

Original Research Article

The Knowledge Economy is a Tool to Attract Foreign Direct Investment with Special Reference to Iraq

Prof. Dr. Adnan Mnati Salih^{1*}

¹College of Business Administration / Al-Bayan University

***Corresponding Author:** Prof. Dr. Adnan Mnati Salih

College of Business Administration / Al-Bayan University

Article History

Received: 18.11.2025

Accepted: 10.01.2026

Published: 14.01.2026

Abstract: Since the 1970s, human thought has witnessed major transformations found in the emergence of new concepts such as the knowledge economy, sustainable development and globalization in its new guise, and then the digital economy in the mid-1990s. In addition, foreign direct investment has emerged as an economic activity and one of the aspects of international relations and is consistent with these transformations. The research included four topics, the first of which is something in the concept of the knowledge economy, the second is something in foreign direct investment, the third is the knowledge economy as an engine to attract foreign direct investment, and the fourth is Iraq between the knowledge economy and attracting foreign direct investment. The research came out with conclusions, including that the development of human capital is the key to the knowledge economy and the main engine to attract foreign investment, and then Iraq's lack of elements of the knowledge economy was a major disruption to attracting this investment, especially administrative and financial corruption and the faltering dealing with information and communication technology. The most important of the research recommendations was the need for an educational, scientific, research, technological, informational and digital environment to support creativity, innovation and invention, as well as the need to establish a supreme council for the knowledge economy in the state, and also the formation of e-government as the starting point for the knowledge economy and make this prevail all the activities of state institutions, as well as ensuring the availability of the appropriate investment climate.

Keywords: Knowledge Economy, Foreign Direct Investment (FDI), Human Capital Development, Iraq Economy, Sustainable Development.

INTRODUCTION

Since the 1970s, human thought has witnessed new concepts that have led to major transformations in the world, most notably the knowledge economy as part of the knowledge society, which is other than the traditional economy (which depends on natural resources, agriculture and traditional industries), and as a new system that adopts modern technology and the information and communication revolution that develops human capital in creativity, innovation, invention, electronic management and popular participation in decision-making and decision-making. These transformations have made countries seek to develop a knowledge environment attractive to foreign direct investment.

The Importance of Research:

The importance of research comes from the fact that the two variables (knowledge economy and foreign direct investment) are among the contemporary topics that have been addressed by few studies and research compared to other topics. This importance also comes from the role played by the knowledge economy as a tool for development in many countries of the world. Moreover, this importance comes from the role that this economy can play in this development in contemporary Iraq.

Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

CITATION: Adnan Mnati Salih (2026). The Knowledge Economy is a Tool to Attract Foreign Direct Investment with Special Reference to Iraq. *South Asian Res J Bus Manag*, 8(1), 17-26.

The Research Problem:

The lack of a knowledge economy system in most developing countries, including Iraq, which leads to the faltering and failure of their development, especially in Iraq, which was and is still witnessing an economic reality.

Deteriorating economic and non-economic challenges and problems that hinder foreign direct investment and thus its sustainable development.

Research Objective:

Formulating a knowledge economy system that leads to attracting foreign direct investments in the developing world, especially in Iraq, and achieving development and progress.

The Research Hypothesis:

The knowledge economy is a tool and engine for attracting foreign direct investments in the developing world, including Iraq, as well as achieving development and progress.

RESEARCH METHODOLOGY

The research is based on the descriptive and deductive analytical approach that is in line with the nature of this research in studying and analyzing the importance of the knowledge economy for the developing world and its role in attracting foreign direct investments, especially in Iraq. The research included four topics, the first is something in the knowledge economy, the second is something in the concept of foreign direct investment, the third is the knowledge economy as an engine to attract foreign direct investment, and the fourth is Iraq between the knowledge economy and attracting foreign direct investment.

The First Topic: Something in the Concept of Knowledge Economy

The reading of human history shows that man has been able to overcome the various difficulties and problems of life, find solutions to them, and build a system for satisfying his needs, using many abilities and means and advanced by reason and knowledge as the basis for thinking and education. This topic will include the concept of the knowledge society, then the definition of the knowledge economy and its importance, then the elements and mechanisms of this economy as the components and then the challenges facing it.

