

The Role of Supply Chain Management in External Indebtedness and Its Problems in Iraq Economy

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Abstract— With rapid economic development, related social issues have become more prominent than before. How to effectively encourage enterprises to undertake more corporate social responsibility and maintain the sustainable development of society has become an urgent task for managers and researchers to resolve. With respect to decision problems of a retailer-dominated supply chain considering external indebtedness problem under government subsidy, based on game analysis technology, we consider a three-stage Stackelberg game model that consists of the government, a dominant retailer and n suppliers. In spite of the fact that the Iraqi economy is featured by its diverse resources, Iraq is suffering from external indebtedness as a result of incorrect economical policies that have led to increasing the governmental huge spending coincided with fall in governmental revenues, whose sources might be oil export, taxes, or fees, as well as sluggish development. This is as far as the domestic funding of governmental spending, which has created a huge governmental debt on one hand. In addition to that, the wars that Iraq went through and the economic sanctions have led to exacerbate the external indebtedness issue. All of that has resulted in debt accumulation and the incapability of Iraq to repay the debt service. Thus, efficient supply chain management is required for the economy in Iraq to prevent its eruption.

Keywords— *Key words: Supply Chain Management, Finance, Iraq Economy, External Indebtedness*

1. Introduction

The indebtedness crisis has started through the eighties of the last century. It has resulted in the ceasing of development operations in a lot of industries, declining the living standards, and exposing the economic systems to real dangers, which are followed by slacking in demand of oil export, deterioration in the terms of trade, and widening trade deficits. In addition, the increase in military spends in Iraq and what incorporates of importing weapons and military equipments, wide

spreading of political corruption, and smuggling of funds out of Iraq have affected the performance and development of national economy because it has followed incorrect economic policies due to the consecutive wars and the economic sanctions imposed on the country. Thus, the present study gives a picture of the problem of falling in indebtedness since what we witness today of the decline of the Iraqi economy might indicate a huge economic defect.

1.1. The Aim of the Study

The study aims at knowing the reasons why Iraq has resorted to external indebtedness in spite of the fact that Iraq is one of the richest states in its national treasure. The study also aims at knowing the volume of the actual indebtedness of Iraq due to the ambiguity surrounding that issue as the statistical data of Iraq, particularly at the period during the war with Iran and during the sanctions period, has been subject to deformation and its publication has been recessed due to security reasons.

1.2. The Problem of the Study

The study of the worsening economic problems that have been fed by the unfavorable political and social reality is so important, as it always helps in enhancing any problem that floats on the surface in this economy including the indebtedness problem and non-settlement of the debts. This problem has been a significant obstacle in the way of economic advancement, as the economic performance has declined, and hindered the development operation.

1.3. The Hypothesis of the Study

The study hypothesized that since Iraq is under inefficient economic policies, external indebtedness has negative effects on achieving

economic and human development, which makes it suffering from a lot of problems that hinder its development and advancement for consecutive decades.

1.4. The Structure of the Study

In order to validate the hypothesis of the study, the researcher has divided the research into three topics.

First topic: External indebtedness and its historical development in Iraq.

Second topic: The reasons behind the development of indebtedness volume and its consequences.

Third topic: Practical and proposed treatments for reducing indebtedness.

2. First Topic: External indebtedness and its historical development in Iraq.

External indebtedness is one of the significant problems that Iraq is confronting as a result of the hardships the country went through, an issue that encouraged backwardness, led to accumulated deficit and consequently led to fall in the indebtedness trap and exacerbating its burdens.

2.1. First: A historical Overview of Iraq

The problem of funding is one of the hardest economic problems that Iraq has faced [1] and whose first roots were formed during the eighties as a result of the changes that happened in the Iraqi economy, because the balance of payments went to record deficits at significant rates. [2] These changes also include the decline of developmental plans necessary to provide the funding required for achieving growth rates that would support different production sectors in economy. As a result of reducing domestic saving rates and lowering of export earnings on one hand and the high rates of consumption and import on the other hand, domestic investments were very few, an issue that put Iraq in front of the problem of providing the required funding necessary to push on the

economic investment wheel. Thus, external funding was one of the available ways for Iraq to cover the shortage in its domestic savings and to meet its needs of foreign currency. Therefore, external debts reached high levels and their burdens accumulated so clearly that the domestic resources of the Iraqi economy were unable to serve its debts, an issue that negatively affected the balance of payments, as the economic crisis was exacerbated due to financial waste and low economic level, particularly due to the wars that Iraq had gone through and what had accompanied them of the sabotage of economic infrastructure among other events.

