



T.C.

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**THE INVESTMENT STRATEGY FOR ESTABLISHING
AND ACTIVATING FREE ZONES IN
DUHOK / KURDISTAN REGION**

Prepared By

Mohammed S.ALDIN JA. ALDIN AL-BRAIFKANI

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Supervisor

Assist. Prof. Dr. Nazif DEMİR

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YATIRIM STRATEJİSİ VE YATIRIM STRATEJİSİNİN
DOHUK / KURDISTAN BÖLGESİNDE SERBEST BÖLGELERİN
KURULMASI VE ETKİNLEŞTİRİLMESİ ÜZERİNDEKİ ETKİSİ

Hazırlayan
Mohammed S. ALDIN J.A. ALDIN AL-BRAIFKANI

YÜKSEK LİSANS TEZİ

Danışman
Yard. Doç. Dr. Nazif DEMİR

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CONTENTS

	<u>Page</u>
Bilimsel Etik Bildrimi	v
Tez Kabul ve Onay	vi
Önsöz	vii
Acknowledgments	viii
Özet	ix
Abstract	x
List of Tables	xi
List of Figures	xii
CHAPTER ONE (INTRODUCTION)	1
1.1. Introduction.....	1
1.2. Statement of the Problem.....	2
1.3. Purpose of the Study.....	2
1.4. Research Questions.....	3
1.5. Limitations of the Study.....	3
1.6. Definition of Terms.....	4
1.6.1. Investment Strategies.....	4
1.6.2. Foreign Investment.....	4
1.6.3. Local Investment.....	5
1.6.4. Free Zones.....	5
1.7. Significant of the Study.....	5
CHAPTER TWO (LITERATURE REVIEW)	7
2.1. Overview of Investment Strategies.....	7
2.1.1. Introduction.....	7
2.1.2. Investment Concept.....	8
2.1.3. Strategy Concepts.....	12
2.1.4. Investment Strategy Concepts.....	13
2.1.5. Investment Strategy Types.....	14
2.1.5.1. Local Investment.....	15

2.1.5.2. Foreign Investment.....	16
2.1.6. Investment Strategies in Kurdistan Region.....	20
2.1.6.1. Investment Policies.....	21
2.1.6.2. Investment Climate.....	24
2.1.6.3. Investment Opportunities.....	25
2.1.6.3.1. Advantages of Investment in Kurdistan Region.....	27
2.2. Overview of Free Zone.....	29
2.2.1. Itroduction.....	30
2.2.2. Free Zone Concepts.....	31
2.2.3. Free Zone Types.....	35
2.2.4. Free Zone Dimensions.....	38
2.2.4.1. Economic Dimension.....	39
2.2.4.2. Financial Dimension.....	40
2.2.4.3. Investment Dimension.....	42
2.2.4.4. Social Dimension.....	43
2.2.4.5. Political Dimension.....	44
2.2.4.6. Other Dimensions.....	44
2.2.5. Free Zone Requirements.....	45
2.2.5.1. Infra-Structure Requirements.....	47
2.2.5.2. Economic Requirements.....	47
2.2.5.3. Stability Factors Requirements.....	47
2.2.5.4. Organizing & Managerial Requirements.....	48
2.2.5.5. Resources Availability Rrequirements.....	48
2.2.5.6. Incentives & Advantages Requirements.....	49
2.2.5.7. Other Requirements.....	49
2.3. Turkish Free Zones.....	50
2.4. Zakho City.....	52
2.5. Ibrahim Al-Khalil.....	54
2.6. The Available Factors for the Free Zone in Duhok.....	55
CHAPTER THREE (RESEARCH METHODOLOGY).....	58
3.1. Introduction.....	58
3.2. Research Design.....	58

3.3. Research Framework.....	58
3.4. Research Hypotheses.....	58
3.5. Population, Sampling, and Sample Size.....	59
3.6. Research Instruments.....	60
3.6.1. The Tests of the Questionnair.....	61
3.6.2. Methods of the Statistical Analysis.....	64
3.7. Data Collection.....	65
3.7.1. Primary Data.....	65
3.7.2. Secondary Data.....	65
3.8. Data Analysis.....	66
3.9. Description of Surveyed Organizations.....	66
3.10. Questionnaire Distribution.....	66
CHAPTER FOUR (DATA ANALYSIS).....	68
4. RESULTS DISCUSSION.....	68
4.1. Demographic Characteristics of Participants.....	68
4.2. The Description of Study Variables.....	71
4.3. Statistical Test of Hypotheses One.....	73
4.4. Statistical Test of Hypotheses Two.....	75
4.5. Statistical Test of Hypotheses Three.....	78
CHAPTER FIVE (CONCLUSIONS AND RECOMMENDATIONS).....	83
5.1. Conclusions.....	83
5.2. Recommendations.....	85
REFERENCES.....	88
APPENDIX.....	95
Appendix 1 (Experts).....	95
Appendix 2 (Questionnaire).....	96
Appendix 3 (Variables of The Study).....	102

Appendix 4 (Variables Discription).....	105
Appendix 5 (The Abbriavation of The Study).....	108
Appendix 6 (ÖZGEÇMİŞ).....	109



BİLİMSEL ETİK BİLDİRİMİ

Yüksek Lisans tezi olarak hazırladığım “THE INVESTMENT STRATEGY FOR ESTABLISHING AND ACTIVATING FREE ZONES IN DUHOK - KURDISTAN REGION” adlı çalışmanın öneri aşamasından sonuçlanmasına kadar geçen süreçte bilimsel etiğe ve akademik kurallara özenle uyduğumu, tez içindeki tüm bilgileri bilimsel ahlak ve gelenek çerçevesinde elde ettiğimi, tez yazım kurallarına uygun olarak hazırladığım bu çalışmamda doğrudan veya dolaylı olarak yaptığım her alıntıya kaynak gösterdiğimi ve yararlandığım eserlerin kaynakçada gösterilenlerden oluştuğunu beyan ederim.

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Öğrencinin Adı Soyadı

MOHAMMED S. ALDIN JA. ALDIN AL-BRAIFKANI

BİNGÖL ÜNİVERSİTESİ
SOSYAL BİLİMLER ENSTİTÜSÜ MÜDÜRLÜĞÜNE

MOHAMMED S.ALDIN JA. ALDIN tarafından hazırlanan “THE INVESTMENT STRATEGY FOR ESTABLISHING AND ACTIVATING FREE ZONES IN DUHOK - KURDISTAN REGION” başlıklı bu çalışma, tarihinde yapılan tez savunma sınavı sonucunda başarılı bulunarak jürimiz tarafından İŞLETME Anabilim Dalı’nda Yüksek Lisans tezi olarak kabul edilmiştir.

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ÖZET

Bu çalışmanın amacı Duhok bölgesinde serbest bölgelere olan ihtiyacı göstermektir. Bu sebeple bu çalışmada bölgenin yerel ve yabancı yatırımcılarının stratejik ve reel durumu göz önüne alınarak serbest bölge yapılması konusu çalışılmıştır. Çok sayıda resmi kurum müdürleri, yatırımcı ve akademisyenlerin görüşlerini almak için özel bir form kullanıldı. Dağıtılan (150) adet formdan (120) tanesinin geri dönüşü oldu, bunların arasında (111) tanesi ise analiz yapabilmeye elverişli bulundu.

Ayrıca çalışma hakkında yeterli cevaplara ulaşmak için yukarıda bahsedilen ilgililerle çok sayıda sözlü mülakat gerçekleştirildi. Sözkonusu araştırma için Sosyal Bilimler İstatistik Programı (SPSS) vasıtasıyla test edilip analizi yapılan çok sayıda temel ve yan hipotezlere kaynaklık eden bu örneklemin ortaya çıkardığı değişkenler arasındaki çeşitli ilişkileri yansıtan varsayımsal bir örneklem kullanıldı.

Hipotez deneylerinin sonuçlarına ulaşmak için çok sayıda deneye başvuruldu. Araştırmanın ulaşılmış olduğu en önemli çıkarım, değişkenler ve araştırmanın yatırım stratejileri ve serbest bölge arasındaki bağlantı ile ekonomik, mali, yatırımsal sosyal, siyasi ve hukuki boyutları ve serbest bölge arasındaki sağlam bağlantıların, büyük ve güçlü etkileşimin var olduğudur. Çalışmanın elde ettiği çıkarımlar sayesinde çok sayıda öneri ve tavsiye ortaya konulmuştur.

Anahtar Kelimeler: Serbest Bölge, Yatırım, Yatırım Stratejileri, Yabancı Yatırımcı

ABSTRACT

This study aims at demonstrating the need of the region and Duhok Governorate to establish free zones. Therefore, the intellectual and field dimensions of this study are based on the realistic perspective of the country depending upon local and foreign investment strategies and how to rely on them in order to establish and activate the free zones. To achieve the required objective, a special questionnaire has been used to express the views of the managers of a number of government organizations, investors and academics. For this purpose, (150) forms were distributed and (120) copies have been returned and (111) forms are valid for analysis, in addition to conducting a number of interviews with the above mentioned personalities to obtain adequate answers to the study. We have used a virtual model for the present study which reflects the different relationships among its variables. From this model, a number of main and secondary hypotheses have been emerged. These hypotheses have been tested and concluded by using the (SPSS) Statistical Software for Social Sciences program. Out of a number of tests it is possible to obtain good results of the hypothesis test. The most important conclusions of the present study are the existence of a strong correlation between the variables and the dimensions of the study concerning the investment strategies, the free zone and the (economic, financial, investment, social, political, legal) dimensions. And throughout the conclusions of the study, a number of proposals and recommendations have been given :

Key Words: Investment Strategy, Free Zone, Local Investment, Foreign Investment

LIST OF TABLES

<u>TABLE No</u>	<u>Page</u>
TABLE 1: The Values Investments Types In Duhok From 2007 to 2017	26
TABLE 2: The Contents of The Questionnaire	61
TABLE 3: Split-Half Reliability Coefficients	63
TABLE 4: Questionnaire Distribution	67
TABLE 5: Sample Gender	68
TABLE 6: Sample Age	69
TABLE 7: Sample Scientific Qualification	69
TABLE 8: Sample Profession	70
TABLE 9: Sample Service in The Profession	70
TABLE 10: The Descriptive Measurements of Variables	73
TABLE 11: Correlation Between Investment Strategies and Free Zone	74
TABLE 12: Coefficientsa	76
TABLE 13: Coefficientsa	77
TABLE 14: Excluded Variables	77
TABLE 15: The Differences According to Gender	78
TABLE 16: ANOVA for The Investment Strategies Variable	80
TABLE 17: Source of Differences by Profession	80
TABLE 18: ANOVA for The Free Zone Variable	82
TABLE 19: Source of Differences by Profession	82

LIST OF FIGURES

<u>FIGURE No</u>	<u>Page</u>
FIGURE 1: Value of Investments Achieved in Duhok Governorate.....	19
FIGURE 2: The Value of Investments in Duhok Governorate.....	21
FIGURE 3: The Values of Investment Types from 2007 to 2016 in Duhok.....	27
FIGURE 4: Value of Investments for the Governorates of Kurdistan Region.....	28
FIGURE 5: Classical Evolution Model of (FEZ) Types.....	31
FIGURE 6: The Regional Types and Systems (FEZ) and Special Model Areas.....	38
FIGURE 7: Free Zones sites in Turkey.....	51



CHAPTER ONE

INTRODUCTION

This chapter includes of Introduction, Statement of the problem, Purpose of the Study, Research Questions, Limitations of the Study, Definition of Terms, and Significant of study.

1.1. Introduction

Technological development, the advent of globalization, the connectedness of the world into a small global village, and the readily access to any place or person around the world easily and through various means, methods, and tools, has increased international competition over attracting foreign investment. This competition for foreign investment is exemplified by the attempts of different countries to reach the levels of development enjoyed by developed countries by the means of developing and strengthening their economies. To survive and thrive in such competitive context some countries created incentives for foreign investment including tax privileges and exemptions, as well as facilitating the transfer of funds to attract such investments. Kurdistan region of Iraq is considered one of the regions and countries that have opened their doors inviting both direct and indirect foreign and domestic investment.

To utilize these investments for the development of the national economy of the region in general and the governorate of Duhok in particular, there is a need for developing new strategies and approaches to optimally benefit from foreign investment by establishing and activating free zones following the practice of many countries around the world that are promoting free zones that contributed to the development of their economies. However, there is an absence of such free zones in the Duhok Governorate, although it possesses the ingredients for potential success of free zones as it enjoys the presence of the ports of Abraham Al Khalil border port on the Turkish border and Fishkhabour port on the Syrian border. The governorate also is a geographical link between those ports and the other governorates of Iraq and has a large area of land all which are requirements for the creation of free zones.

Thus, the present study attempts to link the two very important variables which are (the investment strategies) and (establishing and activating free zones). Therefore, the current study is designed to include five chapters where the first chapter is devoted to presenting the study introduction in terms of the problem statement, objectives, importance and research questions while the second chapter covers the theoretical aspect of the study variables and reviewing the literature pertinent to its subject. The third chapter includes the methodology of the study and the measurement of the variables based on a number of tools and methods. The fourth chapter for data and factor analysis, and the fifth chapter is dedicate to provide the most important conclusions and provides a number of appropriate recommendations as well as proposals of a number of related future studies relevant to the current study.

1.2. Statement of the Problem

The intense international competition attempts of countries to develop their economy and utilize investments for this purpose makes the establishment and activation of the free zones one of the important tools to achieve these goals. However, the lack of free zones in Duhok Governorate despite the presence of foreign and local investments, led the researcher to investigate and trying to propose means to establish and activate free trade zones in the Duhok Governorate by utilizing some of the investment strategies.

Based on the above, a central question of the study is represented by following: "Does the investment strategies contribute to establishing and activating the free trade zones in the governorate of Duhok?"

1.3. Purpose of the Study

The present study aims at providing a theoretical framework of the study variables that combines the contributions of a number of researchers to the subject of these variables with references from scientific sources to enrich the academic aspect of the study and add to the knowledge to the scientific process concerning the study subject, as well as an attempting to answer the formulated questions that reflect the

study's problem statement through the results obtained from the field of the study and investigate the following aspects:

1. Identify the field of the investigated subject diagnosis and determine the extent of the contribution of the investment strategies in establishing and activating free zones.
2. Investigate if there is agreement among the views of the study's sample towards the variables of the study represented by the investment strategy and building and activating free zones.
3. Identify the order of importance put by the study's sample to the variables of the study the main and sub-dimensions for each variable in the study sample.
4. Determine the nature of the correlation between the investment strategies and the establishment and activation of free zones.
5. Identify the nature of the impact of the investment strategies and the establishment and activation of free zones.

1.4. Research Questions

In order to frame the current study problem and identify the appropriate approaches to promote the positive effects of the relationship between the variables of the study and to find appropriate solutions to their negative aspects and reduce them to establish and activate free zones, the following questions were set:

The first main question: Does the investment strategies contribute to establishing and activating the free zones in the governorate of Duhok?

The second main question: Is it probable that the views of the study sample agree concerning variables of the study?

The third main question: Which of the variables adopted by the study, receives more focus of the study sample in the field aspect of the study?

The fourth main question: Is there a significant correlation between the independent variable of the study represented by the investment strategy and dependent variable expressed by establishing and activating the free zones?

The fifth main question: Is there a statistically significant impact of investment strategies on establishing and activating the free zones?

1.5. Limitations of the Study

There are some limitation in this research which need to be noted because of their impact on the results of the study .

First, the researcher faced problem with distributing questionnaires to the study sample. This is because lack of cooperation by managers in in government organizations granting information.

Second, The presence of approximately (39) form has not been returned from individuals to whom the questionnaire forms were distributed, which Indicating a lack of awareness about scientific research.

1.6. Definition of Terms

1.6.1. Investment Strategies

Strategy, in general, refers to how a given objective will be achieved. Consequently, strategy in general is concerned with the relationships between ends and means, that is, between the results we seek and the resources at our disposal. Strategy and tactics are both concerned with formulating and then carrying out courses of action intended to attain particular objectives. For the most part, strategy is concerned with deploying the resources at your disposal whereas tactics is concerned with employing them. Together, strategy and tactics bridge the gap between ends and means (Nickols 2010,2).

Strategic investment decisions (SIDs) are the decisions on investments which have substantial effects on the long term financial and operational performance of companies, and which have a big impact on the competitive advantage of firms. Strategic investments generally have influence on the product or service sets of companies, and geographical scope and dispersion of their operations (Atik 2012.147).

1.6.2. Foreign Investment

Foreign investment by multinational enterprises (MNEs) is considered an important means to achieve economic growth by developing countries. Investors have shown increasing interests in countries with abundance of natural resources that

await extraction and development, especially highly marketable commodities such as oil and gas (Hanna ve Russo-converso 2014.137).

1.6.3. Local Investment

Domestic or Local investment is defined as the investment in which the local economic activity actors, represented by (individuals, enterprises, and the government), direct their savings towards productive (investment) used at home. It is the productive employment of domestic capital by directing savings towards produce goods or services to meet the development needs of the local community and increase its welfare. Local investment can also be considered adding to the wealth of the local community using local capital through means such as establishing factories, farms, buildings, and roads, and other projects that expand the economic balance of society (Galal, 2016, 20). It can be also defined as all the investment opportunities in the local market, regardless of the tools used in this investment such as real estate, gold, commercial projects, etc (Amina & Khadija, 2015: 46).

1.6.4. Free Zones

Free Trade Zones (FTZs) are geographically-defined areas within countries that are intended to provide a barrier-free environment for business, often accompanied by special incentives, for firms considering in zone operations. (FTZs) are an important institution given their success in improving the economic development and international competitiveness of host countries, and also by virtue of their role in the internationalization strategy of business firms (Malhotra 2007,2).

1.7. Significant of the Study

The significance of the current study stems from the importance of its investigated variables and the importance of the study sample through several aspects namely:

1. The academic aspect: The current study gains importance in the academic aspect by investigating two important variables in management literature which concern investment strategy and establishing and activating free zones. As the variables are dynamic in their nature and need continues development, the study attempts to present a theoretical framework for

these variables and to enrich the subject with available scientific references.

2. The field aspect: The importance of the field aspect of the study stems from the importance of the approaches it explores to utilize the investment strategy in establishing and activating free zones and the importance of these areas in the development of the local economy of the governorate of Duhok from one hand and the national economy of the region of Kurdistan from the other hand.
3. The economical aspect: The economic importance of the study stems from the recommendations it attempts to contribute to both Foreign & Local investors as well as local governments.

CHAPTER TWO

LITERATURE REVIEW

2.1. Overview of Investment Strategies

2.1.1. Introduction

Investment is generally a key part of any economy, which was the reason for the progress of developing countries and societies. Also, investment is the only way for undeveloped countries to catch up with the progress and prosperity.

Interest in investment increased generally since the seventies of the last century as a result of increased dependence on energy and its source of oil, this result in a subsequent of financial surpluses, and in turns resulted resulting in increased savings among oil countries and industrial countries alike, so many countries around the of the world trying to attract those savings by adopting many of an investment strategies and work to create an investment climate to attract these funds.