1. The concept of the Knowledge Society:

Knowledge is defined as a human act that is generated in the mind of man, and it is present, accumulated and organized. Knowledge has evolved over the ages with the development of man's needs and perceptions based on his intellectual abilities and skills. This means that human capital is one of the most important characteristics of the knowledge society, which contributes significantly to creating the added value of this society [1]. Knowledge in its contemporary concept has grown rapidly and significantly in all its technological branches, Internet service, social, political and environmental life, as well as the economy, due to the impact of a number of factors, most notably the following:

- A. The emergence of globalization in its new guise, which removed economic, information, cultural, scientific and technological boundaries [2]. It has made markets, goods and services more global, and the world has become an economic, cultural, technological and information village, which has led to the growth of knowledge networks in all its branches.
- B. The tremendous developments in the social, educational and economic fields due to the change that has taken place in the acquisition of education, experience, skills and rehabilitation, such as the shift from traditional education to technical education.
- C. Growing rates of return of knowledge in added values, especially due to the impact of the growth of human capital in the production of goods and services.

2. Definition of the Knowledge Economy and Its Importance:

The development of human and social needs has led to changes in all fields of life that the world has witnessed since the beginning of the second half of the last century, and has led to major transformations in the concept of the traditional economy that used to work in the quadrant of factors of production (labor, capital, land, Management) to the concept of the knowledge economy, which increases the effectiveness and efficiency of these factors , by adding other factors that increase the creation of added value, especially the factors of advanced technology and the information and communication revolution. This means that the knowledge economy is a globally open economy that relies on knowledge inputs that add value to human wealth and society by improving performance and increasing productivity. In other words, it leads to increasing the production of goods and services, addressing unemployment and changing the economic structure that supports export. In addition, it leads to attracting foreign investments. Therefore, what happens in the knowledge economy will increase the effectiveness of life activities, especially economic, social, cultural, educational, political and environmental activities.

3. Elements and Mechanisms of the Knowledge Economy:

The knowledge economy depends on a set of elements and mechanisms, as the components of this economy, and they are concentrated in the following:

1. Building human capital, which is the most important in the components of this economy, which depends on education, training and qualification that raise skills and promote decent job opportunities in order to achieve the desired construction of renewable and developed human capital.
2. Availability of information and communication technology and Internet networks in the economic activity producing goods and services, which leads to (creativity, innovation and invention), thus contributing to the development of the economy through increasing investment rates in research and development.
3. The growth of e-governance, popular participation, social change and the promotion of transparency, through the digital economy (which has been in common use since the mid-1990s), which is an effective part of the knowledge economy.

As for the mechanisms of the knowledge economy as a key system for the development of economic activities, especially the production, distribution and consumption of goods and services, as well as other activities in the social, cultural, political and environmental fields, they are as follows:

- Human development, by raising the efficiency of knowledge, skills, experience and qualification [3], in line with technological knowledge growth, as human resource development is the key to the knowledge economy.
- Technological progress, as the main factor of the knowledge economy [4], through the growth of the knowledge and science system, based on the triad of this progress (creativity, innovation and invention).
- Supporting renewal and modernization methods to increase competitive efficiency and cumulative effectiveness.
- Digital infrastructure and its pillars support the digital economy.
- Legislation and supporting institutions.
- Increasing investment rates in research and development, to bring about a change in the economic structure in the light of knowledge and technological development.
- Creating electronic change in the government administration (e-government) and business organizations to facilitate the daily administrative operations of government institutions among themselves and with citizens.
- Spreading the values of democracy, especially through the adoption of popular participation in decision-making and decision-making.

The transition to the information age through the use of the universality of the Internet and the facilitation of dealing with it through telephone and television communication networks.

Social change, through integration and coordination between various educational, social, economic and political sciences and policies.

Therefore, these elements and mechanisms lead to an understanding of the role of the knowledge economy as the main influencer in the revitalization of all economic activities and other fields of life. United Nations reports estimate that knowledge economies account for in the first decade of the current century, increasing its value on average (17%) of global GDP and growing at a rate of between (10-15%) annually, which is the highest growth rates compared to traditional economies, and this percentage is expected to grow to reach about (90%) of global GDP in the second decade of the current century [4].

4. Challenges Facing the Knowledge Economy:

They can be focused as follows:

- A. Lack of legislative and institutional environment in dealing with this economy.
- B. Lack of ICT infrastructure and digitization.
- C. Lack of research and information centers.
- D. Weak awareness and digital culture in society.
- E. Lack of political, security, economic and social stability.
- F. The migration of minds and competencies out of the country.
- G. Administrative and financial corruption in state and community institutions.