This situation continued to the end of the last decade of the last century, when Iraq was in economic, social, and political crisis that got worse by the invasion of Iraq in 2003.[3] All of these events negatively impacted what had been remaining of the components of the Iraqi economy in its production and service aspects, as these components failed in achieving growth rates in the performance of the economic sectors, and, as a consequence, these sectors started to decline in their performance due to political, military, and economic circumstances.[4] In addition to that, economy started to be significantly affected by the international and regional changes, and it is safe to say here that the downward economic situation of Iraq led the country to borrow money from those states that have an overhang capital to fund its consumption and investments spend. However, this situation has negatively impacted Iraq as a result of the pairing of that borrowing with the interests and terms imposed by those states and in a way that made Iraq always incapable of repaying those loans. As a result of that, Iraq had, eventually, to merge into economic and political dependency and in a way that was threatening its stability and independence on different levels.

2.2. Second: The Development of External Indebtedness Volume

The political and economic circumstances and the ill-conceived adopted procedures in the Iraqi economy, which lasted from 1980 up to 2003, and their grave consequences, have contributed to the Iraqi external debts dilemma and to its aggravation [4, 5]. These circumstances and procedures have not been limited to vandalism and destruction processes of the economic structures and the

human resources, but have also included overburdening the national economy with accumulated debts in favor of several countries [6]. In 1938, external debts totaled approximately US\$ (7.219) billion, a figure that soon rose to US\$ (12.839) billion in 1986, as the cost of the debt service had reached US\$ (1.1) billion. However, before that date and after the imposition of the international sanctions, Iraq did not repay the debt service cost that had been accumulated by compound interests estimated at 6.5% in addition to the delay interests that made the country's debts reach an amount between US\$ 53 to 65 billion, according to the statistics of the Iraqi Central Bank [7, 8]. These debts have overburdened the country since they represent the darkest side of the Iraqi economy, as they mean deduction of the country's revenues percentage that should be directed to serve the members of the society instead. Thus, the external debt is one of the most significant problems and hinders that confront the development of the Iraqi economy.

Table 1. Iraq's Debts According to Their Nature in US\$ Billions

| Bank Debts | Military Debts | Debts to Gulf Banks | Debts as Sales of Petroleum in Favor of Iraq | Payment arrears | Total of Debts |
|------------|----------------|---------------------|--|-----------------|----------------|
| 14 | 29 | 27 | 14 | 70 | 124 |

Table 2. Iraq Debts as Percentages out of the Total Number of Iraqi Debts

| Creditor | Paris Club States | Arab Gulf States | Private Creditors | Total of Percentages |
|------------|-------------------|------------------|-------------------|----------------------|
| Percentage | 36.1% | 53.2% | 10% | 99.33% |

Reference: Adeb Qasim Shindi, Iraqi Economy... to Where? 1st ed., Al-Kutob House, Baghdad, 2011, P. 270.

Based on that and with the aim of getting out of the financial and economic crises, Iraq headed toward looking for reformation methods, but, under

the pressing of the creditors, particularly, the international institutes and Paris Club, Iraq had to submit to the terms imposed on the country.

3. Second topic: The reasons behind indebtedness volume development and its consequences.

3.1. First: The Internal supply chain management effects on Indebtedness

There are many internal reasons that have facilitated the process of Iraq's falling in external indebtedness. These are the following:

