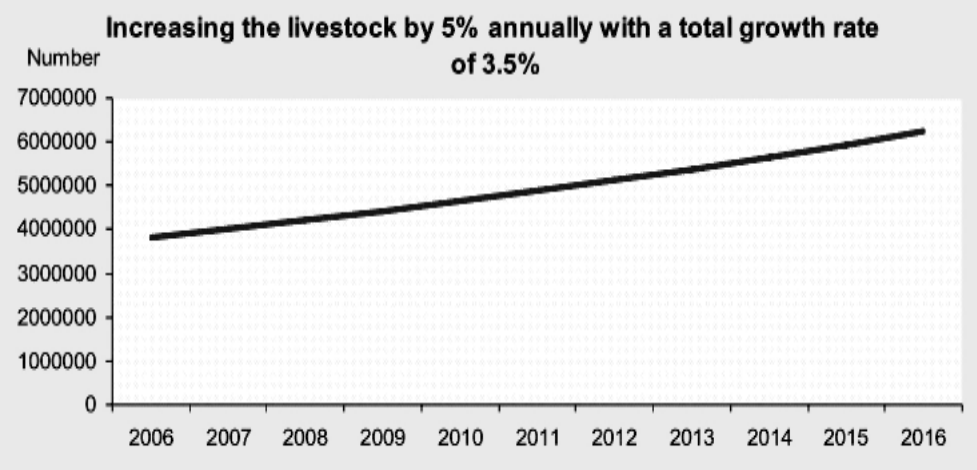
Curve (3.1) and (3.2) indicates the increase in agricultural production in the Region Increasing the vegetable production growth. The plant production in the Iraqi Kurdistan region is increasing annually by 8% and the total growth rate is 5% and the volume of the plant product in 2006 was 1,500,000 tons and in 2007 became 1,620,000 tons.

The increase is due to the growth of the population of the region and the increase of displacement from outside the region into the region due to the deterioration of security in central and southern Iraq and increase the demand for plant and animal products year after year, especially animal products and by 5% increase and the total annual percentage of animal production is 3.5% For further illustration, see curve 3.1.



Curve 3.1: Increasing the vegetable production

Source: (KRG, 2011).



Curve 3.2: Increasing the livestock

Source: (KRG, 2011).

3.3.5. Industrial Sector Growth in the Iraqi Kurdistan region

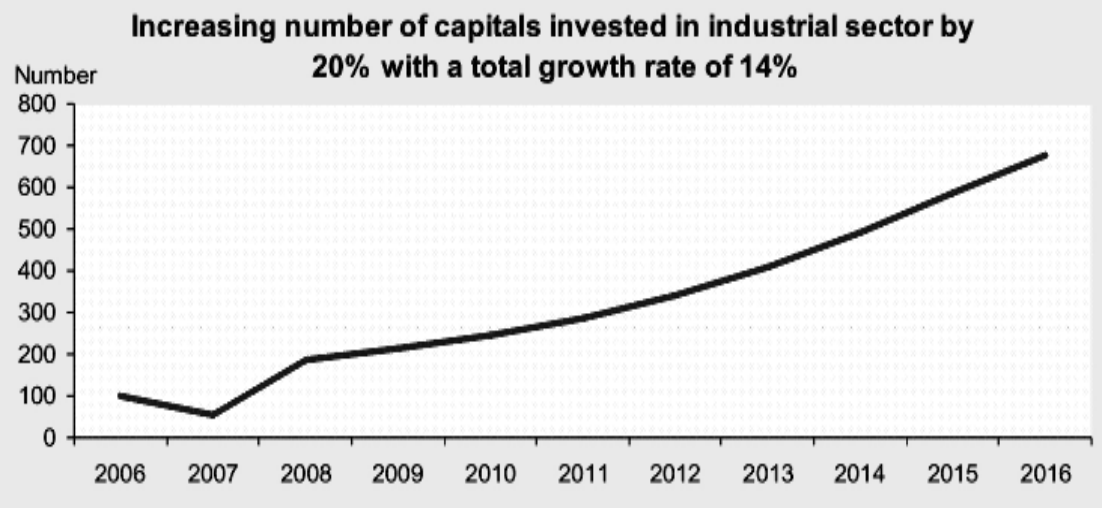
The industrial sector has an important role for the total domestic production of countries and is considered one of the important sectors in the country, especially the manufacturing industries, although in developing countries and because of the lack of technical expertise and lack of liquidity in which the completion of industrial projects. Table (3.23) shows the industrial sector contributing to total domestic production (GDP).

Table 3.23: Contribution of non-oil Industrial Activity to GDP at Current Prices (Billion ID)

Year	Industrial Activities GDP	Growth rate compared with 2004
2004	**619**	**0**
2005	**963**	**55.60%**
2006	**116,5**	**88.20%**
2007	**128,1**	**106.90%**
2008	**197,1**	**218.40%**

Source: (KRG, 2011).