The Second Topic: Something in the Concept of Foreign Direct Investment

The economic history of the development of countries, especially economically, has proven that there is no serious development without investment by the state as well as foreign investment. This topic will include something in the requirements of development, then the objectives and determinants of foreign direct investment, then the benefits and disadvantages of foreign direct investment.

1. Something in the Development Requirements:

Economists have traditionally studied economic development as a necessary need for all societies, especially the developing ones. It leads to an increase in productive capacity, not only quantitatively, but also means a structural change in the developing economy, in the sense of a change in the relative importance of economic sectors and activities that leads to a rise in the real national income of the country during a certain period of time and the development of the standard of living of the population. The process of economic development depends on the basic elements of resource development, adaptation of natural resources, capital formation and technological progress and modernization.

1. Human resources development, as the vital and effective element of economic development, at the quantitative level, raising awareness and supporting the process of family planning and birth control in developing countries facing the population explosion is an important issue that the development process needs along with the qualitative aspect. Such as improving the health situation, combating illiteracy, developing education, training and qualifying workers and improving the nutritional status, which leads to higher productivity due to their increased ability to use capital more efficiently and effectively [5], and this can be achieved through foreign direct investment.
2. Adapting natural resources for development, and it is concentrated in owning arable land, and transforming minerals and wealth in terms of their abundance and diversity into an effective element in the development and modernization of the economy. Therefore, investing them economically and efficiently makes them a tool for successful development, and this can be achieved through foreign direct investment.
3. Capital accumulation, where capital is an essential factor in the development of developing countries, because these countries suffer from the smallness of their national savings and thus the scarcity of capital. Including developing countries that possess oil wealth or other minerals that control their economies. This means that these countries need capital formation, so foreign direct investment is one of the tools to compensate for the small savings capital.
4. Technological progress, which most economists consider the most important element of economic development, which developing countries lack. Therefore, receiving the arts of science and technology leads to the development of human resources and the adaptation of natural resources to serve the process of economic development. This can be achieved through foreign direct investment.

According to the above, foreign direct investment helps to develop the basic elements of economic development, especially human resources and natural resources, and transfers administrative, organizational and technological knowledge to the host country of this investment [6].

It should be noted that foreign investment is classified into two types, the first is direct investment and the second is indirect investment. The first refers to the transfer of capital and the modern management of technology by a natural or legal person to the host country for investment, which works according to many cases, including the following:

- A. The state of absolute ownership of the economic project that imposes its full effective control over management and organization, through the establishment of a new company in the host country or a branch of a company or factory affiliated with the parent company (multinational).
- B. The case of the participation of foreign direct investment with private or public national investment, and here the management of the investment project is shared either equally or unequally.
- C. Using the undistributed profits of the foreign investor by reinvesting them in the host country itself.
- D. The second type of foreign investment is in securities, and this type is usually short-term compared to the first type, which is long-term.

2. Objectives and Determinants of Foreign Direct Investment:

The objectives of this investment are focused on achieving mutual interests between the countries related to the investment and are concentrated in the profits obtained from the investment of funds, efforts and technological expertise in the home country of this investment. This is for many reasons, including the advantages obtained as the cheapness of the labor force element, the abundance of raw materials and raw materials, the small transport costs, financial and tax facilities, and the existence of new markets for the disposal of the products of this investment, all of which lead to job opportunities, increased exports, diversification of the economy, and improvement of the balance of payments. In addition, the investment relationship leads to the strengthening of the political relationship of the host country to invest in the home country of this investment.

Achieving these goals is not easy, but there are limitations to this investment, which can be clarified as follows:

- ❖ This investment relationship may lead to interference and influence the host country's political decisions.
- ❖ When the wages of the labor force are high, the cost of the elements of production is high, in a sense that is not encouraging for the establishment and continuation of investment, and vice versa when these wages are low.
- ❖ When the productivity of the workforce is low, it is a factor that discourages this investment, and vice versa when this productivity is high.