1. The absence of planning and incorrect borrowing policy: Iraq, like other developing countries, lacks that efficient industrial network that can offer the requirements of external savings for different industrial projects. The new industrial investment and the reason of the industrial and social formula for most of the regions that it lives in mostly require it to provide the political pillars of the industrial activity, which requires additional spends that would lead to postpone a lot of projects till finishing the appropriate industrial environment for the new investment [9]
2. Budget deficit: One of the main internal reasons that have led to the aggravating of the external debts crisis is "internal deficit", [10] as depending on oil solely as a source for obtaining the resources to fund the state budget has led to disruption in achieving a kind of balance between revenues and public spends. As a result, other financial resources represented by taxes and fees were neglected for reasons such as weakness in tax vessels, inefficiency of agencies entrusted with tax collection, and rampant administrative corruption on one hand. [11] On the other hand, because of the expensive burdens that had resulted from the governmental spend on wars, deficit funding investment policies were adopted to fund the deficit through monetary issuance via the Iraqi Central Bank without being committed to the restrictions that should not be trespassed in sound monetary policies. As a result, this phenomenon started to significantly deepen during the economic

sanctions and its consequences have undoubtedly left negative effects in all of the aspects of the Iraqi economy and have caused increase in the overall level of prices and dropping of the exchange rate for the Iraqi Dinar as well as lowering the purchase power of the currency.[12]

3. Balance of payments deficit: Another internal reason that has led to exacerbate external debts crisis is the continuous deficit in the balance of payments of Iraq, as it is certain that the balance of payments, with what it indicates of sections, burdens, and resources, represents honest images of the Iraqi economy, for reasons related to weakness of the production efficiency and the remnants of war. Thus, Iraq has become incapable of obtaining the foreign monetary required to fund domestic investment, expand the domestic production base, and improve its efficiency, and it becomes difficult for the private sector under such circumstances to compete the imported goods, especially from neighboring states.
4. Capital flight and the administrative corruption: The private and national capital flight has contributed to create liquidity crisis, drain of cash reserve and consequently weakening the creditworthiness of the country [13-16]
5. Mismanagement of the External Debt: The acute rise of the external debt level leading to an acute raise in debt service payments, more weakness in the public sector capability to serve its external debt, and the persistent rise in the amounts of the general debt- domestic and external- and in the total service of the general debt formed a pressure on the investment of the public sector and led to the deterioration of the vital infrastructure, and a state of non adaptation between the current expenditure of the public sector and the domestic resources base. This situation was worsen, as it formulates an increase in the resulting financial deficits, more accumulation of the general debt followed by a rise in inflation rates, instability of the interest rates and their fluctuation as well as the deterioration of the actual tax benefits rates.[17]

3.2. Second: External Reasons of Indebtedness

External reasons besides the internal reasons have contributed to the development of indebtedness volume. The external reasons are the following:

1. The role of international financial institutes (International Monetary Fund and Bank): The urgency of Iraq's agreement with the International Monetary Fund came up as a result of the necessity of extinguishing a large part of Iraq's debts, which are considered non commercial debts, since these debts are the consequences of the previous wars that exhausted Iraq for the past three decades. This agreement entered Iraq into privatization programs, free market, streamlined prices, and the submission of the joining application to be a member of World Trade Organization. Actually, the adoption of Iraq to economic reformation programs, though it is compulsory, is not positive since the historical context of the Iraqi economy dominated by the public sector did not result in achieving the desired development and thus, the Iraqi economy remained captive to inclusive policies that proved their failure during the past decades. Therefore, the opportunity might be appropriate to mark the features of new economic policy based on openness and elimination of the public sector monopolization of the national economy by giving a space to the private sector to prove its efficiency even if that was done with the assistance of international organizations. In fact, probably some of the results of such reform might be harsh in some of its aspects on the poor groups of the Iraqi people such as raising the prices of the oil products, attempt to reduce the items of the ration card, which wide groups of the population count on to provide the necessary food commodities in state-subsidized prices. However, this might be a reason of many that led to an increase in incomes discrepancies and the appearance of a dominating class at the expense of other classes, as the experiences of many of the world states that adopted the approach of being transformed into market economy without effective restrictions proved that such a

transformation lead to the spread of unemployment and poverty, particularly among large groups that are socially being dominated. This issue might lead to providing fertile ground for the growing of different radical elements that are anti-democratic [18, 19].

2. **High Interest Rates:** Excessive borrowing led to a rise in external indebtedness volume, an issue that resulted in severe exacerbation of serving these debts burdens-benefits and installments- particularly, under the tendency of a lot of credit sources to float the interest rates. With high debt burden, a big competition to obtain the limited foreign monetary sources emerged. This competition led to create acute discrepancy and difficulty in reconciliation between the persistence of paying external debts on their due dates and the ability to fund the flow of the necessary imports to the country.