So, countries all over the world in order to recruit investments by different strategies tried to update their economic infrastructure in all sectors and especially in industrial, service, banking and transportation sectors as a mean for attracting both local and external investment.

Due to the fact, Iraqi Kurdistan Region is enjoying a considerable security stability since the early nineties of the last century, add to this the decisions enacted by the local governments among which law, enactment and removing the difficulties that hinder their work in order to attract the local and foreign capitals, the private sector in particular, all this paved the way to invest the local & foreign capitals in all sector in particular (Zakri & Hassan, 2014: 3).

The Kurdistan Region economy now a days is facing a lot of problems and obstacles which hinder the objectives of the development process, So, this alerted the authorities in the region for reconstructing their economic sectors and depend on investment strategies like opening economic windows and communication channels with any investment entities in order to exploit the available resources and extract the

foreign investments to achieve the requirements of a decent life for its citizens, and to address cases of poverty and unemployment and to increase the opportunities for employment and work.

2.1.2. Investment Concepts

The definition of “investor” and “investment” is the key to making the most of international investment agreements. Why is it the key?

From the perspective of a capital exporting country, the definition identifies who the country’s constituents are for purposes of investment policy – who are the categories of persons, industries and groups that will benefit from the investment treaty program.

From the perspective of a capital importing country, the definition identifies who the country’s clients are for purposes of investment policy who are the persons, industries and groups that the country wants to attract in order to increase foreign investment (Legum, 2005: 1).

Investment has gained considerable attention in the literature of development economics because it is one of the factors affecting the national output which in turn stimulates the demand for production goods. Another reason for this attention is the fluctuations in investment affects the income and its use.

There are many definitions of investment. In Arabic Literatures means fruiting, in the sense that it produces, grows, and multiplies, and we say the money is fruitful if it grows and multiplies. In the Islamic economy, Muhammad Salah Al-Sway defined investment as increasing money provided that the provisions of Islamic Law Which are taken into consideration when investing it, because it is the fruit of wealth and development in any productive sector, whether in trade, industry, or other economic activities.

In the scientific and economic encyclopedias, investment is the formation of new capital in the form of increasing production capacity, which means increasing the net real capital of society. Its components consist of buildings, materials, machinery, equipment, means of transportation, animals, and land, or savings directed towards

satisfy (Satisfying) economic needs. Investment is an agreement on the ownership of means of production or ownership of new capital (assets) that contribute to the production of other goods.

The United Nations defined investment as the total fixed capital formation spent on the acquisition of new capital (assets) as well as the renovations (reformatations) and improvements added to existing capital (assets) in the country. This is not limited to the addition of cash capital for the purpose of buying capital (assets) only, but the possession of documents or any other form of financial assets (Zakri & Hassan, 2014: 5).

Investment is dealing with money in expectation of profits. Investment in its broadest sense includes both production investment (real) and financial investment. Production investment is investing financial resource in the construction of economy's infrastructure. This type of investment is followed by a real increase in gross economic output. Financial investment from the other hand is an investment that take place through the circulation of securities and various financial instruments in the gross economic output. Investment can also be defined as the sum of investments that would increase income and achieve actual added capital to the original capital by owning assets that generate revenues as a result of the benefits received from risking financial sacrifices in the present in order to gain future financial flows (Siam, 2005: 87).

Investments can be divided into the following types (Siam, 2005: 88):

1. Real investment is subdivided into three types:
 - a. Expansion investments: The investments that aid in the development and growth of a project in the vital sectors of the economy or a growth in the economy itself. This type of investment requires expansion in the project or the production capacity of the national economy. This is not possible unless new natural productive assets are added to the existing capital of the project or the national economy.
 - b. Replacement or substitutions Investment: In this type of investment, old capital assets that are naturally or economically depreciated are replaced with new assets but this type of investment does not add to the existing capital.

- c. **Renewal Investment:** This type of investment aims to reduce costs and raise productivity or in producing new products and it is carried out by replacing old products, production methods, or production equipment with new ones by updating the employed technology or production methods. This type of investment can be any of the replacement or renewal investments or a combination of both.
2. **Financial Investment** is divided into two parts:
 - a. Investment through the purchase of financial assets in the form of stocks and bonds (allocating money) and the allocation is for the purchase of new assets as a result of new issued asserts or the purchase of assets that already exist in the financial market.
 - b. Investment by buying old capital goods, especially machinery and equipment that are used to produce other goods. From the individual's point of view, when the owner sells assets after their investment function has come to an end, that owner gains returns. However, from the point of view of the national economy this does not mean that any capital is added to the national capital or that new investment has emerged. Investment in this case has just changed hand between two owners without any increase in capital.

New investments are investment through expansion, which means adding new (projects) and facilities to the national (economy in order) to increase the production capacity of the economy. This investment is either done by individuals and it is termed real estate investment or it may be done by the State through establishing schools, roads and social services. Therefore, investments can also be divided into three basic types; demographic investments, social investments, and production investments.

Investment represents the main economic activity and the key to economic development in various countries of the world, especially developing countries, many of which (have a) lack (of) capital due (to) weak of national savings resulting from weak level of Gross domestic product (GDP). Foreign investment is one aspect of international economic relations and an essential component of developing countries in need for it when it suits their basic interests in achieves their economic progress and scientific and technical modernization (Saleh, 2013: 359).

Investment is an economic activity originating from the national savings base whether among individuals, institutions or public or private enterprises in the developing country. Investment leads to an increase in production capacity. Therefore, it represents expenditure on the production of productive goods such as machinery, equipment, transportations, and new facilities. Investment plays a key role in economic development and its importance lies in a number of issues, the most important of which are (Saleh, 2013: 360).

1. An increase in productivity and production leading to an increase in national income and thus an increase in average per capita income which leads to improvement in the standard of living of the population.
2. Providing work opportunities and reducing unemployment rates.
3. The country obtains foreign currencies through the export of goods, and this positively affects the balance of payments.

Many authors have tried to find a definition of investment and each definition of these is influenced by the field of specialization of the author himself. Some define it in economic terms as the transfer and attraction of funds from one place to another. Others define it through terms of profit and loss thus everyone deals with it from a different perspective (Al-Ta'an, 2006: 5-8).

Investment has been defined as (the use of money for the purpose of gaining revenues, income, or profit) and therefore we find that this theory considers investment through a mere material perspective, which is to achieve profit or loss taken from the point of view of the investor (Al-Ta'an, 2006: 5-8).

In the opinion of Tariq Alhaj, investment is (part of the income derived from the production process to create capital). However, this definition considers reinvestment of profits and development investment projects without consideration of the host country's point of view and what the investment represents for this country, the potential benefits for the host country and the goals behind the investment process itself. (Al-Ta'an) defined investment in a different way when he defined it as a (the transfer of capital and advance methods in technology and foreign administration to bring about economic, social, and administrative development to contribute to the

development and advancement of the host country through nascent companies with the participation of national capital (Al-Ta'an, 2006: 5-8).

2.1.3. Strategy Concepts

Strategy has historically been associated with war, and the word itself stems from the Greek word, strategic, which means generalship. In Sun Tzu's The Art of War, strategy is defined as an overall plan for deploying resources to establish a favorable position (Ouazzani, 2011: 11). So, there is not just one correct definition of what strategy is and to different people strategy means different thing (Poklopova, 2014: 13).

Over the last forty years, the concept of strategy has changed. Some strategists incorporate intuition, experience and emotion, while other strategists maintain that strategy should be a precise, calculable practice (Ouazzani, 2011: 12).

(Hitt et al, 2009, 4) define strategy as an integrated and coordinated set of commitments and actions designed to explore core competencies and gain a competitive advantage. While the concept of strategy according to David (2011) is a pattern of organizational moves and managerial approaches used to achieve organizational objectives and to pursue organization's mission (Thomphson, without year: 6-7).

(Johnson, 2008: 3) defines strategy as a direction and scope of organization over the long term, which achieves advantage in changing environment through its configuration of resources and competences with the aim of fulfilling shareholder expectations.

We can sum up the diverse views on strategy by 5Ps (Mintzberg et al, 2005: 9-18); (Poklopova, 2014: 13):

Plan: Strategy may represent a direction or journey which leads the organization into the future and which defines all the intended activities which will contribute to get there.

Pattern: Strategy could also be a specific behavior which coordinate all the activities, so that people know what to do whereas this behavior must be consistent. Example could be a production of the most expensive products in the market.

Position: Strategy may also stand for definition of the position of the company in particular market and its relation towards the environment which explains what organization does.

Perspective: Strategy could be defined as a way how the organization is doing things by specification of perspective which provide order, follow the vision and which is shared by all the members of the organization.

Ploy: Finally, strategy could stand for a maneuver by which the company would like to outsmart the competitors.

The primary aim of strategic planning is to bring an organization into balance with the external environment and to maintain that balance over time (Sackett, Jones, and Erdley 2005). Organizations accomplish this balance by evaluating new programs and services with the intent of maximizing organizational performance (Harrison, 2010: 92).

2.1.4. Investment Strategy Concepts

Understanding the concepts and principles that underlie an effective investment strategy is a key factor of success. Thinking through what underpins our approach to decision making is not just helpful, it is necessary. Therefore, having a firm grasp on our beliefs enables us to make better decisions (Catalano, 2006: 56-62). Investment strategy success comes only through a complete understanding of the principles of good investment analysis. And having the right tools to execute your analysis and strategy puts the average investor on a level playing field with the professional investor.

Analysis is the critical starting point of investment strategies. Faced with problems, trends, events, or situations that appear to constitute a harmonious whole or come packaged as a whole by the common sense of the day, the investor dissects them into their constituent parts. Then, having discovered the significance of these

constituents, he/she reassembles them in a way calculated to maximize his/her advantage.

In business, as on the battlefield, the object of strategy is to bring about the conditions most favorable to one's own side, judging precisely the right moment to attack or withdraw and always assessing the limits of compromise correctly. Besides the habit of analysis, what marks the mind of the investor is an intellectual elasticity or flexibility that enables him to come up with realistic responses to changing situations, not simply to discriminate with great precision among different shades of gray.

Discussing investment needs the understanding of its meanings and horizons at the presence of globalization since the international investment's activities is combined with the mobility of goods and services, capitals and individuals in different parts of the world, the foreign investment is the core of globalization or it could be indirect investment (portfolio).

As well as, Investment is a phenomenon of finance and management which are modern, and has acquired its shape from the function it practices in the financial management frame, and obtain a huge space in the economical literatures when dealing with all levels. Whereas the strategic, managerial literatures had focused on the partial level which was the company or the individual (investor) as the channel through which all investments may pass.

In addition, Boyes, et al, (1996: 205) refer to the that investment as an economic activity for an individual or a firm to produce capitalistic goods represented in the new machines and equipments, buildings and the allocation of assets to train workers (human investment), and to increase their skills and the stock of raw materials and middle goods and machines, all used to produce goods and services (Ali, 2011: 27).

2.1.5. Investment Strategy Types

The challenge in establishing a new economic order that includes the environment in economic decision making is enormous, it is critical that investment takes on an ecologically astute character which is uncoupled from environmental degradation

and resource depletion, economists define investment as a decision to forego present consumption opportunities in order to increase future opportunities by increasing the value of existing resource stocks (Young, 1992). Investments, whether made by government, institutions or individuals, can create, protect, improve or reduce the value of scarce resources used by people. They can also change value systems and influence the level, nature and distribution of the resources and, hence, resource utilization (Young, 1992), (Fayers, 1999: 66).

The World Bank Group developed an investment reform map which offers three basic concepts to help governments clarify the position of their countries in the world economy, set priorities and implement a country's long-term Vision.

1. Investment policy is not about choosing between foreign and domestic investment. It is about connecting them both through local, regional and global value chains. This means regulatory reform should not only focus on domestic laws but also pursue coherence between the latter and international investment agreements which are increasingly governing domestic and international production.
2. An investment is not a transaction; it is a relationship. An investment policy strategy needs to go beyond attracting initial investments this is just one small part of the story. The real benefits to the state come later on in the relationship, when a country successfully retains investment and builds strong linkages with domestic businesses.
3. Not all types of investment are the same. Different types of investment have different effects on socioeconomic development, and thus require different policies.

Countries who can apply this framework to their investment policies and vision will have a logical backbone for implementing an investment strategy that could lead to measurable results (Echandi, 2016: 3).

2.1.5.1. Local Investment

Local investment (or Domestic Investment) is one of the mechanisms created and activate by local units in order to provide services and promote development from one hand and achieve the efficiency to solve the problems faced by the community

from the other. The term Local investment is based on the fact that these types of investments are allocated at the local level.

Local investment is defined as the investment in which the local economic activity actors, represented by (individuals, enterprises, and the government), direct their savings towards productive (investment) used at home. It is the productive employment of domestic capital by directing savings towards produce goods or services to meet the development needs of the local community and increase its welfare. Local investment can also be considered adding to the wealth of the local community using local capital through means such as establishing factories, farms, buildings, and roads, and other projects that expand the economic balance of society (Galal, 2016, 20). It can be also defined as all the investment opportunities in the local market, regardless of the tools used in this investment such as real estate, gold, commercial projects, etc. (Amina & Khadija, 2015: 46).

The Local investment in terms of the investing party is divided into two types:

1. **Private investment** carried out by the private sector. It is the investment made by a private entity, whether it is an individual or private company. It represents the capital that the individuals or the companies transfer from the savings or the profits obtained from these funds at the end of the investment.
2. **Public investment** is carried out by the public sector. The government or public investment consists of the new real capital which the countries form and finance, either from the surplus revenues or from internal and external loans or from foreign aid (Farhi, 2013: 9).

2.1.5.2. Foreign Investment

Since Foreign investment complements domestic investment, less developed countries ought to encourage and promote Foreign investment inflows, for which appropriate Foreign investment policies and regulations are required. For example, host governments should not only encourage Foreign investment inflows, they should also impose regulations on multinational enterprises (MNEs) to urge them to undertake export obligations or encourage foreign investors to invest in high-risk

areas or in resource industries where local investment is limited (Tang et al, 2008: 1307).

Foreign investment is prized by developing countries for the bundle of assets that (MNEs) deploy with their investments. Most of these assets are (tangible) in nature and are particularly scarce in developing countries. They include technology, management skills, channels for marketing products internationally, product design, quality characteristics, brand names, etc.

In developing country settings, foreign investments that introduce goods and services are new to the domestic economy (for the export or domestic market) are more likely to have favorable effects on capital formation than foreign investments in areas where there exist domestic producers. In the former case, the effects on capital formation will be positive because domestic producers do not have the knowledge required to undertake these activities and, therefore, foreign investors do not displace domestic investors.

This is the spirit of Romer's (1993) important paper on the contribution of foreign investment to development. Romer used an endogenous growth model whose driving forces was the introduction of new goods to the economy. This is where foreign investment comes in: as one of the major agents for introducing new goods (together with the technologies and human capital that accompany such goods) into economies that do not have the know-how or human resources to produce them (Agosin & Machado, 2005: 151).

Defined as the movement of foreign capital to invest directly in another country to work in the form of industrial, financial, construction, agricultural or service units. The profit motive is the main driver of this foreign direct investment.

The International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) define foreign investment as investments in projects within a country and are controlled by residents of another country. According to the definition of the United Nations Conference on Trade and development (UNCTAD), Foreign investment is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a foreign

investor or parent enterprise in an enterprise resident in an economy other than that of the foreign direct investor.

The main advantages of foreign investment are:

1. Training local workforce who have the opportunity to work in foreign companies branches and familiarize themselves with the latest technological skills using the advanced methods of work and training. The employees of these branches transfer and use their scientific, technical and administrative skills and knowledge to the national companies when they return to them.
2. Establishing scientific relations between the branches of foreign companies and local research and development centers exposing them to the latest methods of technology and research already acquired in the international companies.
3. Branches of multinational companies provide the needs of national companies of machinery, equipment, and technical assistance on preferential terms in the local market, which allows national companies the opportunity to produce goods with international specifications and thus the ability to export their products to foreign markets.
4. Competition between the branches multinational companies and national companies leads the later to attempt to acquire the latest technical and administrative systems, and adapt them to their needs and increase their ability to acquire modern systems and develop their technical, technological and human capacity.
5. The products of the of foreign companies branches in the local market contribute to the transfer of information to consumers of such products, especially when it is necessary to provide information and use indications of those products to their purchasers both producers or consumers.
6. Foreign investments add to the capital formation in the economies of developing countries and compensate for the lack of domestic savings due to the steady inflow of these investments or reinvestments of their revenues. These investments could contribute to the structural imbalance of the developing economies if they flow into the industrial sector and infrastructure projects necessary for modern economies.

7 - The balance of payments in the host country is supported when the initial or direct effects of foreign direct investment on the balance of payments of the host country is positive as it adds foreign exchange to the accounts of capital operations. In addition, multinational companies by virtue of their international contacts and experience in the international market network, as well as their reputation in the international markets associated with their name and brand, are capable to offer companies in the host countries, greater potential for gaining a place in the export markets and increase their exports revenues (Alasrag, 2005: 6-8). Figure (1) shows the value of foreign, domestic and joint investments in Duhok Governorate.

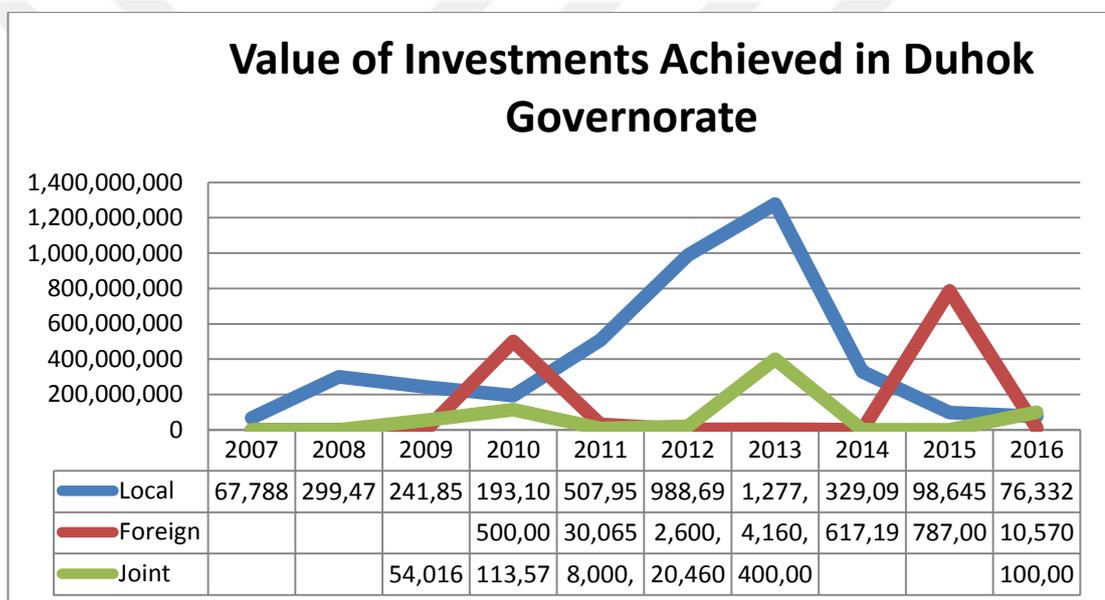


Figure (1) Value of Investments Achieved in Duhok Governorate

Source: (By The Researcher)

Figure (1) shows the movement of investment operations that took place in the province of Duhok, were foreign investment began in 2010 and was the highest level where it reached the level of (500,000,000) million dollars. And then decline between the years (2011 to 2014), It rose again, reaching its highest level in 2105 (787,000,000) million dollars.