- ❖ High inflation rates are an obstacle to this investment, and conversely, when this inflation is desirable, it encourages this investment [7].
- ❖ The small size of the market is a discouraging factor for this investment, and vice versa when this size is large.
- ❖ Policies to restrict foreign trade in the management of the economy, where these policies are discouraging this investment, and vice versa in the case of the prevalence of policies of trade liberalization, reform and opening up to the outside are motivating factors.
- ❖ The low volume of exports in the trade balance is a factor that discourages this investment, and vice versa when this volume is high.

Increasing the country's indebtedness to the outside world of other countries or international economic and financial organizations such as the IMF and the World Bank is a defining problem for this investment. Because this country is facing the issue of paying part of the debts (installments and interest) at specific times, which makes this country unable to pay it, so it resorts to rescheduling its debts, and this constitutes a heavy burden on its balance of payments and thus restricting the movement of foreign capital to it [8]:

- ❖ The existence of an inappropriate administrative structure (routine), especially in the procedures of incorporation, licensing and access to services, which is a discouraging factor for this investment, and vice versa when this structure is appropriate.
- ❖ Weak banking facilities and low interest rate in commercial banks, it does not help to attract foreign direct investment, and vice versa in the case of these facilities and high interest rate.
- ❖ Weak political and security stability is a determining factor for this investment, and vice versa when this stability is strong.
- ❖ The spread of administrative and financial corruption in the State constitutes a repellent factor for this investment.
- ❖ The spread of outdated social values is a factor that hinders this investment.
- ❖ The stability of legislation and its suitability for this investment is a motivating factor [9], and conversely, instability is a discouraging factor.

3. Benefits and Disadvantages of Foreign Direct Investment:

The characteristics that distinguish developing countries make the issue of their economic development one of the difficult issues facing complex problems and challenges, and therefore they need a development strategy consistent with their characteristics, especially the lack of capital, in light of the prevalence of the contemporary global phenomenon (economic globalization). All this makes foreign direct investment as one of the mechanisms of international relations a need that must be dealt with as a result of the benefits it achieves for the host country. At the same time, it is necessary to know the disadvantages that this investment creates.

A. The Benefits of Foreign Direct Investment, Which Are Concentrated in the Following:

Firstly: It leads to an increase in GDP in the host country for this investment and an improvement in the quality of products, especially in joint economic projects as subsidiaries of multinational companies with companies of the developing country or through the establishment of new projects for foreign companies in the host country, which is characterized by high quality specifications and the advantages of economies of scale. This leads to the opening of global markets to these products, which in turn leads to increased economic growth rates and then increase average per capita income and improve the standard of living. In addition, it leads to the development of economic sectors and activities with high productivity, and modifies structural imbalances in the economic system. Therefore, this investment stimulates local investment through the effects of industrial links, i.e. the purchase of local products and equips them with intermediate inputs [10].

Second: This investment leads to the development of the infrastructure of the economies related to the geography of this investment, such as roads, bridges, buildings, transportation, communications, education and health services, which constitute the pillars of economic growth.

Third: This investment creates jobs and lowers unemployment, thus developing the human resource.

Fourth: This investment provides hard foreign currency through the products of this investment's export-oriented projects that are competitive in global markets and this is reflected positively on the trade balance of the host country of the investment and thus on its balance of payments.

Fifth: Leads to scientific and technological progress in the host country, as this progress is an important factor in the production process, and this progress is obtained through the provision of a package of production and marketing systems and methods and technical knowledge, especially if technology goes to the transformative economic sectors. It should be noted that the transfer of technology is not an easy matter, but is related to the issue of keeping it under the control of multinational companies and their countries and not on the basis of the interests of the developing country.

Sixth Step: This investment leads to the acquisition of skills, administrative experience and organizational capabilities in the developing country.

Seventh: Transferring the expertise of developed banks in the countries related to this investment to the banks of the host countries.

Regarding the disadvantages of FDI on the host developing country, this can be illustrated by dividing it into economic and non-economic disadvantages.

The Economic Disadvantages Are as Follows:

Firstly: In terms of the profits received by the companies of this investment, this motivation for investment may make it move towards non-core economic projects of the host developing country such as food consumption projects, and may displace basic economic activity.

Second: The exit of these profits from the host developing country for investment and perhaps the withdrawal of capital may lead to financial and economic crises in it. A good example of this is what happened in the Asian Tiger countries in the late twentieth century after the rapid withdrawal of foreign capital from them, and as a result, the loser is the host developing country.