3. **Low Rates of Trade Exchange:** The structure of Iraqi exports is featured by being focusing on and specialized in one good, i.e. petroleum. Therefore, the Iraqi economy is described as an exporting country of one basic good in its external trade and 95% of its revenues from the foreign monetary come from exporting oil. In addition, the rise of the trade exposure indicator in Iraq to 93% made the country more vulnerable to inflation by the external variables. Such a percentage would definitely lead to weakening the interdependence between the domestic sectors in generating the product. Thus, it is hard for the private sector, under such circumstances, to compete the imported goods, particularly, those imported from neighboring state [20-22].

4. **Change in Oil Prices:** The oil sector is playing a significant role in the Iraqi economy, as it is regarded the main funder of the country's budgets. As a result of that, the economic development process becomes contingent upon the country's oil revenues, as an increase in the country's revenues leads to a rise in the number of the developmental projects, which are also lowered in number in case of lowering the country's revenues. As an

example of that, during the eighties, the oil prices rose to (US\$ 35) for the barrel in (1980); however, that high price dropped in (1983) due to an increase in the number of oil projects and the high rate of the oil production, a situation that caused a rise in supply with a lack of demand; therefore, the barrel price was lowered to US\$ (10). Also, in (1991), the prices rose with the launching of the Gulf War, but after the end of the war, the prices got into a persistent lowering till OPEC interfered to stop this decrease through shares adjustments. In (1996), prices regained their value and then they lost it again in (1997 and 1998) due to the economic crisis in Asia. This situation led OPEC to lower its production to (3) billion barrels in (1999) and the prices reached US\$ (25) for the barrel. However, the barrel price rose again to US\$ (30) in (2000) due to technical problems. In (2004), the economic boom in Eastern Asia states and the commitment of OPEC to its share contributed to the rise of the prices to US\$ (50). In (2005), the oil prices jumped to the level of US\$ (78) for the barrel, and took advantage of the rapid growth of the petroleum consuming states, particularly, the Asian states and of the security disturbances in the exporting states, particularly Iraq. However, the oil prices reached standard rates, US\$ (90) for the barrel, and this rise continued till the price of the barrel became US\$ (115) in the middle of (2014). Then, this rising stopped and the prices started to lower till it became, approximately, US\$ (50) for the barrel. Thus, this fluctuation in prices negatively impacts the oil exporting states, particularly, Iraq.

4. Third Topic: Justifications of Domestic and External Funding Sources

4.1. First: Domestic Funding Sources

1. Private Sector Saving: It is divided into two sectors: family sector and business sector.
 - a. Family Sector: The savings of this sector consist of a group of individuals that constitute a single family, i.e. the income an individual gets minus taxes and the consumption spend. However, this

type of saving is featured by being low in the country of Iraq.

- b. **Business Sector:** This sector incorporates companies, productive units, and trade banks. The money left after paying taxes, maintenance costs, and production factors revenues represent the savings of this sector. This sector is divided into formal and informal business sectors. It is also featured by its low profits in Iraq due to the low level of production and the high costs of production. Even when this sector achieves some profits, there would be no guarantees to transform them into investments because of the spread of the hoarding phenomenon or because of smuggling those profits outside the country, a situation that would weaken some of the domestic funding sources.
2. **Government Savings:** Taxes, loans, and monetary expansion form some of the significant means of governmental domestic funding and they are regarded governmental savings that fund the public spends. In addition to that, these savings are considered committed in nature. However, the Iraqi economy is characterized by having low tax revenues in comparison to its gross income and revenues and it is not expected that the taxation rates in Iraq would be high.
3. **New Monetary Issuance:** The policy of funding deficits was a result of failing to activate taxes programs and their management in addition to the fact that Iraq lacks financial markets that are efficient, organized, and able to provide the requirements of governmental borrowing. Moreover, the funding of spend increase through issuing new money leads to an increase in money supply, as it is the case in Iraq, since the monetary display was (1539.3) Iraqi million Dinars in (1995), a figure that rose to (2476.2) million Dinars in the following year, and the rise continued till it reached (546000) million Dinars in (1995), i.e. it multiplied (35) times in the year (1995). That situation led to the rising of the general level of prices without an actual increase in the production and use, and as a result of that, Iraqi economy faced inflationary pressures.