While local investment has also played an important role in investment operations, Were it began in 2007 and rose well in 2013 as it reached a level (1,277,946,380) million dollars.

It should also be mentioned that there is a joint investment between foreign and local, and reached its highest level in 2013, amounting to (400 million) million dollars.

2.1.6. Investment Strategies in Kurdistan Region

Given the Kurdistan Region Government's (KRG) region's progressive investment law, free-market practices and excellent security situation relative to the rest of Iraq, foreign investment in the region has exploded. In March (2011), (FDI Magazine, a subsidiary of the British Publication Financial Times, ranked Erbil fifth among the top Middle East cities in terms of the potential for foreign investment. The rating was based on the cities' economic potential, infrastructure, business friendliness and foreign investment promotion strategy (Gunter, 2011: 104).

The (KRG) has made serious efforts to provide official guidelines on investment activities in the region. The new Investment Law from July (2006) is aimed at creating conditions for promoting investments in the Kurdistan Region. It refers indiscriminately to both national and foreign capital sources and it removes legal obstacles to investment. Various incentive measures in the form of land and other facilities and tax and duties exemptions and also regulations are introduced to promote investment activities. It covers general provisions, exemptions and obligations, the investment hierarchy, and licensing and arbitration. Despite being issued recently, the law is clear in its contents and it has sufficient coverage of different aspects of Foreign investment. The (KRG) is keen to emphasize the positive aspects and, in parallel with its implementation, to improve it (Heshmati & Davis, 2007: 42), Figure (2) shows the value of investments since (2007) and so far in the province of Duhok .

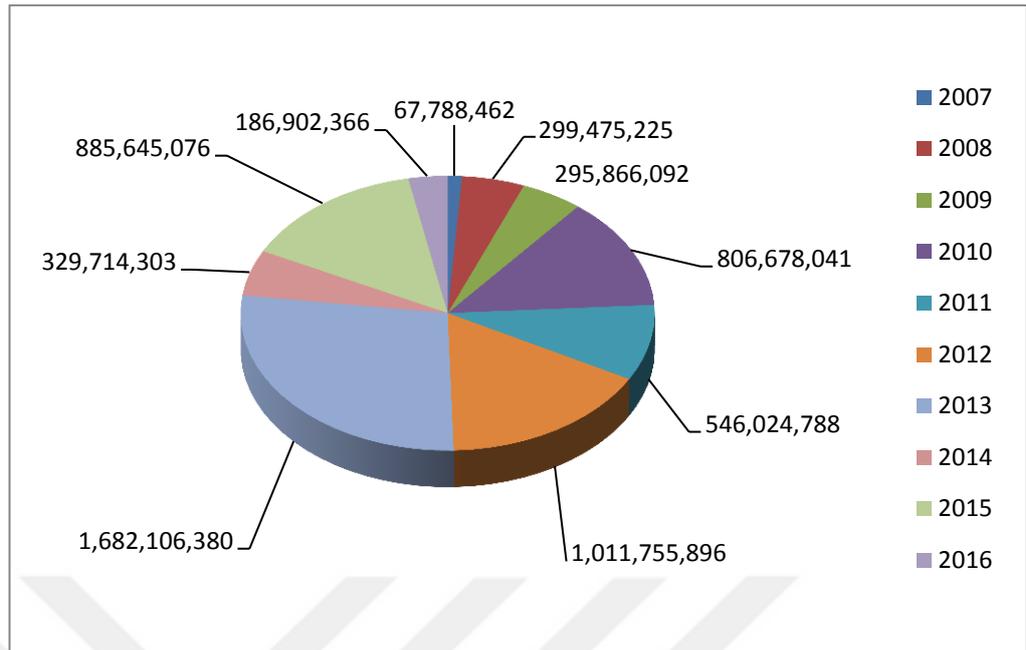


Figure (2) The Value of Investments in Duhok Governorate

Source: (By The Researcher)

According to Figure (2) shows the value of all investments to set up in the province of Duhok. Which reached the proportion in 2013 (1,682,106,380) million dollars, All investments were then significantly reduced To 2016, were the movement of investments once again reached (1,011,755,896) million dollars.

2.1.6.1. Investment Policies

The Foreign investment policy in most West Asian economies is progressively changing. The changes are aimed at easing laws and regulations relating to Foreign investment. The aim is to diversify away from oil by strengthening Foreign investment incentives. However, the liberalization of Foreign investment applies particularly to non-energy sectors and are mostly of intraregional character. For instance, in (2005) Qatar allowed foreign investors to trade in the Doha Securities Market and the country established the Qatar Financial Centre with full foreign ownership and Science and Technology Parks with a free investment zone, to attract foreign investors in agriculture, technology, tourism and other non-energy activities. Meanwhile, the United Arab Emirates attempted to adopt policies and to establish a database on Foreign investment to promote non-oil Foreign investment in real estate and manufacturing activities and opened the Dubai International Financial Exchange.

Turkey has also been effectively enhancing its Foreign investment incentive measures by introducing tax and insurance, provision of energy supply and free land to attract Foreign investment to its low-income provinces. Among other measures to mention are that the governments in the region are undertaking trade liberalization policies at the national, regional and multilateral levels. The efforts have resulted in the establishment of free trade areas and a series of trade agreements and a closer integration into the global trading system (Heshmati & Davis, 2007: 23).

The developments and improvements in the legislative environment of the enactment of laws and legislations related to investment and climate aiming at protecting the investment and the investor as well which create an appropriate to investment directly all these leads to attract more investment. What is more, the legislative environment must enjoy the legal stability which must be focused on if the country concerned enjoys an attractive environment for foreign and even domestic investment. In case of not having any guarantees of continuity of protection for both domestic and foreign investment, this would lead to the exodus of local capital and not to attract foreign capital. This will certainly ensure an effective and independent judicial system which contributes to the settlement of disputes that may arise in this area. It is worth mentioning that the existence of laws encouraging the investment is not enough to attract investment alone, but these laws must definitely be effective and the authorities concerned have to be able to implement them fully. As far as the local or foreign capital seeks the security and legislative stability, the legal framework for attracting foreign investments must be characterized by development, elasticity, transparency and clarity of vision. By transparency is meant to feel that benign competition, the integrity of procedures and the non-recourse to fraud, bribery and exploitation of influence will be the best way for the investment project to exist.

What reinforces the investment environment in Kurdistan Region is the promulgation of the Investment (Law No. 4 of 2006), which constituted a real leap in attracting foreign and domestic investments and attracting investment opportunities. The following is the explanation of the most important provisions of this law:

- 1- Establishing the Investment Commission:** in the Kurdistan Region which has corporate body and financial and administrative independence. It has the right to carry out all necessary legal actions for the purposes of implementing the provisions of this law.
- 2- Treatment of foreign investor:** The law did not distinguish between the domestic investor and the foreign investor and the investor is meant by law every natural person or corporate body invests his money in the region in accordance with the provisions of this law, whether national or foreign the foreign investor shall have the right to own the entire capital of any project he establishes in the region in accordance with this law.
- 3- Areas of Investment:** According to the second article of the Investment Law, the investment fields are all economic sectors except the oil sector which must be approved by the Commission.
- 4- Exemptions to the investor:** The articles of the investment law provided a large number of tax exemptions as stated in Article (5) of Part Two. The first paragraph exempts the investment project from all non-customs taxes and fees for (10) years from the date of commencement of the project to provide the services or the date of actual production. In addition to that the exemptions include the machinery and equipment, which are used for the purposes of the project exclusively from the project taxes and fees. As for the imported raw materials, they are exempted from customs duties for five years.
- 5- Additional exemptions:** The Article (6) from the second part of the first paragraph grants the investment projects additional incentives and facilities in accordance with the provisions of this law provided that they are characterized by one of the following two features:
 - Projects in the less developed areas of the Region.
 - Joint projects between the national and foreign investor.
- 6- Legal Guarantees:** The article (7) provides that investors can insure their projects by any insurance company, whether foreign or national. They have the right to use the required local and foreign manpower for the project, giving priority to local manpower and allowing the foreign investor to transfer the profits and benefits of capital abroad (Abdul Redha, 2012).

2.1.6.2. Investment Climate

The investment climate reflects the many location specific factors that shape the opportunities and incentives for firms to invest productively, create jobs, and expand. A good investment climate is not just about generating profits for firms if that were the goal, the focus could be limited to minimizing costs and risks. A good investment climate improves outcomes for society as a whole (The World Bank, 2005: 2).

Investors in the Iraqi Kurdistan Region (IKR) face many of the same challenges as investors elsewhere in Iraq, but a business-friendly investment law and more stable security situation are generally more attractive to foreign businesses.

The (IKR), comprising three northern provinces, is the only area of Iraq with a designation as a region. Investment in the (IKR) operates within the framework of the Kurdistan Region Investment Law (KRIL) of (2006) and the Kurdistan Board of Investment (KBOI), which is designed to provide incentives to help economic development in areas under the authority of the Kurdistan Regional Government (KRG).

The (KRIL) provides specific incentives for companies to develop strategic investment projects, which the (KBOI) evaluates and licenses based on the project's perceived economic and environmental impacts. If approved, a company is awarded an investment license that could include free land, a ten-year exemption from corporate taxes, and a five-year exemption from customs duties.

Under the (IKR's) investment law, foreign and national investors are treated equally and are eligible for the same benefits. Foreign investors may choose to invest in the (IKR) with or without local partners, and full repatriation of profits is allowed. While investors have the right to employ foreign employees in their projects, priority is given to awarding projects that employ a high share of local staff and ensure a high degree of knowledge transfer. Additionally, the law allows an investor to transfer his investment totally or partially to another foreign investor with the approval of the Kurdistan Board of Investment (KBOI) (US, 2015: 12-13).

The (KRI) has a number of characteristics that currently make it a more favorable business environment than the rest of Iraq. Security is immeasurably better than elsewhere in the country and is often one of the most-cited advantages.

The Investment Law (Law No. 4 of 2006) is often named as superior to that in the rest of Iraq, particularly because it allows foreign investors to own land. However, there are other favorable characteristics, such as the tax incentives the (KRG) provides to all investors, the (KRG) wishes to achieve a more promising goal for long-term development and employment (Hansen, et al, 2014, 22), for governments at all levels, a top priority should be to improve the investment climates of their societies. To do so, they need to understand how their policies and behaviors shape the opportunities and incentives facing firms of all types, domestic and foreign, formal and informal, small and large, urban and rural (The World Bank, 2005: 20).

2.1.6.3. Investment Opportunities

Investment Opportunities are attracting ideas of project for those who want to invest their money and time. They accordingly operate those ideas, gather amount of information, ensure their feasibility and They put a working plan to be implemented in order to achieve the appropriate return.

Information is a source of knowledge and a key factor for moving the vehicle of historical, humanitarian development. Any qualitative change in the course of development of any society is associated with prior development in the use of the information and knowledge of that society, information is a vital necessity and an essential factor for any development. Investment opportunities are determined by the follow-up of the new developments that taking place in the investments environment, some of the factors that help on that include the following:

- 1- Natural resources.
- 2- Government facilities.
- 3- Exploitation of the site.
- 4- Existing industries.
- 5- Linking of small-industries (Industrial Integration).
- 6- Exploitation of a certain segment.

Investment can be in the sector of Agriculture, Housing, Tourism, Industry, Trade, Services, Banks, Telecommunication, Infrastructure, Sport, Art. Investment can be made also in the human resources like education, health which will have a significant effect on growth and development in the society.

Investment can be in the services of sectors as roads, bridges, water project, sewage, and electricity by The Build Operate Transfer (BOT) System.

Table (1) shows the type of investment since (2007) and so far in Duhok Governorate. Figure (3) shows the difference in the value of investments between foreign and domestic investment since (2007) and so far in the province of Duhok.

Table (1) The Values Investments Types in Duhok From 2007 to 2016

Year	Local \$	Foreign \$	Joint \$
2007	67,788,462	-	-
2008	299,475,225	-	-
2009	229,600,079	-	54,016,013
2010	234,102,982	500,000,000	113,575,059
2011	507,351,206	30,065,260	8,000,000
2012	982,306,315	2,600,000	20,460,000
2013	1,277,946,380	4,160,000	400,000,000
2014	329,097,104	617,199	-
2015	98,645,076	787,000,000	-
2016	76,332,366	10,570,000	100,000,000

Source: (By The Researcher)

According to Table (1) shows the value of investments established in Duhok Governorate (Foreign investment, local investment and joint investment) Since 2007 to the end of the year 2016, Which shows that local investment was at the far from if compared to foreign investment and joint investment. Where total local investment reached (4,080,893,098) million dollars. Total foreign investment value amounted to (1,335,012,459) million dollars. Joint investment reached (606,051,072) million dollars.

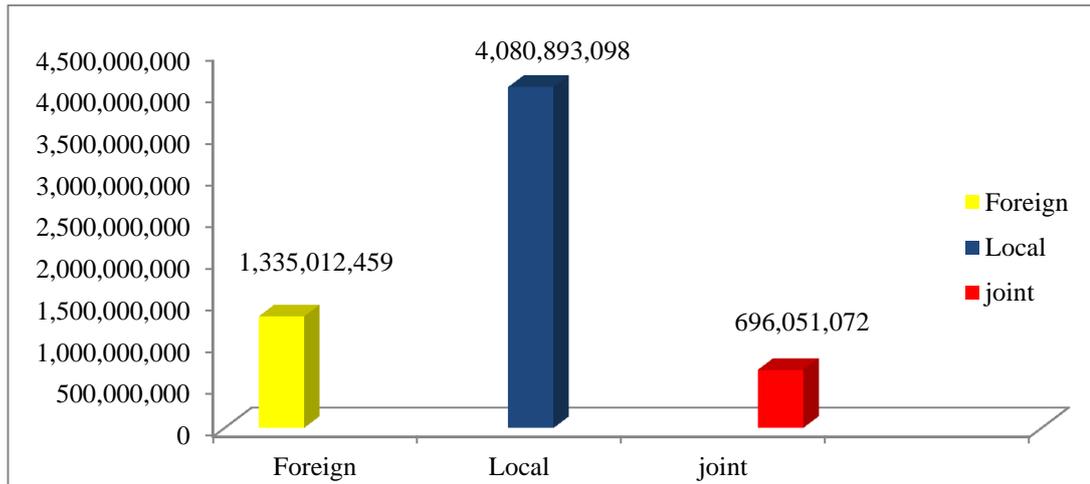


Figure (3) The Values of Investment Types from 2007 to 2016 in Duhok

Source: (By The Researcher)

2.1.6.3.1. Advantages of Investment in Kurdistan Region

Investment in Kurdistan Region accomplish many advantages for both local and foreign investors, and they are as following (D.I.D, 2011: 2):

Security and stability are considered to be essential factors encouraging investment foreign and local investors.

1. Investment (Law No.4 of 2006) provides many facilities for investors.
2. Strategic and trade location of the province especially with Turkey which represents the gate way to Europe.
3. Availability of expertise and competencies in various fields likes, economic and technology among other fields.
4. Availability of young local workers developed them by the foreign expertise through foreign investment projects.
5. Existence of natural sources of oil, sulfur, gas, phosphate and large areas for agriculture as well as water resources coming from various rivers, streams and rain, together with beautiful.
6. Nature and moderate climate throughout the year.

According to Figure (4) shows Value of investments for the governorates of Kurdistan Region of the year (2007) and the end of the year (2016) Where the province of Erbil, in the foreground, where the total investments amounted to (25,817,730,064) million dollars. The province of Sulaimaniya, the second rank of the volume of investments in terms of total investments amounted to (14,065,793,743) million dollars. While the Duhok Governorate investments not exceeding (6,111,956,629) million dollars, From this we find that the investments of Duhok Governorate are the lowest at the level of the region. From this point of view, the government in Duhok Governorate must create new investment opportunities that are good for the governorate.

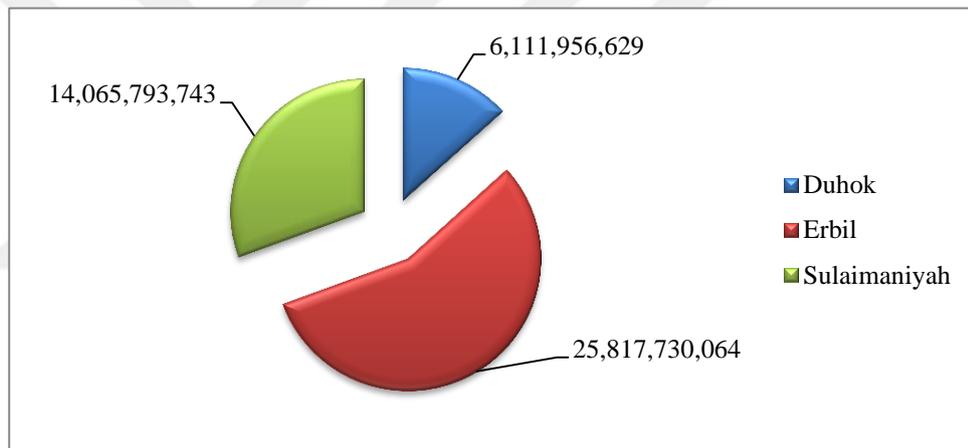


Figure (4) Value of Investments for the Governorates of Kurdistan Region

Source: (By The Researcher)

2.2. Overview of Free Zone

Free zones are defined as geographically delimited areas where certain incentives (duty-free importing, tax advantages etc.) are offered. They are considered as key instruments not only to stimulate exports, but also to attract foreign direct investment, generate employment, boost economic growth and accelerate the transfer of technology, objectives of free zones have been defined as “promoting export-oriented investment and production, accelerating the entry of foreign investment and technology, directing enterprises to export and improving international trade (Kavlak, 2012: 1).

As many developing countries, have moved from import substitution to export promotion economic policies after 1970s; as a part of their export oriented policies, free zones have proliferated throughout the world (Kavlak, 2012: 95).

By establishing a duty-free zone, a country provides a portion of its well-located land for foreign investments in certain industries, and in return, it is argued, it can enjoy benefits of various forms, such as an increase in the employment of labor, an increase in exports leading to improvement in the balance of payments and the absorption of advanced technology. At the same time, it can keep the import competing local industry still protected in spite of the presence of foreign investments. Without sacrificing the interests of protected industries, a country may reap the fruits of foreign investments.