Third: The use of capital-intensive production by foreign companies, especially in the host developing country with a high population density, does not lead to addressing unemployment and providing job opportunities, and may lead to an increase in the size of unemployment.

Fourth: This investment creates burdens on the host developing economy, such as the transfer of profits and the transfer of part of the salaries of foreign workers to their countries, which is a burden on the resources of foreign exchange and on the balance of payments.

Fifth: If the climate of this investment in the host country is large compared to the size of the wealth of this country, it may lead to foreigners controlling a part of the national wealth of this country, and it can lead to the exercise of economic influence in cooperation with social and political groups who are beneficiaries of this investment.

As for the Non-Economic Disadvantages, They are Concentrated in the Following:

Firstly: The political disadvantages of diminishing sovereignty and possibly influencing political decision occur when foreign direct investment is of a large size compared to the size of wealth in the host country, and a good example of this is foreign oil investment companies.

Second: The social disadvantages that occur as a result of this investment, which may lead to the creation of social groups linked to major foreign companies or may create a social consumption pattern that intersects with the social environment of the host country.

Third: The technological disadvantages of investment companies transferring a certain type of technology that is not suitable for the characteristics of the host country, in the sense that the technology used is in accordance with the strategy of those companies and not in accordance with the needs of the host country.

The Third Topic: The Knowledge Economy Is an Engine to Attract Foreign Direct Investment

Based on the content of the first and the second, it is clear that the knowledge economy is a key driver in the process of attracting foreign direct investments, especially as this economy is a continuous and renewable mobility system that combines economic, political, social, technological and environmental needs, and takes into account current human needs without prejudice to the rights of subsequent generations, and the starting point of this system is the development of human capital. Therefore, it is a long-term system that contains medium and short-term plans that ensure efficiency, effectiveness and justice in the use of available resources (human, natural, technological and information) based on creativity, innovation and invention, and in a way that increases human wealth, which is based on more investment, especially foreign direct investment. Thus, the system of this economy is one of the most important.

Drivers of attracting this investment and achieving development and progress through the following:

1. Enhance the competitiveness and competitive environment by investing in research and development, education and technology so that it is a supportive environment for creativity, innovation and invention, which provides an attractive environment for global companies.
2. Improve business efficiency by adopting digital infrastructure and using modern technology such as artificial intelligence to raise productivity and reduce production costs.
3. Ensuring stability in various fields of life in light of sustainable growth and the existence of a developed institutional and legislative framework, which gives confidence to foreign investments.
4. Creating new markets based on innovation in the production of goods and services, where the presence of startups and incubators as a fertile environment for the development of this production and thus encourage the attraction of these investments.
5. The existence and growth of digital infrastructure (based on the digital economy) such as high-speed Internet, data center, smart cities and e-government.
6. Facilitating integration into the global economy and global digital trade, which facilitates the entry and exit of foreign direct investment.

Thus, the role of the knowledge economy system in promoting these investments is clear. Through this system, many countries, such as Singapore, Ireland and the United Arab Emirates, have been able to become regional and global centers to attract major foreign companies.

It should be noted that under the current international circumstances and characteristics of developing economies, economic development is no longer limited to raising annual economic growth rates, but mainly means overcoming economic, social, cultural, political and environmental underdevelopment before dealing with foreign direct investment and also with the presence of such investment in the country.

It is clear from the negative characteristics of the majority of developing countries, such as lack of capital, the problem of worsening indebtedness, the widespread state of poverty, the weakness of the technological level, and the deterioration of education and health services, that they are not only indicators of economic underdevelopment, but also social and political Cultural and technological. The export of existing capital from advanced capitalist countries makes it an essential driver of serious development, especially in light of the new global phenomenon (globalization) in the fields of economy, communication, culture and technology.

It should be noted that international circumstances and the characteristics of developing countries require a strategy for development and progress in developing countries based on foreign direct investment.