4.2. Second: External Funding Sources

Iraq resorted to external funding when there was deficit in its general budget and it was incapable of covering the deficit from its domestic resources, as the deficit impacted its balance of payment. Later, Iraq was able to cover that deficit through borrowing money and getting external aids.

1. **External Loans:** The stage of having a gap between the Iraqi currency and the foreign currency has started since the year 1980 as a result of the Iraqi-Iranian war, as there had been a persistent deficit, which led to reserve withdrawal and dependency on external borrowing. At this point, a need for financial flows from abroad emerged, and Iraq continued to borrow from states till the year (2003), and after (2003) loans continued because of the situation of Iraq.
2. **External Aids:** The funding of indebtedness through external aids is unreliable because it has a marginal role and because, most of the time, availability of foreign aids leads to get the easy choices and the continuation of being dependent on foreign states in spite of scarcity of these aids as they would have a tiny impact on the long term economic development in the country.

4.3. Third: Consequences of the External Indebtedness Exacerbation

4.3.1. First: Economic Effects

The need for financial flows from abroad comes up to develop the production sectors, to build the basic structures of domestic economy, or to repay the deficit that results from an increase in society consumption in comparison to its production capabilities, as a consequence to the gap between saving and domestic investment. Also, expanding the borrowing processes can lead to accelerating the economic development rate during the first stage, but it will quickly lead to pay the installments of these debts and serve them. Thus, in case the country is unable to repay the loans, the country will be exposed to a lot of economic issues, such as inflation, draining of cash reserves, capital accumulation inadequate capacity and others.

Furthermore, the negative impact of the external indebtedness in Iraq is not limited to enlarging the indebtedness volume and burdens only, but it includes also the official development assistance that is presented to this country two times and a half.

4.3.2. Second: Social and Political Effects:

Indebtedness negatively affected Iraq, as a deep and inclusive crisis happened and resulted in ceasing the development processes, a decline in the living standards, and halting the growth of those sectors that attract large manpower. This situation made Iraq face a lot of troubles, as indebtedness increased the spread of unemployment, poverty, and stirring discontent, as well as allowing international establishments to control the country's economy and laying hand on the country, its resources, and treasures at the expense of the local population. All of that was done through the relationships of unequal trade exchange, a situation that helped in creating feeling of oppression, which might assist armed groups to take advantage of those injustices to provide arable land to recruit volunteers.

5. Fourth Topic: Applied and Proposed Treatments to Eliminate Indebtedness

5.1. First: Applied and Proposed Treatments and their Successful Rollouts

During the past years, the international community had taken significant steps to facilitate the reconstruction process, as the International Security Council froze the operations of basic debt payments owed by Iraq till 31/12/2007, and it established an international board to supervise the audition of Iraq Development Fund. One of the most significant results of the International Monetary Fund agenda was Iraq's negotiation with the biggest loaners in Paris Club about cancelling and rescheduling of its debts via the International Monetary Fund, which was achieved in three stages.

First Stage: Immediate Cancellation of (30%) of shares debt at settlement agreement.

Second Stage: When the executive council of the International Monetary Fund accepts an agreement of advanced credential transfer that would cancel (30%) of the debts, a percentage that was deducted in December (2005).

Third Stage: The deduction percentage is (20%) and it was deducted in 31st of December (2008). The executive committee also agreed in December (2004), upon presenting urgent aid to Iraq, estimated at US\$(343.6), whose aim was to rebuild the Iraqi economy.

Considering those states that are not Paris Club states, dual agreements that were prepared in coordination and cooperation with the Iraqi authorities were studied, and agreements were signed with Romania and South Africa, whilst Slovakia, Czech, and Malta declared cancelling all the debts owed by Iraq. However, it is expected that agreements will be held with the rest of the creditor countries to settle debts with them. The political circumstances that Iraq has gone through since the eighties of the last century, i.e. the circumstances of the war that Iraq entered in and the international sanctions, pushed the regime to adopt real-time policies and programs that are unrelated to the long term development approach. Later, these policies transformed the Iraqi economy into rent economy that is wholly dependent on oil resources, the biggest part of which were being spent on military arming and military industry without being spent on advancing the vital infrastructures of the Iraqi economy. Therefore, all of that led to the decline of the economic sectors performance and losing the economic and competitive efficiency of the production of goods.