Usually, a country that opens a duty-free zone provides various conveniences and facilities to foreign firms. In the duty-free zone, duties on imported equipment, materials and intermediate goods are exempted; commodity taxes on production in the zone are exempted; goods from other parts of the country than the duty-free zone (which we shall call the domestic zone for short) are considered as exports, so that they can be bought free of domestic tax; administrative procedures for the registration of firms and for export-import within the region are simplified; less restrictions are imposed on foreign exchange transactions than in the domestic zone; and so forth (Hamada, 1974: 225-241).

2.2.1. Introduction

Free Trade Zones (FTZs) are not a new concept; they have been around since ancient times. Free Zones existed in the Phoenician city by 300 BC in the Greek island of Delos, establishing it during those years as one of the wealthiest islands in the world (Haywood 2000). Modern zones, which are quite different from the earlier ones, came into being more recently in the (1960s). One of the first modern (FTZ) was established in Ireland near Shannon airport. It was set up to prevent layoffs from the advent of jet airliners that did not require refueling at Shannon. As a counter-measure, the area surrounding the airport was converted into an (FTZ) to attract Export-oriented and Trade-intensive firms (ILO/UNCTC 1988). Influenced by its success, many Asian and Latin American countries adopted the (FTZ) concept. The main interest for these countries was to promote exports and to attract much-needed foreign investment (Malhotra, 2007: 1).

At the beginning of the twentieth century the names of (FEZ) were increased with new names, since the function of (FEZ) included not only trade, as also production, and services to encourage the exports of the country were allowed.

In (1934) the USA passed a law on a foreign trade zone, and the first zone was established in New York (currently ca. 400 zones) in (1936).

Until the middle of the previous century there were only some tens of free zones in the world, while the boom of the establishment of free zones started in the (1960's) and (1970's).

Some scientists (Chen, 1995, Guangwen, 2003) have studied the evolution of the development of (FEZ) and suggested schemes including several generations and phases of development, thus exceeding the classical definitions of (FEZ), and not considering the specific data on the formation of the first production, service, scientific or all-embracing zones Figure (5) Classical evolution model of (FEZ) types.

Free zones in the European Union member states have existed already long before the establishment of the EU. The main aim of the free zones was to promote international trade (Rankevica, 2006: 16).

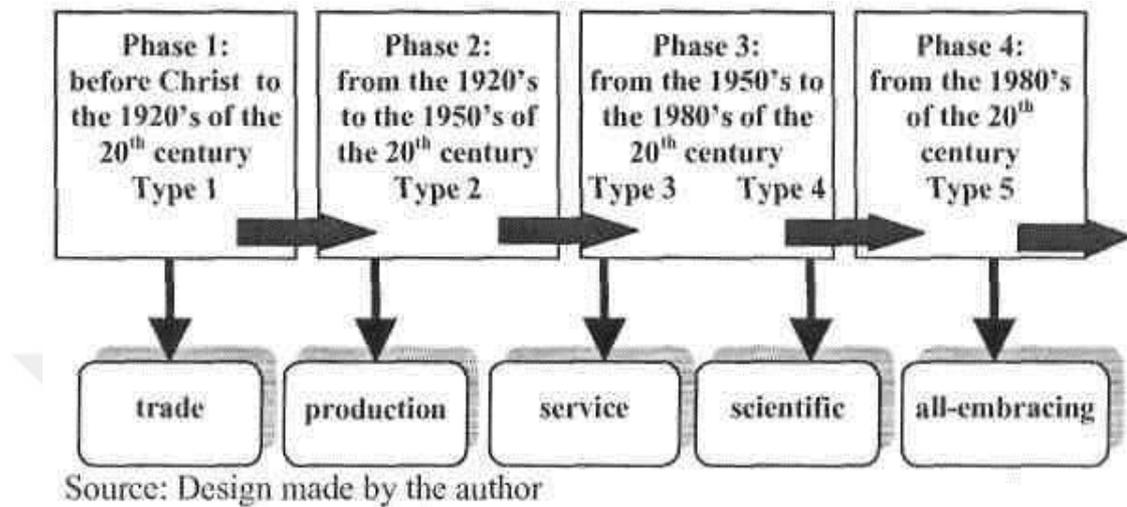


Figure (5) Classical Evolution Model of (FEZ) Types

Source: Rankevica, 2006: 16

The adoption of export-led growth strategies by developing countries is directly responsible for the considerable expansion of export processing zones (EPZs) in recent years. Such zones are frequently considered key instruments in the array of policies adopted by countries to attract foreign direct investment, boost employment, stimulate exports and economic growth, and finally to improve the transfer of technology and the acquisition of skills by the national work force (Cling & Letilly, 2001: 2).

2.2.2. Free Zone Concepts

Meax (1985) defined a Free Export Processing Zone as: A relatively small zone, separated geographically inside the country and subject to the country's administration. It is usually situated on or near marine ports or airports. Raw materials, mediatory goods and industrial requirements imported to the zones are exempted from any tariffs on condition that the manufactured projects are directed to international markets.

The World Bank (Basile & Germidis, 1984: 35) defined the Free Export Processing Zones as: specialized industrial zones situated geographically and administratively outside the customs borders of the country. Industrial production directed to exports is concentrated mainly in these zones; the zones are provided with establishments and services to transform raw materials, industrial requirements and mediatory goods usually imported from abroad into terminal products suitable for exporting to outside countries. However, sometimes these materials, requirements and mediatory goods are directed partly to the local market on condition that the usual tariffs are paid, and the zone implements a comprehensive system of incentives to attract investors.

And Hamada (1973: 225) provided a comprehensive definition of these zones as follows: a country provides a portion of its well located land for foreign investments in certain industries, and in return ... it can enjoy benefits of various forms, such as an increase in the employment of labor, an increase in exports leading to improvement in the balance of payments and the absorption of advanced technology. Without sacrificing the interests of protected industries, a country provides various conveniences and facilities to foreign firms: duties on imported equipment, materials and intermediate goods are exempted; commodity taxes on production in the zone are exempted; goods from other parts of the country are considered as exports; administrative procedures for the registration of firms are simplified; less restrictions are imposed on foreign exchange transactions.

From these three definitions, and from other contributions, it can be appreciated that certain elements must be present in any zone, for it to fall within the category of a (FEZ), these being (Takeo, 1977; Miyagiwa, 1986):

- A. The zone must be separated, as a limited space zone, from the customs border of the country. This requires the authorities to define the area in which the free zone is to be established, and in practice this is often inside naval ports, near airports, or near land borders. In securing the isolation of the free zone from state territory, walls are often built to form an enclave or natural features such as water or mountains are used to delineate the zone. The aim is to create an entity that from the standpoint of customs is out of the state

territory, such that legally, the goods from this area can be dealt with like imports, and those coming from the state into the area are considered as exports.

- B. The zone must be subjected to the full sovereignty of the state and its current laws, unless special legislation is issued to organize the legal treatments inside this area.
- C. Elements of the infrastructure and necessary facilities must be sufficient for the establishment and settling of industrial activity (ensuring simultaneously the stability of the activity), and the transformation of raw materials and industrial requirements into manufactured materials, or half-manufactured materials, that are directed mainly for export abroad.
- D. A comprehensive and regulated system of custom and tax incentives must be applied to industrial investments, and the zone's imports must be exempted from customs duty. The range of this customary exemption and the rules that organize the tariff exemptions of the exports and imports, differ according to each country's prevailing economic policy. Usually, the incentives system is distinguished from the system applied to industrial activities within the country.
- E. The activities to be permitted within the boundaries of the zone must be specified clearly, and may only include: raw material imports, storing, re-exporting, and manufacturing for export. It is noted (Basile & Germidis, 1984) that zones in the United States that do not include the need to export their end products abroad are excluded from the general definition of Export Processing Zones.

However, even with this level of guidance, it is still difficult to formulate a well-defined concept of free zones, and this is partly because the legislative processes that have developed in this respect have not articulated a definite concept. Rather, they have created a group of basic working rules to be applied inside the zone.

Generally, therefore, it is accepted that a free zone is a part of the state land, located on its land, maritime or air outlets, or near them. It is geographically limited

by walls and isolated from the rest of the state territories, it follows specific legal rules, and is subjected to the complete sovereignty of the state (Fakroun, 2012: 23-25).

Export Processing Zones (EPZs) are special industrial parks providing duty relief to export oriented firms operating in the zones. They are enclaves within a country where foreign and domestic goods may enter duty free in order to be stored, distributed, combined with other foreign and/or local products, or used in manufacturing operations. (EPZ) have become rather popular trade policy instruments in the last three decades. An (EPZ) is a trade policy instrument used to promote non-traditional exports. When discussing (EPZ), a variety of terminologies, such as industrial free zones, special economic zones and maquiladoras are used interchangeably through most of the literature.

The diversity in name reflects the evolving nature and distinct purpose of each zone, and while the stated objective of the government is reflected in its terminology, the actual operation of the enclave can be quite different.

The general concept of all these terminologies is basically the same. But, according to some authors, Free Trade Zones (FTZ) include (EPZ), but many export processing zones are not free trade zones. Rhee, (1990), defines (FTZ) as (EPZ) with free trade and other equal footing export policies, which include realistic exchange rate, inputs and capital goods at world prices, easy access to investment licensing and financing for the creation of export production capacities.

The (ILO/UNCTC) suggests the following definition: an (EPZ) could be defined as a clearly delineated industrial estate which constitutes a free trade enclave in the customs and trade regime of a country, and where foreign manufacturing firms producing mainly for export benefit from a certain number of fiscal and financial incentives (Armas & Sadni, 2002: 2).

The concept of Export Processing Zones (EPZs), initially defined as zones where a more favorable fiscal regime is applied to exporting enterprises, has progressively broadened to designate a range of concessions to the regulatory environment (above all with regard to taxes), which are granted to exporting enterprises which may be

located anywhere within a country. (EPZs) have experienced rapid expansion in developing countries during the past three decades and at a rising rhythm since the 1980s. This acceleration is a result of the convergence of two phenomena:

The conversion of all developing countries to export-led growth policies, considered the optimal strategy to stimulate employment and favor insertion in the global economy; simultaneously, with the accentuation of international competition, there has been a growing trend to transfer the production of labor-intensive goods towards developing countries. Enterprises in such sectors direct investment to countries with surplus, low-cost labor, and which adopt concessionary regimes such as those applied to (EPZs) (Cling & Letilly, 2001: 6).

2.2.3. Free Zone Types

Territorial-type (FEZs) have a specially defined territory with infrastructure of high quality and administrative facilities staffed with better-trained people than elsewhere in that country, which is cannot easily be granted with regime approach. On the other hand, this type avoids the enormous technical difficulty of organizing and distributing the various fiscal, monetary, and administrative privileges of the (FEZ) regime to a large number of enterprises. It will be more difficult if these enterprises are operated in very different locations and under very different conditions.

There are two sub types of this kind of (FEZs): Depending on the linkages with the domestic economy and the policy of customs supervision one can distinguish an open and an enclave type. The enclave type (FPs, FTZs and EPZs) is a strictly defined zone in which a policy of closed customs supervision is carried out so that it has less direct linkages with the domestic economy than the open type (SEZs, SIPs, free financial zones, and free tourism zone). The open type carries out a special policy of customs supervision (not closed customs supervision) and is not strictly defined or separated from the domestic economy. That is why it has more direct linkages with the domestic economy than the enclave type. Some types of (FEZs), such as (SEZs), have the feature of both open and enclave type of (FEZs).

A regime type of (FEZs) grants certain benefits to firms located anywhere in the host country as long as they fulfil certain criteria. Strictly speaking, this type of (FEZ) is only a free economic regime, not a free economic zone so that it is only a special case of a territorial type. In contrast to territorial type of (FEZ), the regime type makes it possible to development a strong linkage with the local economy, and to let foreign firms freely choose the optimal location for their activities. Based on the industrial policy, regime types can be subdivided into bonded export-oriented factory, bonded warehouse, and high-tech enterprise.

(FEZs) of the territorial type, however, do not necessarily remain as an enclave without any linkage to the rest of the domestic economy. They just have fewer linkages than (FEZs) of the regime type. Furthermore, the regime type can coexist with and evolve from the territory type or in return. For instance, in some (LDCs), as the goals and roles of (FEZs) shifted, many of the incentives and privileges were applied to areas outside the zones.

In Taiwan, for example, incentives for the (EPZs), such as export benefits, have been granted to the bonded factories, which are geographically unrestricted, as long as they meet certain criteria, such as exporting a certain percentage of their production. The incentives of the (SEZs) in socialist economies, like those of (EPZs) in capitalist economies, also experience the similar spatial diffusion. In China, there were also, besides several Export Commodity Production Bases (ECPBs), numerous bounded factories before the establishment of the first (FEZ) in (1979). China has also extended its favorable policies for (SEZs) to other types of development zones and other industrial sectors since the (1980s) , Figure (6) shows the regional types and systems (free economic zones) and special model areas (Guangwen, 2003: 20).

(FEZs) began to develop from (FCs), (FPs) and (FTZs). Later, they generated (EPZs), (SEZs) and other types of (FEZs). In (1979), Ping classified (FEZs) into two generations. He based his statements on the Asian experience and regarded the (EPZs) in the late (1960) as the (1st) generation and the (SEZs) of China after the late (1980s) as the (2nd) generation of (FEZs), though he did not convincingly put forward a criterion for this classification. Wong and Chu classified five different

generations of (FEZs) according to their spatial dimension and their economic sectors:

Customs Bonded Warehouses, (EPZs), (SEZs), (FPs) and Comprehensive (FTZs). Wong and Chu considered the economic sectors as the most important criteria to classify (FEZs), but this model has three problems.

First, the regime type of (FEZs), such as customs bonded factories, was mixed with the territorial type of (FEZs), such as (EPZs) and (SEZs).

Second, the chronological sequence was not considered as a criterion. (FP) and (FTZ), for example, have a longer history than (SEZs), but their positions in this model are beyond them, so that they look younger than (SEZs).

Third, this model excludes the new (FEZs), such as science-oriented park and cross-border (FEZs), which have been more popular since the late (1970).

According to industrial sector and against the background of general features, such as economic freedom and geographically defined area, (FEZs) can include five main types, such as trade, manufacture, service, science-based and comprehensive (FEZ), and many subtypes.

According to the evolution of (FEZs) (economic sectors), (FEZs) can be classified into six generations, including trade-based, manufacture-based, service-based, science-based, comprehensive (FEZ), and cross-border (FEZs). The linguistic description of this terminology is based upon the well-known nomenclature: science-based park (Guangwen, 2003: 20).

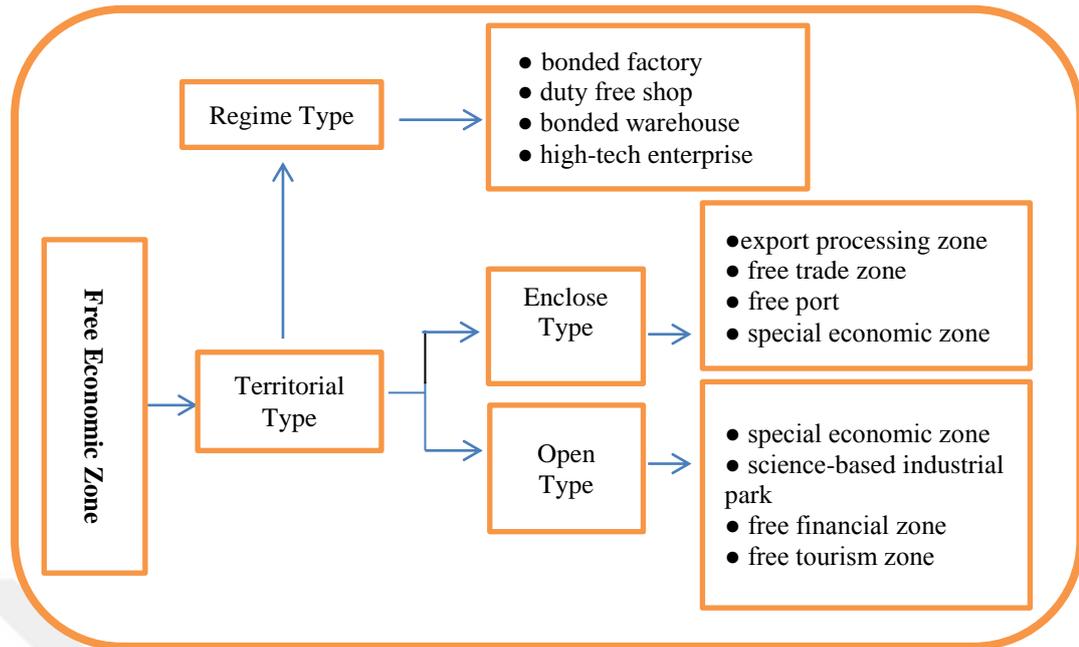


Figure (6) The Regional Types and Systems(FEZ)and Special Model Areas

Source:(Guangwen, 2003: 20)

According to figure (5) the horizontal arrows show the relations between (FEZs) and their sub-types; the vertical arrows show the regime type as a special case of territorial type (FEZs), (Guangwen, 2003: 20).

2.2.4. Free Zone Dimensions

The vision of a Free Zone Scheme is to provide a viable internationally competitive platform that has the capabilities necessary to attract export oriented Foreign Direct Investment to promote exports.

Johansson (1994) noted that the new theories stress the possible effects generated by zones that may take the form of human capital development, learning and demonstration effects among others. Johansson also noted that the new theories accelerate the process of industrialization in developing countries. The Free zones in the new theoretical framework serve as a catalyst for fast learning for all major stakeholders in the nation and a pioneer in attracting export oriented Foreign Direct Investments and in promoting exports. Porter (1990) indicated that competitive advantages of Zones may also be explained in terms of cluster approach in that Free Zones are industrial clusters of companies that are located in a geographic region.

These clusters of companies share economic infrastructure, a pool of skilled human capital. They also have shared access to governmental and other institutions that provide education, specialized training, information and technical support. These companies may also work together to create joint companies, distribution agreements and common manufacturing agreements. It has been stated in literature that external economies of scale and other advantages of cluster help the operating firms in reducing costs, acquiring competitive edge and attracting foreign direct investment (Angko, 2014: 1-43).

2.2.4.1. Economic Dimension

Neo-classical theoretical economists were the first to study the specific measures applied to (EPZs), measures traditionally considered as being sub-optimal and sources of distortion. New growth theories have brought fresh arguments for (EPZ) promoters, stressing the dynamic gains they are susceptible of producing (technology transfers, imitation effects, and so on).

In neo-classical theory, the establishment of an export processing zone in a country represents a second-best policy choice, consisting of compensating for one distortion (import duties) by introducing another (a subsidy). According to this theory the total suppression of competitive distortions, through the introduction of total trade liberalization, is the only policy to bring an economy to its optimal state (Cling, 2001: 16).

Although economic theory would state that (EPZs) are at best a second-best policy option, (EPZs) have been used extensively. There are mainly three points of view on the role of (EPZs) in an economy:

- The first views (EPZs) simply as a tool for achieving one or several specific policy objectives increasing employment, attracting foreign direct investment and/or increasing foreign exchange earnings. Under such a view, the enclave nature of the (EPZ) allows a country to maintain its current economic policy in the general domestic environment.
- The second views (EPZs) as laboratories for experimentation which is a part of economy-wide reforms. In such a case (EPZs) are considered as a stepping

stone which allows a country to phase in trade and investment liberalization while regulating the speed of change in the general domestic environment.