This strategy focuses on a number of issues as an entry point for dealing with this investment, the most prominent of which are the following:

- A. Developing countries adopt the policy of economic reform and opening up towards the outside , with the adoption of government controls or restrictions to achieve an orderly market economy system that is compatible with the specificity of the developing country instead of relying on the central planning system of the economy, which has proven to be a failure ,as the reform and opening up policy provides many economic, environmental and investment advantages for foreign capital, technological progress and skilled labor.
- B. Adoption by developing countries of a priority system that achieves many economic advantages and in other fields when using foreign direct investment in their development.
- C. Diversifying the economy by adopting industrialization as a complement to agricultural activity and relying on its outputs and supporting it in its development and modernization, because raising the productivity of this activity is done using machines, techniques, fertilizers and others, in order to achieve the link between the various sectors of industry, agriculture and foreign trade, which leads to the revitalization of exports that provide hard foreign currencies needed by the process of development and progress.
- D. Dealing with and developing the arts of technology, through scientific and technical research centers and importing what is appropriate for the developing country.
- E. Removing obstacles to development of an educational, health and social nature, and changing what is hindering and replacing it with what is supportive of this development. In particular, the establishment of infrastructure for the economy, such as the sectors of storage, housing, potable water projects, sewage and electric power.

It should be noted that the volume of foreign direct investment destined for developing countries has witnessed.

A major development in the post-World War II period centered on the extraction and production of natural resources, especially mineral resources, especially oil, which had negative effects on sovereignty and economic and political stability, and then this investment witnessed increasing rates in the sixties, seventies and eighties of the last century. It is noted that in the 1990s and the first decade of the current century, this investment witnessed accelerating rates in developing countries, where it increased from (51,5) billion US dollars in 1992 to (165,9) billion dollars in 1998 , then to (175,1) billion dollars in 2003, and then to (334) billion dollars in 2005 [11].

This means that this flow of capital has doubled during the period (1992-2005) about six and a half times, and the United States is in the forefront of exporting countries for this flow. The World Bank estimates that the total flows of this investment in 2023 amounted to (435) billion dollars.

The Fourth Topic: Iraq between the Knowledge Economy and Attracting Foreign Direct Investment

Iraq is one of the developing countries whose economic and other fields of life suffer from problems and crises, especially after the last five decades witnessed extraordinary circumstances such as wars, siege, occupation, sectarian war and war against ISIS. These circumstances made it far from the knowledge economy and from attracting foreign direct investments, which make it the necessary solution to satisfy human and societal needs.

This topic will include the economic and development reality and its problems, then the efforts and policies in the economic sector and other sectors that are necessary for the achievement of the knowledge economy and the development of the economy through blessed foreign investment.

It should be noted that Iraq has a rich resource base (human and natural), especially oil, gas and other minerals, as well as arable land. These resources constitute essential inputs for a solid and diversified economy and an advanced agricultural industrial base, but the development process is based not only on the resource base, but also on other basic factors such as efficient economic policies, an appropriate internal political framework and a cooperative regional and international external environment [12].

It is clear that these three factors since the middle of the last century have not been available at a level that makes the resource base a solid base for serious development. However, the economy has achieved acceptable development, which was reflected in achieving an acceptable high economic growth rate for GDP during the period (1953-1959) at constant prices of about (6.4%), but it reflects the growth of the oil extractive sector associated with external economic and political variables, and does not reflect the role of the basic commodity sectors in development, such as manufacturing and agriculture. Then this rate in the explosive development plan (1976-1980) at constant prices reached about (7.2%) of that plan, which made the issue of human resource development one of the priorities of its curriculum, so the development process came with economic and social content, but with a perspective that lacks the technological factor in civil economic life with few exceptions.

What is noticeable in the seventies of the last century, which witnessed the beginnings of globalization and the idea of a knowledge economy, is that Iraq, with its central economic approach, has dealt with these variables with some fear for its experience, especially in many issues such as the cautious and sometimes negative attitude towards this globalization and the importation of information and communication technology with minor exceptions in the economic field and military manufacturing. There has been a clear interest in the development of the human resource through higher education (whether by sending Iraqi students to complete their higher studies outside Iraq, holding educational courses for administrative leaders in higher academic institutions, and stimulating scientific research in educational institutions).

Then came the stage (1980-2003), which witnessed wars and siege, which led to the disruption of the development of human resources, the loss of financial capacity, the deterioration of economic capacity, the destruction of part of it, the cessation of most of its operations, and the occurrence of pollution of the environment (soil, water, air). The external debt crisis, which reached about (125) billion US dollars in 2003, worsened after Iraq's reserves had reached about (30) billion dollars in 1980. As well as the exacerbation of the problem of inflation in the price level and a serious deterioration in the exchange rate of the Iraqi dinar. In the 1990s, the country witnessed privatization policies, the encouragement of the private sector, the policy of opening up, and the establishment of the Baghdad Stock Exchange in 1992. Those and other policies formed simple precursors to the knowledge economy.