As presented in a Table (3.23) that total domestic production (GDP) for the year 2004 was ID 619 billion and in the year 2005 increased to ID 963 billion and in 2006 increased to ID 1,165 billion and in 2007 increased to ID 1,281 in 2008 and to ID 1,971 and in general it increased the product the annual growth rate in 2005 was 55.6%. Compared to 2004 in 2008, there was a more annual change of 218.4% in the sense that the industrial activities in the region are increasing and that curve No. 3.3. Shows:



Curve 3.3: Increasing number of capitals invested in industrial sector

Source: (KRG, 2011).

3.3.6. Tourism Sector Growth in the Iraqi Kurdistan region

The tourism sector has a role in the national economy in some countries of nature and open societies. So, Iraqi Kurdistan region compared to the central and southern areas in Iraq is a mountainous region and rich in natural beauty and climate. Therefore, in the summer, citizens come from central and southern Iraq to the region.

As shown in a Table (3.24) the number of tourists and tourist establishments during the six years amounted to 6,960,826 tourists have visited the region and the number of tourists has steadily increased the increase in the number of tourists, the demand for tourist sites has increased. Consequently, tourism institutions have increased continuously. In 2007, there were 313 tourist establishments. In 2012 there were 963 tourist sites. In 2007 compared to 2012 grew by 207.6%.

Table 3.24: Number of Tourists and Tourist Institutions in the Kurdistan region of Iraq Through 2007-2012

Year	Number of tourist institutions in the Region	Annual growth rate of tourism institutions	Number of tourists in the region	Annual tourist growth rate
2007	**313**		**377,397**	
2008	**353**	**12.77**	**558,860**	**48.08**
2009	**473**	**33.99**	**791,345**	**41.59**
2010	**611**	**29.17**	**1,313,841**	**66.02**
2011	**712**	**16.53**	**1,702,390**	**29.57**
2012	**963**	**35.25**	**2,216,993**	**30.22**
Total			**6,960,826**	

Source: (KRG, Ministry of Municipalities and Tourism Directorate General of Tourism, 2017).

3.4. Economic Growth in the Region by Years

3.4.1. GDP in the Region for 2007

During the years 2007-2012, the level of activities in most sectors has grown from sector to sector and from year to year. If we look at 2007, we find that the GDP at current prices for 2007 was ID 9,947 billion , (Transportation, Telecommunication and Storage), which is more than half the GDP for 2007 of this sector, due to the increase in the demand for the use of telecommunication equipment and equipment and the increase of government projects in the reconstruction projects of roads and bridges between regions and the oil sector did not have a role in GDP in the year 2007 was 0% because of the fact that in 2008 the government did not For the province of Bay activities in the oil field in the region for further clarification see table (3.25).

Table 3.25: Dividing Total Imports of Domestic Production for 2007 into Sectors. (Billion ID)

Sector	2007	BY GDP %
Agriculture - Forestry - the hunter (GFSY)	**560.5**	**5.63%**
Mining and Quarries	**1.2**	**0.01%**
Crude Oil		**0%**
Other Kinds of Mining	**1.2**	**0.01%**
Manufacturing Industry	**108.5**	**1.09%**
Electricity and Water	**17.7**	**0.17%**
Building and Construction	**388.6**	**3.90%**
Transportation, Telecommunication and Storage	**5,672.20**	**57.02%**
Wholesale, Retail, and Hotels	**794.7**	**7.98%**
Finance, Insurance and Aviation Services	**146**	**1.46%**
Social Development Services	**2,257.20**	**22.69%**
GDP	**9,947.2**	**100%**

Source: (KRG, 2011).

3.4.2. Economic Growth in the Iraqi Kurdistan region from 2007 to 2012

As summarized in a table (3.26) the total local production of the region, it shows that to a good extent that the volume of GDP tends to increase in 2007 was ID9.95 Trillion compared to 2012 was ID42.3 Trillion. However, the annual economic growth rate in 2007-2012 becomes 41.6%.

This is a high rate of economic growth, in the six years in 2009 in a region did not witness any economic growth, but on the contrary, the economy of the region to decline by -4.04 compared to 2008 and in 2008 increased the volume of GDP in the region and the rate of economic growth.

This year recorded the largest percentage for the years 2007-2012 by 148.24% and the return to the issuance of investment law which was a good incentive for public investment to run the amounts in the economic and investment and the existence of security and stability in the region compared to other areas of Iraq in the center and south was the reason for the tendency of many of the citizens of those regions to the region and the transfer of part of their capital to the region.

Table 3.26: Economic growth in the region for 2007 to 2012

Year	GDP Trillion Id	Economic Growth Rate%
2007	**9.95**	**-**
2008	**24.7**	**148.24**
2009	**23.7**	**-4.04**
2010	**29.2**	**23.2**
2011	**35.9**	**22.95**
2012	**42.3**	**17.83**
Total	**165.75**	**100%**

Source: By the researcher: Year (2007-2008), (KRG, 2011) and Years (2009-2010 – 2011- 2012) (Republic of Iraq, 2017).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The purposes of the current study were to analysis the FDI of Kurdistan region of Iraq and the importance of this type of investment in countries whether in developing countries or undeveloped countries will appear in the actions and treatment of these countries with the special law of investment. Kurdistan region of Iraq, by having the special law of investment which determines rights of investor's especially foreign investors. That is smeller the result of (Nabaz, 2013), investigated the role of FDI in developing Kurdistan's economy. Specified that the government supports and investment law that guaranteed the interest of the investors and fascinated more FDI inflow. Accordingly, concluded this study, the subsequent conclusions can be drawn:

The study concluded that the foreign investment participated approximately 19% in regions investment in all sectors whether independently or as the partner with the local investor by their technical intelligence in investment in Kurdistan region of Iraq, FDI ratio is 14.63%, and joint investment 4.25%. Therefore, a rate of investment in housing sector comes before agriculture, manufacture and tourism sectors, and the housing sector is the most important sector to the foreign investor and most of the foreign money has been invested in this sector by the ratio 60,62% in all sectors has been performed (p,37).

Besides, Kurdistan regional government has not succeeded in attracting foreign investors to invest in agriculture sector, only smaller amount of foreign investment has been performed and this is very low compared to the agricultural land in the region where 34, 96%. The low ratio of foreign investment in the agriculture sector has some causes: (p, 43-44)

Infrastructure in the region is weak like shortage of distribution, lack of 24 hours' electricity, and shortage in roads and transport system. In any project, there is the need for the electric the motor and regularly bring water and need of transport equipment and the opening of roads in some location and thus expenses of production are high and the ratio of the advantage is low to investors.

The decrease of price of money in the neighbor country against local money or dollar, and prices of foreign agricultural items have decreased against local

agriculture products, and low price of a foreign agricultural product has decreased the request for local agriculture product.

The low tax of customs on a foreign agricultural product has resulted in no difference in price between foreign agriculture product and local agriculture product or foreign agriculture product has come at a lower price than the local one.

Lack of security in some border areas and fear of war has forced foreign investors to do most of their project in the center of cities while agriculture sector needs these projects in the area far from the center of cities. This result almost smeller of (Abdul salam, 2010) so, the researcher stated that the economic activities in the region were affected by the political changes and the security conditions experienced by the region.

Hence, geographic area and political relations play a big role in FDI in a region, each country like Turkey and Lebanon are close to the region have most investment in the region by the ratio (29.35 and 27.77) respectively, of the total of all countries that did investment in the region. According to the study findings, the public sector has a bigger role in the economy of a region, unlike private sector which doesn't have a similar role in the region, but because of a law of investment number 4 of 2006 it was very helpful to increase the volume of local investment by this increase directly private sector goes forward in the region (p, 46).

Consequently, the study also found that the gross domestic product in a region is regularly in increase and economy of the region grows yearly except for the year 2009, the ratio of deflation was 4% in the region. Nevertheless, this results similar to (Mamouri, 2012) were stated that the transport, communications, and storage sector were characterized by a relatively high contribution to the composition of GDP compared to other sectors. The distribution of investments between different sectors was uneven, creating uneven growth for different sectors as well (p, 58).

In addition, by the growth of ratio of the population directly or indirectly has the effect on economic growth in the region, highest growth ratio of the population was in 2009 by a ratio of 6.39% and only in that year the economy of the region was in deflation by ratio 4%. However, this result similar to (Mamouri, 2012).

Recommendations

In light of the findings and conclusions that the study has reached, the subsequent recommendations can be extended:

The researcher recommended that more arrangement must be done between local investment and FDI and more encouragement must be shown to local investment by law. There must be also strong relations between foreign and local investors to perform mutual projects as partners, hence, domestic investment plays a significant role in economic growth. The reason of this recommendation is for induce the internal investment and obtaining the skill form foreign investors.

It is necessary that the government need to attempt to decrease its operating expenses and increase investment expenditure for the in sector to play its role and increase chances of investment working, while the role of private sector in economic development is a crucial.

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. While, the study found that infrastructure in the region is weak like shortage of distribution, lack of 24 hours' electricity, and shortage in roads and transport system. This recommendation is for reducing costs and increasing the profit of investment and more investing in different sectors.

Besides, lessening the routine of administrative affairs and attempt to decrease obstacles of getting investment permission and in a lesser time investment permission is given. This recommendation is for increasing and fostering the construction and settlement projects.

It is also necessary to make the distance between the education sector and investment sector and to be lessened and there should be steps to merge education with investment and development of individual capabilities and a more educated person must rise in a region to know to save expenditures in cosmetics to create the idea of saving money and investment in an individual.

Therefore, Kurdistan regional government should have a firmer policy to get an advantage of technology and knowledge of FDI in the agriculture sector by

recruiting of 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. This recommendation is to progressing agricultural sectors and for the contribution of agriculture in industry sector.

Consequently, centers that are related to data should be more active and transparent and regularly show growth and deflation ratio in all sectors and work in scientific research which is related to the growth of a region. The reason of this recommendation is to know the level of economic activities and national income.

Finally, a growth of population should be programmed and there should be a plan for work on the slow growth of population by decreasing facilities of birth especially in public sector which many people of the region work in that sector. And finally the reason behind this recommendation is for decreasing the impacts of governments in increasing the government expenditures, and this for to afford the public expenditure.

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