- The third views (EPZs) as a regional policy tool aimed at increasing employment in disadvantaged areas.

In practice, the differences between the three points of view may be subtle. For example, the difference between the first and second point of view may lie only in the presence of the intent for further trade and investment liberalization on a national basis. Moreover, a country that started off with the first view of (EPZs) may decide to proceed with trade and investment liberalization; on the other hand, great success (e.g. in terms of job creation) may allow a country to defer necessary structural reform in the domestic economy (Engman & Pinali, 2007: 35).

2.2.4.2. Financial Dimension

The (SEZs) are important in today's context for the third world countries which have been in the race for rapid economic growth. There are many positives which emerge out of establishing an (SEZ). Let us have a look on these factors. For undertaking any kind of massive development program the government requires huge amount of funds. So, it looks out for potential partners to help the government carry out the program. Now say for setting up an (SEZ), the government may tie up with a private partner who's willing to invest in that area, thus a win-win situation for both. As in the government gets the capital needed to establish the required infrastructure and also the expertise. The private player on the other hand gets the right to market and use the (SEZs) with relaxed tax laws, thereby increasing its revenue generating capacity and also carrying out the economic growth of the company in a more efficient way with the better tax policies. Actually (SEZ's) with relaxed import tariffs help the Import dependent and export driven industries to flourish by helping them develop manufactured goods at competitive prices. (SEZ's) create immense employment opportunities. The setting up of (SEZ's) creates lot of indirect employment in terms of labour required. Then after the completion it enables employment in the relevant industries operating in the (SEZ). Then there are lots of indirect employments generated wherein people start investing around (SEZ). For example, (SEZ's) are townships of their own; thereby there are shopping malls,

restaurants, amusement parks setup around to attract people, thus resulting in more economic development in that area (Srinu, 2013: 86).

Moreover (SEZ's) improves the country's foreign export, because of the increased foreign investment and Private Equity presence, the local manufacturers get to tie up with these big names and export their products which now carry a better brand value, therefore helping in creating a greater demand for the goods of local manufacturers. Also, the massive capital required for expansion is brought in form of foreign investment resulting in increased economic activities. Increased exports from the country, bring in more revenue for the country which improves the economic growth. (SEZ's) help in creating a balanced economic growth in a country if they are properly located and implemented leading to tapping of local talent and contributing to increased economic activity in the area (Srinu, 2013: 86).

Foreign investment in the (SEZs) has been directly linked to the (SEZ) policies. Aimed at attracting foreign investors, the (SEZs) have put together various incentive packages in a flexible, innovative manner. The incentives include duty-free privileges; concessionary tax rates, breaks, and exemptions; preferential fees for land or facility use; favorable arrangements with project duration, size, sector invested, location, and the type of ownership; flexible treatments regarding business management, employment, and wage schemes; and so on. From the standpoint of foreign investors, these measures, from tax treatments to land-use arrangements, all translated into a lower cost of production or operation, and, other things being equal, a potential for higher profits. Coupled with improved infrastructure, facilities, legal structure, and administrative framework, these open-minded, investor-friendly policies have helped within a short period of time to turn an inflow of foreign capital into a flood. In dealing with foreign direct investment, the (SEZs) have shown a high degree of flexibility. Various types of arrangements with foreign investors are developed in a pragmatic fashion. The most commonly practiced arrangements include processing and assembling trade, compensation trade, co-production, joint ventures, and the operation of wholly foreign owned firms. In negotiating contracts with foreign investors, labor, land, factory facilities, and raw materials (GE, 1999: 1272).

2.2.4.3. Investment Dimension

In developing countries, (SEZs) often are associated with low wages and low skill production capabilities that typically are set up to build on the comparative advantage of cheap labor to expand the export base. Experience shows, however, that in addition to the direct economic benefits that can be derived from boosting trade, including employment generation and increasing exports, (SEZs) also can carry indirect economic benefits, which in turn can drive local innovation. Indeed, while attracting content-rich Foreign Investment and stimulating trade, (SEZs) tend to favor the acquisition of international knowledge and know-how, which are crucial to the development of innovation capabilities. Furthermore, the local interactions set in motion by (SEZs) appear particularly well-suited to innovation, which greatly benefits from local-level interactions (Farole & Akinci, 2011: 184-185).

In Addition to boosting national accounts, foreign investment, and trade, (SEZs) can have more general benefits for development.

From a host country's perspective, the benefits of (SEZs) can fall into two categories:

1. direct benefits, which straightforwardly and quantitatively affect current account and public finance developments, via export growth and foreign exchange earnings, foreign investment, and increased government revenue.
2. indirect, or dynamic, benefits, which include skills upgrading of workforce and management, technology transfer, backward linkages with domestic firms, demonstration effect, export diversification, and knowledge of international markets.

The majority of these indirect benefits may crucially nurture ingredients that are needed for innovation in the context of development or economic catching-up. According to modern innovation systems theory, innovation and technology development at the aggregate level are essentially the result of an interactive process involving a set of actors and institutions at the micro level, whose activities and interactions initiate, import, modify, and diffuse knowledge and new technologies (Freeman 1987). The key ingredients in this process include firms, human capital (thus skills), and technology or new knowledge, all of which can be stimulated by

(SEZ) linked interactions In this respect, successful (SEZs) are those that prove able to sustain development in the medium to long term while influencing production processes throughout the whole economy, beyond the positive impact derived from direct trade benefits (Farole & Akinci, 2011: 184-185).

2.2.4.4. Social Dimension

Another of the benefits that (EPZs) usually bring (probably the most obvious one) is alleviation of unemployment in economically depressed areas. Because of its assembly type activity, it primarily provides employment for those at the lower end of the income distribution, unskilled workers (Armas & Sadni, 2002: 12).

Creating jobs is one of the fundamental goals and important contribution of Free Zones to the host economy. This benefit is clearly observed in countries with high underemployment or unemployment rate. In a situation where excess labour has been absorbed the host economy faces a tight labour market. This causes labour costs to increase. Low levels or no unemployment brings income to the many that are employed and increase in labour costs also translates into higher income, thus improving the people's standard of living. According to the Organization of Cooperation and Development (Basile, 1984), most Free Zones have a considerable high rate of labour turnover, from 5 to 10 percent, primarily because of the reserves of labour. This includes a large percentage of female workers who are unemployed or retired early from the job market. Any employment that comes to the unemployed would mean a better standard of living and has a high economic rate of return. Since Export Processing Zones gradually develop towards more technologically advance sectors, the proportion of female workers tends to reduce significantly (Madani, 1999). Also since low skilled type of manufacturing activities is carried out in Zones, employment seems to concentrate in the lower end of skill distribution in the country. Although employment is created for those facing difficulties in the labour market, it also means that there would be technology spillovers, wages and value added (Angko, 2014: 1- 43).

2.2.4.5. Political Dimension

Typically, the transformational recession is essentially caused by distortions in the industrial structure and the system of relative prices, the financial system's backwardness, deficient market oriented institutions, a lack of horizontal and vertical mechanisms for coordination and conflict resolution, and weak state authorities allowing massive rent seeking. Usually, the recession is temporarily worsened by certain necessary transformation measures, especially by the introduction of hard budget constraints? Wrong economic policies and the inconsistent assignment of competences can lead to further distortions and delays in restructuring. In some countries, such as the successor states of the (USSR) and former Yugoslavia, the recession has been aggravated by political upheaval and even warfare (Joachim & Astrid., 1995: 87-95).

In view of the nature of the systemic change as well as the recent experiences of Central and Eastern Europe (CEE) countries, three factors can be identified which are crucial for a successful transformation policy:

- 1) First of all, political authorities need to enforce a bold and comprehensive transformation strategy in order to stabilize the political system and to implement a market-oriented economic and legal order as a framework for economic agents to act independently of political institutions.
- 2) In this respect, a stabilization-cu adjustment programmer is to be regarded as a sine qua non, At the same time, political and economic competences must be properly assigned in order to maintain the ability of political institutions at all federal levels to act, and to have private economic agents act independently within a stable and enduring institutional framework (Joachim & Astrid., 1995: 87-95).

2.2.4.6. Other Dimensions

In addition to their expanding presence, the nature of work taking place within (EPZs) has also evolved. The trend has been for (EPZs) to move away from being exclusively locations for business processes using low skilled labour (such as through simple garment manufacturing) to locations for a variety of more complex business processes requiring more highly skilled labour such as that associated with finance and logistics centres. For example, in (2013), the Shanghai Free Trade Zone

opened for business, with a focus on attracting the insurance industry. One reason for this trend from use of lower to more highly skilled labour in (EPZs) has been the phase-out of the Multi-fibre Arrangement (MFA), and the subsequent move away from the quota based system which led companies to source apparel from around the globe. While apparel continues to represent a large percentage of work conducted within (EPZs,) some countries (notably India, China and several countries within the Caribbean) have developed specialized (EPZs) focusing on services, electronics, communication technologies and even finance (UNCTAD, 2015: 5).

Another way in which (EPZs) have evolved over time is with respect to the increasingly significant role played by the private sector. In a (2008) study, the World Bank noted that perhaps the most notable trend in (EPZs) over the previous 15 years was the growing number of privately owned, developed and operated zones worldwide. The study found (62% of the 2,301) zones in developing and transition countries were private sector developed and operated. This contrasted with the (1980s), when less than 25% of zones worldwide were in private hands. The World Bank study speculated that a key factor behind the rise of private zones was “the realization that such facilities can be profitably operated on the part of developers, and that the burden such (SEZs) place on government resources can be reduced.

The growth in number and diversity of (EPZs) was noted by (UNCTAD) in its (2013) World Investment Report when recognizing role in global value chains. That growth has also led to the creation of organizations that seek to network (EPZ) agencies and their stakeholders, for the purposes of sharing best practices and networking relevant suppliers. These Organizations include the World Export Processing Zones Association (WEPZA) and the World Free Zones Organization (WFZO). The growth of such networks could enable the rapid evolution of (EPZ) strategies in line with international trade and investment trends, and significant changes in the global regulatory environment (UNCTAD, 2015: 5).

2.2.5. Free Zone Requirements

Design and layout will depend on the type of investor. Other factors, such as scarcity and cost of land, are also important. If the developer is hoping to attract high

quality clientele, then a high standard of building design and landscaping and relatively low building density is desirable. If the site is in an urban area, high building density and multistory buildings will be acceptable, provided high standards of design and landscaping are maintained.

In a more traditional industrial warehousing estate or free zone, cost is important. Limited landscaping and relatively high density are desirable. In larger estates that might have different types of investors zoning may be important. Maximizing the use of space and revenue and profitability requires the skills of an experienced planner.

Road layout is the starting point in any site design. A grid system is usually best. Main roads are normally 10 meters wide with secondary roads 7.5 meters. Good turning circles are important to accommodate modern container traffic. In most cases, the road network should not occupy more than 15 percent of the site, but the network might increase to 25 percent on a very badly shaped site. The road network should be installed in phases. The planner should retain as much flexibility as possible for as long as possible. The design should allow for easy installation and maintenance of water, sewage, storm water, telecommunications, and electricity services along the side of the road.

Proper provision for car, truck, and bus parking should be made. There is no standard formula for determining the ratio of parking space. Key variables are the quality of the public transport, the culture with regard to transport, location, and income level (USAID, 2005: 27).

The decision of the creation of free zones requires stable political and security climate and the sovereignty of peace and national harmony and political stability and good relations with the neighboring countries. In fact, the free zone does not operate in a vacuum and it is not intended to meet the demand of the local market; but it is established in light of national and regional need (Fadal, M, 2008: 23). And in order to establish a free zone in a country a set of basic constituents are required:

2.2.5.1. Infra-Structure Requirements

In terms of infrastructure, (EPZs) typically offer in-house customs and tax processing, nearly all EPZs are located in proximity to regional or international transportation hubs to facilitate rapid transfer of goods at lower costs. This infrastructure includes shipping ports, especially large roads, or direct linkages to airports. Within the (EPZ), key infrastructure includes stable electrical and water supplies, which can be a challenge to maintain in many developing nations. (EPZs) also offer world-class telecommunications options such as full telephone and fibre optic/internet connectivity. In addition to these infrastructure benefits, many (EPZs) offer management assistance to companies operating within the zone. For example, as (EPZs) are typically geared towards foreign investment, leading (EPZs) offer assistance to investors during the business licensing application procedures (UNCTAD, 2015: 11).

2.2.5.2. Economic Requirements

The political instability increases the degree of risk concerning the capital invested in the country concerned. This is, of course, a major obstacle to investment. In addition to the political stability, the suitable political structure requires the supremacy of democratic practices such as (freedom of the press, judicial independence, transparency and participation). This is an indispensable framework for economic development (Fadal, M, 2008: 23).

2.2.5.3. Stability Factors Requirements

Undoubtedly, the establishment of a free zone in a country is a political decision before its being economic decision or a legislative decision that requires a consensus of interests or at least there will be no conflict between the strategies of the host country and international companies invited to invest in the proposed free zone. Most of the investments coming to these areas belong to multinational companies seeking to acquire markets. Therefore, the flow of these investments cannot be expected unless there are at least sufficient points of convergence, interests and guarantees to increase their competitiveness and maximize the profits of their investments and at the lowest risk. For example, China occupied the first rank in the developing

countries and the second rank among the countries in the world during the 1990s in attracting direct foreign investment as a result of adopting a moderate political approach with the United States and the West in general. In fact, China was keen enough not to collide with the United States and gave priority to economic interests (Fadal, M, 2008: 23).

2.2.5.4. Organizing & Managerial Requirements

The zone developer is responsible for organizing and managing the private free zone in accordance with the conditions of the developer's license. The developer is responsible for all aspects of zone development and management (e.g., controlling the behavior of investors, maintenance, security, rent collection). The lease governs the relationship between the developer and investor, stipulating that the investor behave as a good neighbor and allowing the developer to enter the investor's premises to inspect effluent treatment and disposal arrangements, storage of garbage, dangerous substances etc. (USAID, 2005: 15).

The Free Zone Authority ensures that investors and developers comply with license conditions. The Authority should have no function in the daily operations of the private free zone, and it does not need to issue import or export permits, check stock accounts, or engage in other customs control procedures. In a public free zone, the Authority (GAFI) develops and manages the zone, and ensures that investors and the zone management adhere to license conditions (USAID, 2005: 15).

2.2.5.5. Resources Availability Requirements

There is a real need to provide skilled relatively cheap manpower highly qualified to work in companies and investment projects in the free zone. Two essential and complementary factors are of great importance in assessing the labor force from the point of view of international companies: skills and flexibility. The former is considered as a major resource in the information age while the second means flexibility, speed of movement and freedom of movement from work in projects built within the state to projects within the free zone. This means that the projects inside the country have local alternatives to review this transition or that they are able to provide incentives to make their workers do not lose them. This

makes the international companies in the free zones looking for new labor forces in many developing countries because of the problem of unemployment. Countries with low populations should have a minimum level of the regulations and greater flexibility in importing labor. It can be noticed that the laws of the United Arab Emirates are characterized by this trait which makes them importing foreign labor and preparing it to work in Jebel Ali Free Zones (Fadal, M, 2008: 23).

2.2.5.6. Incentives & Advantages Requirements

This is represented by providing the legal basis for the establishment of the free zone and the advantages and incentives that will be provided to investors. It is worth mentioning that there are significant constituents which must be available such as relative stability and clarity of the laws of the host country with respect to expropriation, nationalization and litigation, arbitration and insurance, dealing with foreign investments, registration of companies and determining the systems of banks and insurance companies (Fadal, M, 2008: 24).

2.2.5.7. Other Requirements

This is represented by the proximity of free zones to international trade routes, most of the free zones in the world were concentrated in or near the ports, such as the free zone in Tangier or the free zone in Port Said, near airports or close to regional or international markets such as Jebel Ali Free Zone in Dubai to reduce transport costs. An important factor driving multinational companies to invest in developing countries is the relative reduction in transport costs and the reduction of the required time. In particular, it represents a high percentage of the cost of the final product in the industrialized countries (Fadal, M, 2008: 24).

2.3. Turkish Free Zones

The efforts to establish free zones in Turkey date back to the early years of the Turkish Republic and several free zones laws were put into force that could not be applied for reasons peculiar to their time. With the adoption of the Decisions of (January 24, 1980), through which the import substitution policies was abandoned and arrangements toward liberalizing the economy became effective, free zones also came on the agenda among other liberal policies. The first positive result achieved by the statement “Free Zones will be established” that was inserted in the (1984) Executive Plan which was put into force by the decision of Council of Ministers dated (22/9/1983) (no:83/7077). The studies gained impetus and the Free Zones Law (No:3218) came into effect in (15/6/1985). In the Free Zones Law , the main objectives of the establishment and operation of free zones are stated as increasing export-oriented investment and production in Turkey, accelerating the entry of foreign capital and technology, procuring the inputs of the economy in an economic and orderly fashion and increasing the utilization of external finance and trade possibilities.

Since then, Mersin (1987), Antalya (1987), Aegean (1990), Istanbul Atatürk Airport (1990), Trabzon (1992), Istanbul-Leather (1995), Eastern Anatolia (1995), Mardin (1995), ISE Istanbul International Stock Exchange (1997), Izmir Menemen-Leather (1998), Rize (1998), Samsun (1998), Istanbul Thrace (Çatalca) (1998), Kayseri (1998), Europa (1999), Gaziantep (1999), Adana Yumurtalik (1999), Bursa (2001) Denizli (2001), Kocaeli (2001) and Tubitak-Marmara Research Center Technology (2002) free zones became operational, Figure (7) shows the free zones in Turkey.

In general all kind of activities can be performed in Turkish Free Zones such as manufacturing, storing, packing, general trading, banking and insurance. Investors are free to construct their own premises, while zones have also available office spaces or warehouses on rental basis with attractive terms. All field of activities open to Turkish private sector are also open to joint-venture of foreign companies.



Figure (7) Free Zones Sites in Turkey

Source: (G.D.FZ, Without Year)

2.3.1. Free Zone Legislation of Turkey

The Directorate General of Free Zones was founded in (1983) within the organization of the Prime Ministry on the basis of Statutory Decree No. 151. Later in 1984 it was included into the organization of the State Planning Organization as the Directorate of Free Zones on the basis of Statutory Decree No. 223 and in (1991) it was included into the organization of the Undersecretariat of Treasury and Foreign Trade of the Prime Ministry as the Directorate General of Free Zones on the basis of Statutory Decree No. 438. In (1994), the Directorate General of Free Zones was included into the organization of the Undersecretariat of Foreign Trade of the Prime Ministry since the Undersecretariat of Treasury and Foreign Trade was divided into two on the basis of Statutory Decree No. 534. However, this Decree was canceled. Thereafter, as the result of the reorganization of two Undersecretariats as the Undersecretariat of Foreign Trade and the Undersecretariat of Treasury, with Law No. 4059, in (1994), the Directorate General of Free Zones began to carry out its activities within the structure of the Undersecretariat of Foreign trade (G.D.FZ, Without Year).