All of that has resulted in burdens and debts because of the inability of Iraq to repay these debts and the fall of the previous regime didn't exempt Iraq from repaying its debts; therefore, the available solution to this issue was to deal with it though the rescheduling of debts solutions such as extinguishing a significant percentage of these debts through Paris Club strategies. As a result, Iraq resorted to the International Monetary Fund via the occupation authority to deal with the complex and compound problems of Iraq debts. However, the reformation policy of the International Monetary Fund did not agree on lowering the Iraqi debts, unless Iraq agrees on the traditional recipes of the Fund by being open to the

external world, privatization, lowering the individuals support, and reducing the spends. This had its negative impact on the domestic economy, as the economy is confronting the policy of pouring the market with all kinds of industrial and agricultural goods without any regulations, even health rules, and in a price that is lesser than the domestic product, a situation that has negatively impacted the domestic and national industries of the public and private sectors. As a result, these sectors became weak and vulnerable, and consequently, the production capabilities were eliminated in face of the exported products that are threatening the stability of the total economy since the latter is suffering from indebtedness, massive reliance on the abroad, imbalance in running the economic institutions, and a decline in the rate of the production sector growth of imports (except the oil sector). Thus, the current situation does not differ from the previous one, in spite of the fact that Iraq owns a huge national treasure represented by the natural and human resources. However, the country lacks a clear vision of actual development and the work on how human resources can interact with natural resources, as "we are witnessing today a state of being lost as we are losing the economic identity again, which left what we want for the Iraqi economy such as directions at a crossroads between socialism, from the past heritage that cannot be overlooked, and the current political leaders' presentations, such as the adoption of capitalist perspective in an economic system that does not meet the minimum requirements of application from the current economic realities in the country. This labyrinth can be summed up by the presence of an Iraqi human being that has been burned by previous experiences that lasted for decades. These experiences incorporated credibility of the economic orientation, but the Iraqi people reaped nothing from it except symptoms of severe underdevelopment in comparison with the country's regional surrounding, at least from the human developments indicators, education and higher study, health, and shelter up to the degradation of the services and the vital infrastructures such as clear water, sewage, and energy services, etc. or the economic development indicators, downturn of the employment performance of the productive sectors and the persistence of rent economy phenomenon of the Iraqi economy is just an obvious proof of such a degradation."

5.2. First: Proposed Treatments and Their Successful Rollouts

Iraqi economy advancement requires the support of the individuals through granting loans of low price and interest from the Iraqi banks. This would reduce dependency on the state general budget in funding development and in the diversity of income sources through funding the projects of the economic sector- agriculture, industry, and services- in a way that would positively impact the domestic product gross, which would contribute as well to the development of the human resources and building abilities. The economic policy that was adopted during the previous period (The previous regime time) was a reason in increasing the debts burdens in Iraq.

It is also necessary to reduce money waste by strongly fighting the administrative and financial corruption and by putting a strategy for this phenomenon, which has taken the formula of restoring works and projects, but it is considered one of most dangerous issues of the country for its association with corruption and bribe; therefore, it is advisable to be aware and alert by appointing financial and engineering censorship to stop the waste of this money and also by calculating the project cost in an actual manner, and there should be descriptions and features for the projects when they are submitted. Thus, it is necessary to work on how to eradicate the heavy burden on the state and to find appropriate fundamental solutions by encouraging the private domestic economy, supporting this sector, and giving it the priority and significance, as the state should have a part in administrating the economic activities and developing and encouraging the private sector. Thus, the state should prepare the investment climate and trust the private sector by enhancing its role in all of the economic and social activities. Moreover, in order to formulate sound economic policy, it is essential to put a planned strategic vision as well as development plans to use the redundant accumulated money in establishing long term investment projects without being limited to present immediate services such as providing what an individual needs of schools and a number of hospitals, building bridges, or paving the roads. It is also so important to take care of the actual production sectors, such as the agriculture sector and the industrial sector, by saving them from the