In the post-2003 period, the Iraqi economy witnessed the destruction of most of its structure that existed before the occupation, and then the US occupation authority issued laws and measures to transform the economy from its centralized form to a market economy system, despite the fact that it does not have the elements of this system, especially the abundance of production [14]. Iraq has become economically open to the world, especially information and communication technology, and foreign investments have been invited to work in Iraq, customs taxes have been abolished, borders have been opened to the flow of various goods and services, and the local market has been flooded with poor consumer goods, and other laws that have exacerbated economic and non-economic problems and crises, deepening the deterioration of economic capacity and halting the development process, especially in the manufacturing and agricultural sectors, and wasting economic resources and billions of dollars during the period of the US civilian governor (Paul Bremer) [15]. The phenomenon of administrative and financial corruption is widespread in state institutions.

Thus, the economic and non-economic problems increased and deepened after the occupation of the city of Mosul and other lands by Daesh in mid-2014 until July 2017, which had serious effects on financial resources, economic capacity and the issue of development, especially the increase in war spending.

In general, we can identify the most prominent reasons for the weakness of the knowledge economy and thus the weakness in attracting foreign direct investments as follows:

1. The failure to develop the human resource, and this is indicated by the 2009 Arab Knowledge Report, which described Iraq as one of the countries unable to achieve sustainable development and was ranked in the World Human Development Report (132) [16].
2. The continuation of the characteristic of the unilateral economy, which is expressed in the value of GDP in the crude oil extraction sector, which is evident in the percentage of the contribution of this sector to this output, which reached (60%), and the dependence of public revenues on the revenues of this sector, which amounted to

more than (90%) , which constituted a structural imbalance in this economy, which led to the exacerbation of unemployment rates, which reached more than (30%) and the expansion of poverty among its population.

3. The low level of education in its various stages in quantity and quality, until the ranking of Iraq (130) Globally, according to a study conducted by the British Legatum Institute [17].
4. Weakness in dealing with ICT despite Iraq's openness to the world.
5. Weakness of how the tools of the knowledge economy are transmitted, which negatively affects foreign direct investment.
6. Weakness in the level of creativity, innovation and invention, which is evident in the limited research and development centers and their low level of performance.
7. The weakness of the local investment environment for reasons foremost of which is the weakness of the security guarantee to attract it.
8. The extreme weakness in the development of the environment, which is evident in the scarcity of fresh water, especially in the province of Basra, and the expansion of the phenomenon of desertification, land degradation and deforestation, especially the slender.
9. The spread of the phenomenon of administrative and financial corruption in state institutions, which significantly weakened the knowledge economy and the investment environment.

It should be noted that Iraq issued the Iraqi Investment Law No (13) of 2006, which aims to encourage foreign investments and the transfer of modern technologies to achieve development. Amendments were made to this law in 2010, 2015 and 2016 in order to further attract foreign investments.

Based on the above, it is necessary to adopt efforts and policies in order to achieve the knowledge economy and promote foreign direct investment, through the following mechanisms:

1. Creating a stable political and security environment, and the development of a political context based on the mechanisms of democracy and justice.
2. The growth of institutional legislative systems and governance based on transparency, accountability and law.
3. Adopt planning as a means of producing a knowledge economy.
4. The growth of effective systems for the development of human resources, especially through education.
5. The growth of effective research and development systems that maximize science, scientists, creativity, innovation and invention.
6. Growing networked ICT infrastructure.
7. The growth of tight and rigorous quality assessment systems.
8. The existence of an electronic structure in the country, the key to which is e-government.
9. Creating an attractive investment environment for foreign investment, especially building a complete land transport system such as modern roads, bridges and railways, and linking all areas of Iraq.
10. Fighting administrative and financial corruption as the other side of terrorism and one of the most prominent reasons hindering the knowledge economy and foreign direct investment.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Human capital development is the key to the knowledge economy and the primary engine for attracting foreign direct investment.
2. Iraq's lack of elements of the knowledge economy has been a major disruption to attracting foreign direct investment.
3. Foreign direct investment has an important role in the process of economic development and its success, as well as in the process of scientific, technological and administrative modernization.
4. Administrative and financial corruption as the main disruptor of the knowledge economy system in Iraq, as well as the disruption and stumbling of dealing with ICT and digitization.