2.4. Zakho City

It is situated between two latitudes ($30^{\circ}06'37''$), ($15^{\circ}11'37''$) in the north, longitude ($45^{\circ}45'42''$) and ($30^{\circ}37'42''$) in the east. Geographically, it lies in the far north-west of the region of Kurdistan Iraq. As for its area, the city of Zakho is (40.78) square kilometers, which constitutes (2.8%) of the total area of Zakho district which is (1453 km²). (It is the center of the city) with its dependents as administrative units.

The city of Zakho is centrally situated within its administrative territory. It occupies a central location in terms of distances between the administrative units, it has three areas namely (Batufa, Darkar, Rizkari). The city is also linked to a network of good roads with its dependents to meet the needs of the public service because the city is more specialized in these services. From the administrative point of view, the city is the main center of activities and administrative functions, it contains the important commercial area. As for its regional relations, the city of Zakho is connected with Duhok and the neighboring cities by a good network of roads. The distance between Zakho and Duhok is about (55) km. The city of Duhok (which is the center of the governorate) is bordered by the south and southeast of Zakho. Therefore, it can be noticed that the city of Zakho at this time is connected to the cities of southern Turkey if it is compared to the northern cities of the region of Kurdistan. It is far from the Turkish border only about (10) km so the situation of the city is near the Turkish border and this situation in the main international road has given it a great importance to attract the economic activities compared to other cities in the region.

It represents a link between the governorate of Kurdistan and Iraq and Turkey and Europe on the one hand and Syria on the other. The characteristics of the geographical situation and the network of transport routes give importance to the development of the existing trade in the city and the expansion of spatial relations by expanding the territory of the region and the increase of link with other city centers.

It can be noticed that the geographical situation of the city of Zakho gives it more importance to have the concentration of industrial activity in it, and attracting a large

number of the labor force in industrial institutions. The city also includes the largest health centers and the concentration of hospitals, clinics, health centers and clinics of doctors of various specializations, and pharmacies. Moreover, the various educational institutions such as secondary and vocational schools, technical institutes and the university education gave the city a more functional dimension from the regional point of view.

Zakho occupies an easy and semi-flat place, and the city had been built on both sides of the Khabur River. The city then grew and expanded in its present form. The presence of many factors available in this city made it play a role in its construction, including its situation on the bank of the river Khabour. This has contributed to the establishment of the nucleus of the first city which developed in the subsequent stages as well as its situation near the Turkish border where the main international roads are met. This gives the city a great importance in attracting the economic activities and the development of trade and expand existing spatial relations. Therefore, the impact of these conditions is highly evident in the continued increase of the population in the city. It must be mentioned that the city of Zakho has witnessed an increase in population growth rates over the past six decades.

The number of people in Zakho reached about (6276) people in (1947) this number has been increased to be (212.099) in (2014) taking into consideration that the area of the city is (40,78 km²), and the general population density is amounted to (5201) people / km². The nature of the relief is a reflection of the geological reality of any area. The region of Zakho is situated within the southern part of the Zakho Plain (Al-Sindi plain). This is a triangular plain whose base is adjacent to the Heizel River which is the Iraqi-Turkish border. It extends eastward for a distance of (35) kilometers and has a width of (6) kilometers. Its surface rises from (400) meters in the west to (600) meters in the east. From the north, there is Kira mountain, whose height is (1142) meters above sea level and Deira mountain whose height is (1410) meters. From the south, there is Bikhir mountain which is about (1100) meters height. To the east of the city of Zakho, there are the Taoki hills which are (10 km) east-west and at an altitude of (600-750) meters. There is the area of Tawke (15) kilometers east of Zakho, it has an oil field, which has been operational since (2005)

(Zebari, 2005). The production of the Tawke field in March (2017) is (108,853 barrels per day) (Reuters, 2017).

From the north, there are the Barzur hills, from the south, the Zakho hills (650-850) meters with a slope of ($^{\circ}8-^{\circ}30$). The water resources are among the most important factors for selecting the places of stability and housing and affect the distribution and growth of the population in the city. The river has been a crucial element in the study of the situation of the city. In fact, the emergence and permanence of human settlements have been associated with the availability of water resources. The Khabur River is the most important source of water in the Zakho region and it springs from the Turkish territory. The length of the river in the territory of the Kurdistan Region of Iraq is (160 km), with drainage capacity estimated as (2.14 billion /m³) annually.

The city of Zakho has been formed as an island (the middle of the Khabur River and expanded on its banks over time. It is considered as the main resource which provides the population of the city with water suitable for human use (Wissam, 2016: 43).

2.5. Ibrahim Al-Khalil (Border Point)

The Ibrahim al-Khalil border crossing is one of the most border points on which Iraq and the Kurdistan region of Iraq depend commercially for decades. It is the strategic point which is the closest one to Turkey, the country with which it has had a strong commercial trade for several decades. It is also the gateway of Iraq to Europe. This border crossing is one of the most important sources which provide revenues to Iraq and the Kurdistan region by land with other sources of exchange with the region by air trade through the airports of Erbil and Sulaymaniyah.

This important crossing gives huge annual profits through the trade between the region and Iraq as a whole and with Turkey and the rest of the world. This crossing receives all kinds of goods, about hundreds of trucks pass daily, part of which goes to the region, while the bulk goes to the rest of the cities of Iraq. According to (2012) statistics, the size of trade exchange between Turkey and the Kurdistan region of Iraq is about (8) billion dollars. The Ibrahim Khalil border crossing is the most active

crossing for Iraq trade movement in spite of the fact that it is not the only one in Iraq. There is more than one border crossing linking Iraq and the neighboring countries including Haj Omran crossing in Erbil and Bashmakh in Sulaymaniyah, besides the Syrian borders. The concern and pressure is on Ibrahim Al-Khalil crossing, because of the proximity of Turkish ports on the Iraqi border and the safety traffic of the containers and the speed of procedures at the crossing. Many companies consider it as a main transit for goods to the region and from there to the rest of Iraq.

The commercial movement at the Ibrahim Al-Khalil border crossing is the strongest one and most effective if it is compared to other crossings. Thousands of trucks entered the region. The crossing consists of several departments that supervise the entry and inspection of goods and so on.

The opening of Duhok International Airport is a radical solution to get rid of all the problems facing the commercial movement at the border crossing. In this case, travelers will not be obliged to go and the travel to Turkey by its airport. We confirm that the airport will be «an important economic and trade port and gateway to Turkey and from there to Europe and to the world» (Zangana, 2013).

And the departments belonging to the administration of Ibrahim al-Khalil compound: (Ibraheem khaleel costoms), (Sub.dir.of asayesh), (Customs Police), (Zerevani), (Contracture .staff lab), (National insurance), (Rasheed Bank), (Civil defense center), (Health center), (Traffic Police patrol), (Passport Office), (Relations Office), (In come tax), (Vet clinic), (Agriculture clinic), (Standardization) (DIKIPC, 2014).

2.6. The Available Factors for the Free Zone in Duhok

The absence of any free zone in the region and in Iraq will be the main reason of the success of the free zone, especially with the availability of the required elements and factors that help establish them.

Duhok Governorate is situated in northern Iraq and is bordered to the north by Turkey and from the west Syria and from the south-west Nineveh governorate and from the south-east Erbil governorate. In Duhok Governorate, there are more than one crossing (the Ibrahim al-Khalil crossing and the Zerain crossing) between Duhok and Turkey and the Feshkhabur border crossing between Duhok and Syria with a population of (1,423,114).

There are large quantities of oil and natural gas in the region which make it one of the most important places for industrial investments because of the availability of cheap sources of energy and its products, in addition to other minerals such as sulfur and phosphate as well as agricultural and animal products which are considered as the source of many industries.

The markets of the region and the Iraqi markets in general are considered as the largest consumer markets taking into account the high tendency to consume, especially after the rise in purchasing power.

The region has a skilled labor force of graduates of universities and technical and administrative institutes who have expertise in various fields of work. In addition, the wages of these skilled labor force are low compared to their counterparts abroad. In this case, the foreign investor will get rid of the burdens of bringing skilled labor force from abroad.

The prevailing legislation and laws in the region aim at attracting foreign investment to them through incentives, exemptions and guarantees given to the investors besides the flexibility of the contracting process. All these aim at facilitating the procedures for investors.

What distinguishes the investment in the region if it is compared to the neighboring countries is the low cost of investment for projects whether investment or operating costs. It is known that reducing costs is one of the most important factors for encouraging the investment. The reason for the low costs is due to the following:

- The difference between the exchange rate of the local currency against the foreign exchange which leads to a decrease in the value of local production

inputs from the raw materials and the crude materials, and lower rates of wages and fees for services provided.

- The free zones are near the sources of raw materials, as well as from the local and external markets which contributes to reducing the cost of transport.

The availability of large areas of land with strategic sites can create such free zones.



CHAPTER THREE RESEARCH METHODOLOGY

3.1. Introduction

This chapter gives an overview of the research methodology. It includes research design, research framework, research hypothesis, population and sampling, research instruments, data collection, and data analysis.

3.2. Research Design

According to Vogt (1993; cited in Hussey and Hussey, 1997: 114), research design is “the science (and art) of planning procedures for conducting studies so as to get the most valid findings”. The research design is extremely important because it determines the success or failure of the study. Determining research design will provide researchers a detailed plan which will be used to guide their research (Collis and Hussey, 2003). The purpose of this study is to determine **(The Investment Strategy for Establishing and Activating Free Zones in Duhok\Kurdistan Region)**. In this research both quantitative (historical data) and qualitative (questionnaire) methods will be used to collect data.

3.3. Research Framework

The independent variable in this study is Investment Strategies, and the Free Zone is considered to be as the dependent variable.

3.4. Research Hypotheses

A number of research hypotheses have been developed from the theoretical review of the studies and researches adopted by the study concerning its subjects represented by the investment strategies and the free zone for field testing, which are as follows:

1- The First Hypothesis:

The null hypothesis (H₀): There is no statistical correlation at significant level of (0.05) between the variable investment strategies and the free zone variable.

Alternative Hypothesis (H1): There is statistical correlation at significant level of (0.05) between the variable investment strategies and the free zone variable.

2- The Second Hypothesis:

The null hypothesis (H0): There is no statistically effect at significant level of (0.05) for variable investment strategies in the free zone variable.

Alternative Hypothesis (H1): There is statistically effect at significant level of (0.05) for variable investment strategies in the free zone variable.

3- The Third Hypothesis:

The null hypothesis (H0): There are no significant differences in the study variables which can be attributed to the demographic characteristics of the members of the sample.

Alternative Hypothesis (H1): There are significant differences in the study variables that can be attributed to the demographic characteristics of the members of the sample.

3.5. Population, Sampling, and Sample Size

The sampling is an important element of a positivistic research. This is because it is difficult for researchers to get access to the entire population or to be able to collect data from all members of the population being studied (Remeny *et al.*, 1998). According to Maylor and Blackmon (2005: 195), a “sample is the subset of those social units you have selected to study”. The population of this study is all the relevant departments managers, Investors, and businessmen. As indicated earlier, this study will depend on historical data, questionnaire, and interview to collect data. A sample of this population in Duhok will be selected to participate in this study. In terms of questionnaire the sampling method of this study is based on the probability sampling. A simple random sampling design will be used to choose the sample of this study. A simple random sampling means each member of the population must have an equal opportunity to be selected (Collis and Hussey, 2003).

3.6. Research Instruments

In this study the instruments are a self-administered questionnaire and interview. In this study, the questionnaire is used to collect data from targeted participants to achieve the objective of the research, which were prepared by the researcher based on previous studies Which dealt with the subject of investment strategies and free zone.

The questionnaire includes several components which have been prepared according to the steps of the scientific method as far as its drafting is concerned and passing a number of tests. In this paragraph, we will describe the components of the questionnaire and the most outstanding axes included in this questionnaire for the purpose of measuring the variables of the present study and the most important tests carried out to measure its validity and veracity.

- A. The first paragraph is relevant to the personal information of the sample of the study which included: gender, age, academic qualification, kind of profession , period of work in this profession.
- B. The second paragraph contains the sentences which have been developed to measure the investment strategies and dimensions for this purpose, (20) sentences have been put to measure this variable and 10 sentences are used to measure each of its dimensions.
- C. The third paragraph includes the sentences related to the measurement of the free zone variable and its dimensions. Twenty-four words were put to measure this variable and (4) expressions are used to measure each of its six dimensions.

This study has adopted the (Likert five-fold scale and its measurement is based on five indicators namely: (strongly agree, agree, not sure, disagree, strongly disagree) and measurement weights ranging from (5) to (1), respectively. The use of this measure offers a wide opportunity for respondents to adopt the multiple options of Likert's five-dimensional scale. Table (2) represents the components of the questionnaire according to the main and secondary variables of the present study.

Table (2) The Contents of The Questionnaire

Paragraph	Main Variables	Secondary Variables	Statements	
			Total	No
The first one	Personal information	Information about the individuals of the sample	5	5
The second one	investment strategies	Local investment strategy	10	20
		Foreign investment strategy	10	
The third one	Free Zone	The economic dimension	4	24
		The financial dimension	4	
		The investment dimension	4	
		The social dimension	4	
		The political dimension	4	
		The legal dimension	4	

3.6.1. The Tests of the Questionnaire:

The questionnaire has been subjected to a number of tests before and after the distribution of the sample of the study for the purpose of verifying its validity to measure the variables of this study and to achieve the realization of realistic and credible data reflecting the field surveyed and as follows:

1- **Tests before the distribution of the questionnaire:** The questionnaire has been prepared by the researcher adopting the previous studies and researches related to the subjects of the present study and before the distribution to the sample members. The questionnaire passed the following tests:

D. **Testing the veracity of the virtual:** the questionnaire was prepared in its original form from the available scientific sources and then presented to a group of experts and specialists in the field of administrative sciences whose names and addresses are attached in the Appendix (1). The objective was to identify their views on the content of the questionnaire and their ability to measure the variables of the current study and to determine the extent of the clarity of their terms and the accuracy of the linguistic and scientific formulation and make them comprehensible among the representative sample. The results of the observations of the arbitrators have made a number of amendments and corrections to the questionnaire and the questionnaire has therefore taken its final form and taken its validity according to the opinion

of the majority of the arbitrators in the validity of its paragraphs and their relevance for this study.

- E. **Test comprehensiveness:** The questionnaire has been taken from the reality of the questions which have been addressed to the arbitrators and experts about the dimensions and phrases used to measure them. In the light of their answers and opinions, a number of paragraphs has been added and a number of them are deleted and a number of them are replaced by more precise and appropriate terms for the study, thus the questionnaire takes its final fair copy as stated in the Appendix (2-2).
- F. **Reliability Test:** (Reliability analysis) and Guttman Split-Half Coefficient are considered as the appropriate statistical methods to identify the reliability of the questionnaire, especially the descriptive and objective expressions. The questionnaire has been distributed to a sample of (24) individuals, after analyzing the data by using the (SPSS V.21) program, the reliability factor of the questionnaire has been calculated on the basis of the main study variables and their dimensions separately and together with each other as it is shown in Table (3) and as follows:
- a) The reliability coefficient at the macro level for all the terms of the questionnaire is (0.846) and at a significant level (0.05) which is high as far as the standard value of reliability coefficient (0.67) for scientific studies and (0.60) for human studies as well is concerned.
 - b) At the macro level of the variables of the study of these variables, the highest value of the coefficients has been recorded at the free zone variable which reaches (0.870) and at (0.05).
 - c) Whereas the highest value of the coefficient of all dimensions is the political dimension within the variable of the free zone, which amounted to (0.852). While the lowest value of the coefficient has been recorded in phrases of the strategy of local investment and within the variable investment strategies which reaches (6.627). This confirms that the terms of this study are acceptable and enjoy the required reliability because the values of the coefficient for all the expressions are high and acceptable.

Table (3) Split-Half Reliability Coefficients

The variable	The dimensions	The coefficient value	No. of expressions
Investment Strategies	local investment strategy	0.627	10
	foreign investment strategy	0.679	10
	The total indicator of the investment strategies	0.709	20
Free zone	The economic dimension	0.791	4
	The financial dimension	0.786	4
	The investment dimension	0.672	4
	The social dimension	0.798	4
	The political dimension	0.852	4
	The legal dimension	0.769	4
	The total indicator of the free zone	0.870	24
	The total indicator of all the expressions of the questionnaire	0.846	44

2- **Tests after the distribution of the questionnaire:** The tests which have been done after the distribution of the forms of the sample of the study and retrieval and have been as follows:

- a. **Neutrality:** In order to obtain the accurate data, we arrive at real and precise results for the study sample and the relations between its variables. The researcher has to depend upon a very important and relevant scientific research, this is represented by the subject of neutrality. No intervention occurred in the answers of the individuals of the sample and they have been given enough and appropriate time and full freedom to answer the paragraphs of the questionnaire. The questionnaire has been distributed on (15/6/2017) and all the forms are received on (15/7/2017).
- b. **Internal consistency:** The validity of the content of the questionnaire and its paragraphs depends upon the internal consistency test. This test is carried out by calculating the Spearman correlation coefficients between the terms of each dimension of the variables for this study. The correlations between positive and negative correlations indicate the validity of the expression of the terms of the main dimensions and variables. The results of the internal consistency analysis can be noticed as follows:

1. **The Internal consistency** of the terms of investment strategies: The results in tables (1) to (2) in Appendix (3) indicate the internal consistency values of the variable investment strategies and their dimensions. These results reflect the positive or the negative correlations at important levels (0.05) and (0.01) in most correlation relationships, this indicates the validity and effectiveness of the expressions in measuring the dimensions of the variable investment strategies.
2. **Internal consistency of free zone expressions** From the facts stated in tables (3) to (8) in Appendix (3), the values of the internal consistency of the free zone variable expressions and their dimensions are obvious. The results indicate that most of the correlation are positive or negative and at important levels (0.05) and (0.01), this indicates the validity and the effectiveness of the phrases in measuring the six dimensions of the free zone variable.

3.6.2. Methods of the Statistical Analysis:

The researcher has used a number of statistical methods to test the hypotheses of the study and complete the requirements of the field study according to the following paragraphs:

1. Using the Guttman Split-Half coefficient to examine and test the validity of the present study instrument.
2. The descriptive measurements represented by the percentages, computational circles, standard deviations, and coefficient of variation to describe the sample and variables of the study.
- 3 . One-Sample T Test to identify the importance of the agreement of opinions of the sample members concerning the description of the variables of the study or not.
4. Simple and multi-link (Spearman) to know the correlation between the variables of the study.
5. The simple and multiple linear regression and Stepwise method to identify the effect of the independent variables and to identify gradually the adopted variable.

6. Independent Two sample T-Test, which is characterized by the two categories to analyze the differences between the variables of the study and their dimensions according to the demographic characteristics of the sample members.
7. The analysis of (ANOVA) which deals with the characteristics containing more than two categories to analyze the differences between the variables of the study and its dimensions according to the demographic characteristics of the sample members.