collapsing state and by improving the extractive industry sector by making use of petroleum products and reducing their revenues and by making use of the natural gas that, currently, is being wasted. The process of varying production and its development becomes urgent nowadays, as it enables the country to stand up again. On the other hand, there should be interdependence between capital accumulation and the available capabilities such as natural treasures and efficiencies to increase productivity and production, as it is considered part of building a well founded economy. However, the Iraqi economy lacks reasonable planning operation, knowledge, and the skill that is manipulated well. Therefore, what must be taken into consideration that, when putting new developmental plans, the past three decades that Iraq went through should be well considered to get benefit of the country harsh experiences so that it would not fall into the same trap again. Funding should also be directed to the investment aspect and consumption should be reduced, as the country has become consumptive and dependent on the petroleum revenues, which might be so dangerous for it. "Thus, working on increasing the state revenues, getting rid of indebtedness and reforming the country start with the human being and ends with them, as without a wise, considerate, and responsible human being, the development efforts remain artificial, vulnerable, and lacking self -identification in roots that are reality- related.

In sum, the development process and the actual reformation in the country start with the perception of the natural correlation of the economic, political, and social issues, as it is not possible to find ways out of the indebtedness dilemma in Iraq without having a political system that is consistent and does not contradict its parts and in order to get to the high levels of building because there are presentations and discrepancies in the views of the political entities that form the structure of the government currently and in the future, as these views hinder the development process. Thus, there should be "a reasonable and philosophical vision that intermingles between the necessities of the existence of the state's act and its role in the spread of the economic situations and the release of free initiation spirit as it is the corner stone in the real building." Undoubtedly, discussing the fundamental treatments to solve problems is never an easy thing if we regard the circumstances that

Iraq is living in, but it was necessary to highlight the outline to work with.

6. Conclusions and Recommendations

The findings confirmed that strategic and manufacturing flexibility, and the efficient supply chain management system positively influence supply chain agility. However, strategic flexibility has a direct and significant influence on economy situation while manufacturing flexibility does not. Furthermore, supply chain agility plays an important role in mediating the effects of both strategic and manufacturing flexibilities on economy performance. The findings of the present study add to the understanding of supply chain management, with a focus on supply chain agility in the Iraq economy.

The lowering of the Iraqi domestic savings and enlarging the gap between consumption and saving. Iraq relies on petroleum exportation for its savings; therefore, to compensate the shortage of domestic resources, this country resorts either to monetary issuance or to external borrowing.

As we notice during the eighties of the last century, Iraq spent money on the Iraqi-Iranian war, and as a result, this funding led to a deficit in the general budget that consequently led the Iraqi state to resort to borrowing from the outside, which widened the indebtedness volume. Similarly, during the nineties of the last century and due to the sanctions that were imposed on the country at that time, Iraq also resorted to borrowing, which led to monetary issuance that led to raising inflation and to be an acute kind of inflation, as the country is suffering from inflation state to this moment, in spite of the serious treatments that are followed to solve it.

Iraqi economy will continue to suffer because of its dependence on the reformation policy of the International Monetary Fund without considering the political and social dimensions, which would affect and deepen the indebtedness state. Sometimes this state is reflected in the form of political and social unrest and the country's staying a follower and dependent on the International Monetary Fund, a situation that would serve globalization through the conditions that the Fund put to treat the economic failures.

The weak financial management and the difficulty of adjusting the revenues and directing them into the right direction from an economic and social point of view.

6.1. Second: Recommendations

1. Rationalizing the general funding, directing it into the right direction, and spending it according to the actual requirements of economy and away from all types of wasting and losing.
2. Depending on the ways of the economic policies that aim at getting rid of the indebtedness problems.
3. Giving the private sector a role to participate in the economic activities and giving it the space to work in development opportunities, particularly, in the fields that the state cannot achieve success in.
4. It is necessary to reduce money waste by strongly fighting the administrative and financial corruption and by putting a strategy for this phenomenon, which has taken the formula of restoring works and projects, but it is considered one of most dangerous issues of the country for its association with corruption and bribe.

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