Recommendations

- The need for an educational, scientific, research, technological, information and digital environment to support creativity, innovation and invention, as the main means of human resource development.
- Establish a Supreme Council for the Knowledge Economy in Iraq.
- Accelerate the formation of the e-government, and make it universal for all state institutions in Iraq.
- The need for an appropriate investment climate, especially political, security and social stability in the country.
- Combat administrative and financial corruption in state institutions.

REFERENCES

1. Dr. Mohsen Ahmed Al-Khudairi , Knowledge Economy, 1st Edition , Nile Arab Group, Cairo, 2001 ,p. 46
2. Dr. Walid Ramez Arbid , Globalization between Culture and Economy , Dar Al-Maha, Beirut , 2013 , p. 7
3. Dr. Ismail Obaid Hammadi , The Applied Importance of Human Development Indicators, Studies in Sustainable Human Development in the Arab World ,Beit Al-Hikma , Baghdad, 2000 , p. 31
4. Dr. Amal Shalash, Sustainable Human Development, Public Perspective and Privacy Perspective, Studies in Sustainable Human Development in the Arab World , Beit Al-Hikma , Baghdad, 2000 , p. 31
5. Samuelsen , Nord House , Economics, Library of Lebanon Publishers, 1st Edition , Beirut, 2006 , p. 613 (6)d.
6. Abbas Jabbar Al-Sharaa , The Role of Foreign Direct Investment in the Arab Industrialization Movement, A Study of the Positive Side of Foreign Direct Investment, Journal of Economic Sciences, University of Basra , Faculty of Management and Economics, Issue (17) , January 2006 , 44
7. Dr. Adnan Manati Saleh , Money, Banking and Monetary Policy, Memory for Publishing and Distribution , Baghdad, 2024 , p. 168
8. Mufid Thanoun Younis , Dinar Ahmed Omar , Determinants of Foreign Direct Investment in Selected Arab Countries, Future Research, Center for Future Studies at Al-Hadbaa University College, Mosul , Issue (15) July 2002 ,p. 103
9. Dr. Omar Miftah Al-Saadi , Investing in Libya and Sustainable Development, Journal of the Baghdad College of Economic Sciences University , Special Issue of the Fourth Joint Scientific Conference, April 2014 , pp. 99-100
10. Dr. Hanaa Abdul Ghaffar , Foreign Direct Investment and International Trade, China as a Model , Beit Al-Hikma , Baghdad , 2002 , p. 14
11. Dr. Kamal Abdel Hamid Al-Ziadeh, Foreign Direct Investment – Benefits and Disadvantages , Ahl Al-Bayt Magazine, Ahl Al-Bayt University, Seventh Issue, March 2009 , p. 83
12. Dr. Abdul Moneim Al-Sayed Ali, The Iraqi Economy: Where to? Reflections and Aspirations, Arab Future Magazine, Issue 228,1998 , p. 68
13. Ministry of Planning, Economic Planning Commission, Analysis and Evaluation of the Reality of the Development of the Iraqi Economy up to 1983,Study No. (99) October 1985, p. 10
14. Dr. Adnan Manati Saleh , Economic Reform as a Tool for Development and Meeting the Current Challenges in Iraq – Analytical Study, Journal of the University of Baghdad College of Economic Sciences, Special Issue of the Sixth Scientific Conference, December 2015 , p. 122
15. Kawthar Abboud Al-Rubaie, Iraq Funds and American Mismanagement, Securities , Center for International Studies, University of Baghdad, Issue (142) , March 2005 , p. 1
16. Dr. Fares Karim Brehi Al-Hassani, Dr. Iman Abdul Khudair, The implications of sustainable human development in the Iraqi economy, Analytical study, Journal of the Baghdad College of Economic Sciences, University, Special Issue of the Fifth Scientific Conference, October 2014 , p. 31
17. Dr. Ahmed Hashem Al-Saqal, Requirements for Sustainable Development in Iraq ,The Role of Resource Management in Achieving Sustainable Development, Journal of the Baghdad College of Economic Sciences University, Special Issue of the Sixth Scientific Conference, December 2005, p. 325