3.7. Data Collection

3.7.1. Primary Data

According to Wilson (2014,151), primary data can be collected by researchers themselves by using various tools such as questionnaires, observation, and interviews; these data are unique and tailored specifically to a particular study. Wilson (2014,151) also mentions that primary data can be supported because of the following three reasons. **First**, when existing secondary data are unavailable. **Second**, existing secondary data may not be appropriate to your study. **Finally**, some institutions require students to undertake primary research, whereas in others may not be a necessity. For this research, primary data will be collected by historical data & questionnaire. The researcher will meet all participants and let them know how to fill the questionnaire. Moreover, the researcher will have interviews with a number of (Relevant departments managers) & (Investors and businessmen).

3.7.2. Secondary Data

For this study, secondary data were collected mostly from textbooks, journal articles, magazines, and Internet, which were presented in the literature review. Furthermore, findings from earlier research done in the same area have served as a valuable basis of supporting material.

3.8. Data Analysis

The collected data will be processed using the statistical package for social science (SPSS V.20). This computer software is considered to be the most widely used to analyze quantitative data for social science (Bryman and Bell, 2011: 9).

3.9. Description of Surveyed Organizations

The choice of the field in which the study conducted is an important topics and most important pillars that contribute to the success or failure of study; because it is the primary source to get the study data and access to accurate results, researcher has to choose different governmental organizations and investors in the province Duhok as a society for the study, and the rationale for selecting these sectors are:

- 1- These organizations have a direct and indirect relationship in the areas of investment.
- 2- The managers of these organizations are the owners of decisions in granting land for investment projects.
- 3- Investors are the beneficiaries in the case of the establishment of free zones.

3.10. Questionnaire Distribution

As for the study sample , has been selected as the official individuals who occupy functional position in the surveyed organization, starting with the organization manger and his assistant and department head; who have knowledge and experience in investment. It was distributed (150) from of the study questionnaire in the surveyed organizations, to make sure they are suitable and valid for analyzing, thus the final sample becoming (111), as shown in the table (4), and then the response average is a proportion of (0,74%).

Table (4) Questionnaire Distribution

Seq.	Organization title / Duhok	Distributed questionnaire	Collected questionnaire	valid questionnaire	Ratio
1	Chamber of Commerce & Industry	10	9	8	0.80
2	Directorate of Companies	8	5	5	0.62
3	Directorate General for Industrial Development	8	5	5	0.62
4	Duhok Governorate	10	7	6	0.60
5	General Directorate of Customs	8	5	5	0.62
6	Directorate of Municipality	8	5	4	0.50
7	Directorate General of Investment	10	5	5	0.50
8	Kurdistan Investment Bank	8	5	4	0.50
	Total	70	46	42	0.60

Seq.	Organization title	Distributed questionnaire	Collected questionnaire	valid questionnaire	Ratio
1	Duhok University	10	10	10	1.00
2	Zakho University	10	10	9	0.90
3	Ceyhan University	10	9	9	0.90
	Total	30	29	28	0.93

Seq.	Organization title	Distributed questionnaire	Collected questionnaire	valid questionnaire	Ratio
1	Investors	30	27	25	0.83
2	Industrialists	10	9	8	0.80
3	Merchants	10	9	8	0.80
	Total	50	45	41	0.82

CHAPTER FOUR

DATA AND FACTOR ANALYSIS

4. Results Discussion

This chapter devoted to the results discussion through the description of the surveyed organizations, questionnaire distribution, study sample, interview analyzing, and individuals who have been distributing the questionnaire to them, the rationale for selecting these samples, description of variables, and testing research hypotheses as follows:

4.1. Demographic Characteristics of Participants

In this section the researcher analyzing the data obtained from government departments, and investors In Duhok Governorate / Kurdistan Region of Iraq, by using descriptive statistics to describe the demographic characteristics of participants, as well as interpret the obtained output information using (SPSS V.20) Package's.

It is possible to describe the fundamental characteristics of the participants of the study sample in the responding banks by the results of the analysis and according to the following traits:

1. The gender

The results of the analysis shown in Table (5) indicate the distribution of the members of the sample according to their gender. It has been found that the majority of individuals are male is (73.9%), while the percentage of females has been (26.1%) of the members of the sample.

Table (5) Sample Gender

Gender	Frequency	Percent
Male	82	73.9
Female	29	26.1
Total	111	100.0

2. The age

The table (6) shows that the age group (45 - less than 55 years) forms the majority of the members of the sample is with the percentage of (35.1%). Whereas the age group (35 - less than 45 years) comes in the second place with the percentage of (25.2%), in addition to the age group (55 years and more) comes in the third place with the percentage of (21.6%). The age group (25 - less than 35 years) comes in fourth place and its percentage is (18%).

Table (6) Sample Age

Age	Frequency	Percent
25 less than 35 year	20	18.0
35 less than 45 year	28	25.2
45 less than 55 year	39	35.1
55 year and more	24	21.6
Total	111	100.0

3. Academic qualification

The results of the analysis shown in Table (7) indicate the distribution of the members of the sample according to their academic qualification. It has been found that the majority of the members of the sample is Bachelor holders and their percentage is (57.7%). Whereas the percentage of Master Degree Holders is (19.8 %) it comes in the second place and the percentage of the Diploma Holders is (10.8%) the percentage of the Ph.D Holders is (8.1%) and the percentage of the secondary school is (3.6).

Table (7) Sample Scientific Qualification

Degree	Frequency	Percent
Secondary school & less	4	3.6
Diploma	12	10.8
Bachelors	64	57.7
Master	22	19.8
PhD	9	8.1
Total	111	100.0

4. Type of profession

The results of the analysis shown in Table (8) indicate the distribution of the members of the sample according to their kind of profession. It has been found that the majority of the members of the sample is from the governmental officials directors and heads of the departments in the governmental organizations whose percentage is (37.8%). Whereas the percentage of the individuals who work as investors is (36.9) it comes in the second place; as for the percentage of the academics, it is(25.2%).

Table (8) Sample Profession

Career	Frequency	Percent
Manager	42	37.8
Academy	28	25.2
Investor	41	36.9
Total	111	100.0

5. The period of the service in the profession:

The results of the analysis shown in Table (9) indicate the distribution of the members of the sample according to the period of the service in the profession. It has been found that the majority of the members of the sample is from those whose period of service in their current is (20 years or more) and their percentage is (51.4%). Whereas the percentage of the individuals whose period of service is (10 to 20 years) is (36.9) it comes in the second place; as for the percentage of the academics, it is (16.2%).

Table (9) Sample Service in The Profession

Length of Service	Frequency	Percent
1 less than 10 years	18	16.2
10 less than 20 years	36	32.4
20 years and more	57	51.4
Total	111	100.0

4.2. Description of the Research Variables

First : The Description of the Investment Strategies Variable :

Out of the results of the descriptive analysis in Table (10) the descriptive measures of the variable and the dimensions of the investment strategies, represented by the arithmetic mean, the standard deviation, and the coefficient of variation are very clear. These results indicate the following:

- 1- The results of the analysis have shown that the coefficient of variation of the local investment strategy reaches (24.5%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.895) and a standard deviation which is (0.940).
- 2- It has been found that the value of the coefficient of variation of foreign investment strategy reaches (16.9%) which has more importance than the local investment strategy from the point of view of the members of the sample. The closer the value of the coefficient of variation is, the greater the importance of this paragraph from the point of view of the members of sample of the study. This value has come with the arithmetic mean which is (4.017) and a standard deviation which is (0.679).
- 3- It has been found that the value of the coefficient of variation of investment strategies reaches (20.7%) which has more importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.956) and a standard deviation which is (0.809).

Second: The Description of the Free Zone Variable:

Out of the results of the descriptive analysis in Table (10) the descriptive measures of the variable and the dimensions of the free zone, represented by the arithmetic mean, the standard deviation, and the coefficient of variation are very clear. These results indicate the following:

- 1- It is clear that the value of the coefficient of variation of the economic dimension reaches (28.3%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This

value has come with the arithmetic mean which is (3.726) and a standard deviation which is (1.054).

- 2- It is clear that the value of the coefficient of variation of the financial dimension reaches (28.0%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.652) and a standard deviation which is (1.021).
- 3- It is clear that the value of the coefficient of variation of the investment dimension reaches (26.0%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.685) and a standard deviation which is (0.957).
- 4- It is clear that the value of the coefficient of variation of the social dimension reaches (25.9%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.652) and a standard deviation which is (0.941).
- 5- It is clear that the value of the coefficient of variation of the political dimension reaches (26.2%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.780) and a standard deviation which is (0.984).
- 6- It is clear that the value of the coefficient of variation of the legal dimension reaches (26.1%) which indicates that it enjoys a high importance from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.845) and a standard deviation which is (0.999).
- 7- It is clear that the value of the coefficient of variation of the free zone reaches (26.8%) which is less important than the variable of the investment strategies from the point of view of the members of the sample. This value has come with the arithmetic mean which is (3.723) and a standard deviation which is (0.993).

Table (10) The Descriptive Measurements of Variables

Variables	Mean	Standard Deviation	Differences Coefficient %
Local Investment Strategy	3.895	0.940	24.5
Foreign Investment Strategy	4.017	0.679	16.9
Investment Strategies	3.956	0.809	20.7
Economic Dimension	3.726	1.054	28.3
Financial Dimension	3.652	1.021	28.0
Investment Dimension	3.685	0.957	26.0
Social Dimension	3.652	0.941	25.9
Political Dimension	3.780	0.984	26.2
Legal Dimension	3.845	0.999	26.1
Free Zone	3.723	0.993	26.75

4.3. Statistical Test of Hypotheses One :

This paragraph deals with the correlation coefficients at the macro and micro levels between the investment strategies and the free zone and as follows:

- 1- The macro level: From the results of the analysis of the correlation in Table (11) it is obvious that there is an important and positive correlation between the investment strategies and the free zone. It reaches (0.661) at a significant level (0.01).The researcher finds that there are significant and positive levels from the correlation between the variable investment strategies and the free zone variable. This indicates that whenever the investment strategies are available in the country, the establishment and the activation of free zones in the country will be flourished.
- 2- The micro-level: In order to understand more comprehensively the role of the dimensions in enhancing the level of correlation between the two variables, more attention is directed towards the analysis of correlation at the micro level of the dimensions of these variables. The results of the analysis in table (12) indicate the followings:
 - a- It is clear that the correlation between the local investment strategy and the free zone variable and correlation coefficient has been found to be (0.451) and at a significant level (0.01), which is a positive correlation relationship with important indication.

- b- It is clear that the correlation between the foreign investment strategy and the free zone variable and correlation coefficient has been found to be (0.681) and at a significant level (0.01), which is a positive correlation relationship with important indication.
- c- It is clear that the correlation between the investment strategies and the dimensions of the dimensions of the free zone, the economic dimension (0.521) and the financial dimension (0.475), the investment dimension (0.528), the social dimension (0.374), the political dimension (0.566), the legal dimension (0.566) respectively at a significant level which is (0.01).
- d- It is clear that the correlation between the local investment strategy and the dimensions of the free zone, the economic dimension (0.377) and the financial dimension (0.298), the investment dimension (0.316), the social dimension(0.292), the political dimension (0.401), the legal dimension (0.368) respectively at a significant level which is (0.01).
- e- It is clear that the correlation between the foreign investment strategy and the dimensions of the free zone, the economic dimension is (0.515) and the financial dimension (0.517), the investment dimension (0.593), the social dimension (0.385), the political dimension (0.563), the legal dimension (0.612) respectively at a significant level which is (0.01).

Table (11) Correlation Between Investment Strategies and Free Zone

Variables	Local Strategy	Foreign Strategy	Investment Strategies
Economic Dim.	.377**	.515**	.521**
Financial Dim	.298**	.517**	.475**
Investment Dim	.316**	.593**	.528**
Social Dim	.292**	.385**	.374**
Political Dim	.401**	.563**	.566**
Logical Dim	.368**	.612**	.566**
Free Zone	.451**	.681**	.661**

** . Correlation is significant at the 0.01 level (2-tailed).

4.4. Statistical Test of Hypotheses Two :

The simple and multiple linear regression analysis has been applied at the level of variables and their dimensions to discover their impact on the adopted variable and as follows:

Firstly: The Analysis of the effect on variables level: the simple regression analysis method has been applied by using the (Enter) method to identify the relationships affecting the main variables of the present study. The results of the analysis shown in Table (12) indicate that there is a significant effect on the variable of investment strategies in the free zone variable and on the level of the total index between them according to the (P-Value) whose value is (0.000) which is less than the value of the level of the virtual significance adopted in this study which is (0.05). The calculated value of (113.202) is greater than the value in the table of (3.928) and the degrees of freedom (1.109) this indicates the importance of the effect at (0.05). The importance of the investment strategies in the free zone variable can be explained by adopting other regression equation indicators as follows:

1. In the light of the regression equation, the value of the constant (B_0) which is (0.664) indicates that there is the appearance of the free zone variable through its dimensions of (0.664) when the value of the variables of the strategies effect equal to zero. Therefore, this result can be explained by the fact that the free zone variable derives most of its features from the investment strategies variable at good levels.
2. The value of the marginal slope (B_1) is (0.930); this indicates that a change of one (1) in the investment strategies variable will cause a change of (0.930) in the free zone variable. This is an outstanding change that can be relied on for the interpretation of the effective relationship of the variable of investment strategies in the free zone variable.
3. The value of (R^2) is (0.509), which indicates that (50.9%) of the change in the variable free zone can be attributed to the variable investment strategies. In other words, the explanatory value of the independent variable in what happens to the respondent variable is (50.9%). In fact, this result indicates that the remaining effective percentage is (49.1%) and

this is due to other factors not included in the virtual model adopted by the researcher in his present study.

According to this result, it can be concluded that the existence of the effective relationship between the main variables of the study means that the country which depends upon the investment strategies contributes to the establishment and activation of free zones with high levels of success.

Table (12) Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	F	P-Value	
	B	Std. Error	Beta				
1	(Constant)	.664	.339	-	.483	-	.630
	Investment Strategies	.930	.087	.714	10.640	113.202	.000

a. Dependent Variable: Free Zone

Value (F) of the scale Table in degrees of freedom (1.109) = 3.928 , N = 111, (P ≤ 0.05)

Secondly : The Analysis of the Effect on the Variable Dimensions level :

Multi-regression analysis has been used by following the (Stepwise) method, by which we can identify the most effective independent variable dimensions in the adopted variable. the results of the analysis shows the following:

1. According to the table (13) show that there is only one model containing this dimension of the foreign investment strategy after excluding the local investment strategy. The results of the analysis indicate that the foreign investment strategy has a higher effect on the free zone variable than the local investment strategy, as it is indicated by the calculated (P-Value) which is (0.000), it is a value that is below the virtual level of the study which is (0.05). The importance of this effect is the calculated value of (137.496), which is greater than the value of the table of (3.928) and the free degrees (1,109), and the calculated value of (11.627) with a (109) degree. The explanatory value of the foreign investment strategy according to the value of (R²) is (0.558), this means that this model points out the percentage of

(55.8%) of the change in the free zone variable which is due to the dimension of foreign investment strategy and that (44.2% %) is due to other explanatory factors not mentioned in this model.

Table (13) Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	F	Sig.
		B	Std. Error	Beta			
1	(Constant)	.659	.266	F	2.474	137.496	.015
	Foreign Strategy	.810	.069	.747	11.726	-	.000

a. Dependent Variable: Free Zone

The value of Table T = (1.659), the value of the table F = (3.928) and (3.034), N = 109, (P ≤ 0.05)

- As it is shown in table (14) according to the multiple regression analysis, the local investment strategy of this model is excluded because it has a weak and insignificant effect on the free zone variable and the value of (P-Value) is (0.114) which is much higher than the virtual value of the present study (0.05). This confirms the value of (t) calculated at (1.562), which is less than the value of the table (1.659) and with (109) degree of freedom.

Table (14) Excluded Variables^b

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	Local Strategy	.121 ^a	1.592	.114	.151	.694

a. Predictors in the Model: (Constant), Foreign Strategy

b. Dependent Variable: Free Zone

4.5. Statistical Test of Hypotheses Three :

In order to identify the statistical differences between the variables of the present study and its dimensions and according to the demographic characteristics of the sample of the study sample, the **(Independent-Sample T test)** has been applied to the characteristics of the two categories, this is from one hand; on the other hand, the **(One Way ANOVA test)** has been applied to the characteristics of three categories and more. Consequently, the results of the analysis are as follows:

Firstly: the differences of the characteristics of the two categories: In the current study, the gender is the only trait which consists of two categories. Thus, **(the Independent-Sample T test)** will be adopted because it is useful for identifying the differences in the traits having two categories only. The results stated in Table (15) show no significant differences in the study variables which are represented by both the investment strategies and the free zone that can be attributed to gender. This is according to the calculated values (Sig) of the variables which are (0.520) (0.627) respectively this is considered as higher than the value of the virtual level which is (0.05). This indicates that there are no important differences of statistical significance between the opinions of the sample members towards the variables of investment strategies and the free zone. This comes as a result of the difference in gender within the sample members. What confirms the validity of these results is the values of (t) calculated for each variable which reached (1.493), (1.210), respectively, and this is less than the value of the table (1.659) and the degree of freedom (109).

Table (15) The Differences According to Gender

	Gender	N	Mean	Std. Deviation	t	Sig.
Investment Strategies	Male	82	3.8061	.48128	1.493	.520
	Female	29	3.9966	.41682		
Free Zone	Male	82	3.7063	.61558	1.210	.627
	Female	29	3.8664	.60200		

Second: The differences of features which have more than two categories: (One Way ANOVA) test has been applied to the characteristics having three categories and more, the results of the analysis are as follows:

- 1. The Differences towards Variable Impact Strategies:** It is obvious from the analysis of differences and according to the age characteristics, academic certificate, kind of profession, and duration of work in the table (16) the test results show the following:
- a. There are no important differences in the variables of investment strategies which can be attributed to the characteristics of age, academic certificate and duration of work according to the values of (Sig) calculated for those variables which reaches (0.395), (0.293), (0.448) respectively. This is higher than the virtual value of the study which is (0.05) indicating that there are no statistically big differences between the opinions of the respondents towards the variable of the investment strategies according to the difference in age, the academic certificate, and the period of work in the profession for the members of the sample. The validity of these results confirms the values of (F) calculated for each variable which reaches (1.001), (1.253), (0.809) respectively, which is less than the value of the table (F) which is (3.107), (4.106), (2.108), respectively.
 - b. It is clear that there are important differences which have statistical indications in the investment strategies variable that can be attributed to the kind of profession according to the calculated value of (Sig), which reaches (0.003) which is less than the value of the virtual level of the study which is (0.05). This indicates the existence of important differences having statistical significance between the opinions of the members of the sample towards the variable investment strategies depending on the various kind of profession among the members of the sample. The validity of these results confirms the values of (F) calculated for each variable which reaches (4.726), which is less than the value of the table (F) which is (3.080), (4.106), with degree of freedom (2.108).

Table (16) ANOVA for The Investment Strategies Variable

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	.666	3	.222	1.001	.395
	Within Groups	23.737	107	.222		
	Total	24.404	110	----		
Degree Certificate	Between Groups	4.102	4	.275	1.253	.293
	Within Groups	19.302	106	.220		
	Total	24.404	110	----		
Career	Between Groups	1.007	2	1.026	4.726	.003
	Within Groups	23.397	108	.217		
	Total	24.404	110	----		
Length of Service	Between Groups	.360	2	.180	.809	.448
	Within Groups	24.044	108	.223		
	Total	24.404	110	----		

In order to identify the source of the statistical differences in the investment strategies variable which is related to the kind of the profession, the Sheffe test has been applied. The results mentioned in Table (17) show that the differences in the investment strategies variable are attributed to both the academic and professional categories. According to the Sheffe test, the value of (Sig) is (0.001). In order to identify which of these categories is the source of these differences, the comparison has been adopted by its arithmetic mean. This arithmetic mean of the professional category is (4.106), which is higher for the academic category which is (3.778).

Table (17) Source of differences by profession

Category	Directors	Academics	Professionals
Director	-		
Academics	0.730	-	
Professionals	0.108	0.001	-

- 2. Differences in the Free Zone Variable:** From the analysis of differences by age, academic certificate, kind of profession, and duration of work in the table (18) the test results show the following:
- a. The absence of important differences in the free zone variable can be attributed to the characteristics of age, academic certificate and duration of work according to the values of (Sig) calculated for those variables which

reaches (0.821), (0.893), (0.389). This is higher than the virtual value of the study which is (0.05). This indicates the existence of important differences having statistical significance between the opinions of the members of the sample towards the variable investment strategies depending on the various kind of profession among the members of the sample. The validity of these results confirms the values of (F) calculated for each variable which reaches (0.306), (0.276), (0.954) respectively, which is less than the value of the table (F) which is (2.689), (2.457) (3.080), with degree of freedom (3.107), (4.106), (2.108) respectively.

3. It is clear that there are important differences which have statistical indications in the investment strategies variable that can be attributed to the kind of profession according to the calculated value of (Sig), which reaches (0.0017). Which is less than the value of the virtual level of the study which is (0.05). This indicates the existence of the important differences having statistical significance between the opinions of the members of the sample towards the variable investment strategies depending on the various kind of profession among the members of the sample. The validity of these results confirms the values of (F) calculated for each variable which reaches (4.141), which is less than the value of the table (F) which is (3.080), with degree of freedom (108.2).

Table (18) ANOVA for The Free Zone Variable

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	.352	3	.117	.306	.821
	Within Groups	41.039	107	.384		
	Total	41.390	110	-		
Degree Certificate	Between Groups	.426	4	.107	.276	.893
	Within Groups	40.964	106	.386		
	Total	41.390	110	-		
Career	Between Groups	3.164	2	1.582	4.141	.017
	Within Groups	38.226	108	.382		
	Total	41.390	110	-		
Length of Service	Between Groups	.718	2	.359	.954	.389
	Within Groups	40.672	108	.377		
	Total	41.390	110	-		

In order to identify the source of the statistical differences in the investment strategies variable which is related to the kind of the profession, the Sheffe test has been applied. The results mentioned in Table (19) show that the differences in the investment strategies variable are attributed to both the (academic) and (professional) categories. According to the Sheffe test, the value of (Sig) is (0.026). In order to identify which of these categories is the source of these differences, the comparison has been adopted by its arithmetic mean. This arithmetic mean of the professional category is (3.804), which is higher for the academic category which is (3.754).

Table (19) Source of differences by profession

Category	Directors	Academics	Professionals
Directors	-		
Academics	0.448	-	
Professionals	0.507	0.026	-

CHAPTER FIVE

CONCLUSIONS AND RECOMMENATIONS

A number of conclusions and suggestion drawn from the results of the current study and that can be reviewed in accordance with the following paragraph :

5.1. Conclusions

- 1- The activation of free zones as a new activity will contributes to the movement of local and foreign investments. It adds a new type of activities in the service, commercial and industrial fields because all the required factors are available besides the suitable environment for a strong start towards activating this sector.
- 2- It can be concluded that the free zones especially in the border area of Zakho are a promising investment opportunity because of the availability of the resources and the dimensions which are the necessary requirements for the establishment and activation of the free zone in the governorate of Duhok.
- 3- The free zones are considered as the essential factors in the rebuilding of the local private sector and encouraging those who have competence to restore their projects and re-start their work in the free zones. This will certainly contribute to the employment of manpower and thus it will realize the economic and social well-being of the citizens of the region.
- 4- The establishment and activation of the free zone in Duhok Governorate will help create a competitive economic environment which will contribute to maximizing the volume of revenues resulting from the investment in free zones. This is in line with the policy of the government of the region and its orientations in increasing non-oil resources and the active contribution to the diversification of funding sources.
- 5- The establishment and activation of the free zone in Duhok Governorate will contribute to increasing the exports from the region. This will support the foreign exchange revenues as well as developing the export of the oriented industries and generating new employment opportunities.

- 6- In recent years, the free economic zones have been given widespread global attention. It has become at the head of the list in the ways and the means of attracting and encouraging the investments in many countries of the world because these areas realize an increase in production and exportation and activating the movement and the trade. They also absorb unemployment and acquire knowledge and bring the modern technology to the country.
- 7- It is clear that the Federal Government of Iraq had previously established three free zones but these areas are not more than a failure. We can say that the government has failed because it did not prepare the necessary requirements for success. In fact, the present study tackles the dimensions for the establishment and activation of those areas.
- 8- It can be concluded that the direction of the production of the free zones or the major part of them to the external market rather than to the local market will contribute to encouraging exports and supporting the balance of trade.
- 9- The establishment of the free zones in Duhok Governorate The Region of Kurdistan outside the urban space works will gradually reduce the extent of the spatial blockage of the population in a narrow area of the governorate.
- 10- There are many investment opportunities in Kurdistan region in general. If there is the establishment of the free zones, this will represent attractive factors for local and foreign investments, especially with the availability of many legal and geographical reasons besides the availability of economic resources.

In addition to the above mentioned results, there is a number of conclusions according to the findings of the analysis of the study:

- 1- It has been found that there is a higher effective reflection of the foreign investment strategy than the local investment strategy in establishing and activating the free zone. This, in turn, indicates the high interest of the study sample and in all its professional classifications in the direction of adopting such strategy in achieving the requirements of establishing the free zone.
- 2- It is possible to conclude that if Duhok Governorate wants to move towards the establishment and activation of any free zone and to meet the requirements of its success, it must move towards adopting the foreign

investment strategy. This strategy must be concentrated on because it is more influential than any other strategy upon which Duhok Governorate can rely.

- 3- It has been found that the local investment strategy does not meet the requirements of establishing and activating the free zones in Duhok Governorate and therefore it does not meet the requirements in a successful and effective manner. This can be attributed to the weak financial, technical and technological capability of the local investor if he is compared to the foreign investor.
- 4- It has been found that the value of the coefficient difference of foreign investment strategy has reached (16.9%) which is more important than the local investment strategy from the point of view of the sample members. The closer the value of the coefficient difference is the greater the importance of this point from the point of view of the sample members of the study.
- 5- It can be concluded that the source of the differences in the investment strategies comes from the category of professionals, this indicates that the sample members of this category are more concerned than the managers and the academics with the investment strategies which can be adopted by Duhok in planning and implementing their investment operations.

5.2. Recommendations

As the present study has drawn conclusions related to its variables in its theoretical and field aspects, a number of appropriate recommendations have been developed, as follows:

- 1- The necessity of establishing and activating the free zone in Duhok Governorate as far as it enjoys its strategic situation. This makes it a road network for transport in the region. At the end of the crises experienced by the region and the stability of the security and economic situation and the activation of the transit agreements with neighboring countries there will be a real need to find storage sites for the goods that will pass through the territory of the region.
- 2- The need to remove all the obstacles related to the establishment and activation of the free zone in the Duhok Governorate as a reduction of the

fees imposed on the movement of trade and industry from outside the region in order to encourage and attract foreign investment.

- 3- The need to develop legal regulations and legislation as incentives for foreign multinational companies to grant them tax exonerations, therefore, this will attract the employers and consequently, activating the economy of the region.
- 4- It is possible to improve the competitiveness of local production in general and the production of free zones in particular by the following ways:
 - a- Not to weigh down the local production with costs and burdens which cannot be borne by the foreign competitor. This makes the main demand of the national industry to achieve the principle of equality and allow the global or local competition.
 - b- To simplify the procedures of dealing with investors and to provide the appropriate conditions for the exercise of the economic activities in the free zones.
 - c- More attention is given to the training with the continuous development of technical staff as well as linking the educational policies with the labor policies and this will lead to raise the level of productivity and increase the competitiveness in the world markets.
- 5- The application of the principle of decentralization in decision-making and the need to develop the working methods to simplify the procedures and then to increase the size of investments in free zone projects and to reconsider the administrative policies adopted by these projects and developing them.
- 6- The establishment of an administrative office in the free zone to carry out the scientific researches and developing the work and attain the highest levels with more concentration on the extent of benefit from the free zone locally and economically.
- 7- The need for adequate support by the government to establish the free zones in the region by urging the ministries and the concerned departments to provide possible assistance whether technical or logistical.
- 8- The relevant authorities should assist in enhancing the international cooperation in the area of free zones and the transfer of bilateral agreements concluded to the ground.
- 9- My proposals for future studies on the free zones.

- a- The effect of economic and political stability on the establishment of free zones in the Region.
- b- The Factors affecting the attraction of foreign investment to the Region.
- c- The reflects of the availability of infrastructure in the establishment of free zones in the Region.
- d- The local and foreign investment strategies and their effect on the sustainability of human development in the Region.



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APPENDIX (1)
LIST OF EXPERTS

NO	Name	Scientific title or profession	Specialization	Place of work
1	Dr. Darman sulaiman Sadiq	Professor	Marketing Management	College of Administration and Economics/University of Duhok
2	Dr.Hikmat Rasheed Sultan	Assistant professor	Management strategy	College of Administration and Economics/University of Duhok
3	Dr. Hadi Khalil Ismail	Assistant professor	Management Information Systems	College of Administration and Economics/University of Duhok
4	Dr. Saad Fadhil Abbas	Assistant professor	Organization theory	College of Administration and Economics/University of Duhok
5	Dr. Maha Jameel Issa Al-Malaeka	Lecturer	Planning	College of Planning /University of Duhok
6	Dr. Akram Mohammad Aswad	Lecturer	Economics	College of Administration and Economics/University of Duhok
7	Dr. Hussein Amin Hussein	Lecturer	Managerial Accounting	College of Administration and Economics/University of Duhok
8	Dr. Imad Khalil Eedan	Lecturer	Development Economics	College of Administration and Economics/University of Duhok
9	Bekhtyar Amin	Director General	Economics	Duhok Investment Directorate
10	Ali Abdullah Abdulrahman	Civil Engineer	Director of cities and industrial zones	Duhok Investment Directorate

APPENDIX (2)

To: Mr. The Doctor

Subject/ The Validity of the Questionnaire

With compliments

The researcher intends to conduct a study entitled: **(The Investment Strategy for Establishing and Activating Free Zones in Duhok\Kurdistan Region)**. It is a survey of the views of a sample of managers and investors in Duhok / Kurdistan Region of Iraq.

Would it be possible for you to express your opinion about the questionnaire, the dimensions and the paragraphs included in this questionnaire, with the necessary observations in the light of your answer to the following questions?

Question (1): Are the paragraphs clear and measure the required purpose?

Question (2): Does each paragraph listed under each dimension belong to the specified dimension?

Question (3): Are there other paragraphs that can be added within each dimension?

Question (4): Are there other dimensions which can be added to the stated dimensions?

Question (5): Are measurement alternatives suitable? If not suitable, would you suggest other alternatives?

Taking into consideration that that the measurement alternatives are :

"I strongly agree (5), I agree (4), I am not sure (3),

I disagree (2), I Strongly disagree (1)".

APPENDIX (2.1)

Bingöl University

Graduate School of Social Sciences

Department of Business Administration

In the name of God The Gracious the Merciful

QUESTIONNAIRE

Mr. The Director, associate director, investors and companies and factories owners:

We would like to thank you for giving part of your time to participate in the questionnaire for our present study. The main objective of the questionnaire is to collect the required data for our study entitled (**The Investment Strategy For Establishing And Activating Free Zones in Duhok\Kurdistan Region**). It is an exploratory study of the views of a sample of managers and investors in the Duhok, The region of Kurdistan Iraq.

Please note that we take care of your pertinent opinions in the paragraphs of this questionnaire for the purposes of academic and scientific research only and for a Master's Degree from the Department of Business Administration, Bingöl University / Turkey.

We greatly appreciate your cooperation and your valuable time in completing the paragraphs of the attached questionnaire.

With our sincere thanks and gratitude.

Note: If you have any question, please do not hesitate to contact the researcher according to the information below.

Researcher:

Mohammed Salah Aldeen Jalal Aldeen Albrifkany

Postgraduate Student / Master in Business Administration

Bingöl University

E-mail: alber_m2003@yahoo.com

Mobile:

APPENDIX (2.2)

Paragraphs of the Questionnaire

1- Personal information

Please put the mark (X) in the suitable choice concerning your personal information:

- 1- Gender: Male () Female ()
- 2- Age: () 25, less than 35 years(), less than 45 years (), less than 50 years (), 55 years and more
- 3- Academic qualification: () Secondary or less; () Diploma; () B.A.; () Master; () PhD
- 4- Career Type: () Manager or Head of Department; () Academy; () Investor.
- 5- Period of working in the your career: () 1 - less than 10 years; () 10 - less than 20 years; () more than 20 years.

2- Investment Strategies:

NO.	Paragraph	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
1. Local investment strategy is the plans approved by the local investor in the exploitation of his resources in the free zone within the borders of Duhok Governorate which contributes to the development of the economy of Kurdistan Region of Iraq.						
X1	The local investments help direct the savings towards the development of various economic sectors of Duhok Governorate.					
X2	The local investment helps create employment opportunities for the citizens of Duhok Governorate.					
X3	The local investments improves the standard of living for citizens of Duhok Governorate.					
X4	The local investment contributes to the development of the private sector in Duhok Governorate through its contribution to the implementation of the investment projects.					
X5	The local investment in Duhok suffers from structural imbalances in the management of its financial resources.					
X6	The local investment in Duhok Governorate depends on the strategies which do not diversify the areas of investment and focuses on limited investment areas.					
	The local investment in Duhok					

X7	Governorate is characterized by weak technological capabilities to keep pace with the modern developments.					
X8	The local investment is weak enough to face the competition with the foreign investment in Duhok Governorate.					
X9	More economic opportunities for the local investment are available in Duhok Governorate for the time being.					
X10	The local investment provides opportunities for creativity and invention for the local companies in Duhok Governorate.					
2. The foreign investment strategy is the plans approved by the foreign investor in the exploitation of his resources in the free zone within the borders of Duhok Governorate which contributes to the development of the economy of Kurdistan Region of Iraq.						
X11	The foreign investment realizes the development and the modernization of the working forces skills and capacities in Duhok Governorate.					
X12	The foreign investment contributes to the transfer of modern and advanced technology in Duhok Governorate.					
X13	The foreign investment establishes practical relations with the local enterprises in Duhok Governorate.					
X14	The foreign investment offers advanced training opportunities for labor forces in Duhok Governorate.					
X15	The foreign investment strategy helps the introduction of new production methods and advanced services to various sectors in Duhok Governorate.					
X16	The foreign investment contributes to providing employment opportunities and reducing the unemployment rate for citizens of Duhok Governorate.					
X17	The foreign investment transfers the foreign currency abroad.					
X18	The foreign investment helps develop the infrastructure of Duhok Governorate.					
X19	The foreign investment reduces the opportunities and fields of the local investment in the Region.					
X20	The foreign investment aims at the exploitation of natural resources for its own benefits in Duhok Governorate.					

3- The Free Zone

NO.	Paragraph	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
A-The economic dimension						
Y1	The Free Zone in Duhok attracts the foreign investment to the governorate.					
Y2	The Free Zone contributes to activate and support the local economy of Duhok Governorate.					
Y3	The Free Zone in Duhok supports the reform of the financial and economic operations in the governorate.					
Y4	The free zone contributes to the liberation of commercial operations from the tax and other restrictions in the Governorate.					
B- The Financial Dimension						
Y5	The Free Zone in Duhok provides financial resources to the budget of the Governorate.					
Y6	The free zone in Duhok provides additional sources to increase the incomes of citizens in the Governorate.					
Y7	The free zone in Duhok provides the financial support to the balance of payment of the Region which supports the required positive balance.					
Y8	The free zone in Duhok contributes to the revitalization of the work of the audit offices and the bureau of financial consultations in the Governorate.					
C-The Investment Dimension						
Y9	The free zone in Duhok provides new areas of investment for the private sector in the Governorate.					
Y10	The free zone in Duhok helps set up joint investment enterprises between foreign investors and the private sector.					
Y11	The free zone in Duhok improves the ability of local investors in the Governorate to export their products abroad.					
Y12	The free zone in Duhok provides the Governorate with the opportunity to invest in the companies which have international brand.					
B. The Social Dimension						
Y13	The free zone in Duhok helps the cultural exchange of social values with					

	the foreign investors.					
Y14	The free zone in Duhok provides the opportunities of social security for citizens of the Governorate.					
Y15	The free zone in Duhok provides an increase to the health sectors for the citizens of the Governorate.					
Y16	The free zone in Duhok Governorate establishes social relations between local and foreign workers.					
C. The Political Dimension						
Y17	The stability of the political system of the Region helps set up a free zone in Duhok Governorate.					
Y18	The democracy adopted in the Region is a guarantee of political stability to support the work of the free zone in Duhok Governorate.					
Y19	The political stability in the Region contributes to ensure the security of foreign investors in the free zone in Duhok Governorate.					
Y20	The political stability in the Region encourages the flow of foreign investment in the free zone of Duhok Governorate.					
D. The Legal Dimension						
Y21	The easy access to obtain the permissions of work in the Region supports the establishment of the free zone in Duhok Governorate and it supports its stability.					
Y22	The existence of investment laws and relevant legislation in the Region guarantee the rights and responsibilities of investors in the free zone in Duhok Governorate.					
Y23	The legal legislation relevant to the free zone in Duhok Governorate is characterized by flexibility to face the different investment challenges.					
Y24	It is necessary that the relevant legal legislations of the free zone in Duhok Governorate are modernized to contribute providing the requirements of its establishing and operating					

APPENDIX - 3
Internal Consistency of the Variables of the Study

First: Investment Strategies Variable

Table (1) Internal Consistency of the Domestic Investment Strategy

	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	X ₈	X ₉	X ₁₀
X ₁	1									
X ₂	.612**	1								
X ₃	.468**	.582**	1							
X ₄	.473**	.455**	.430**	1						
X ₅	.213*	.259**	.184	.125	1					
X ₆	.348**	.132	.216*	.158	.382**	1				
X ₇	.122	.069	.029	.012	.178	.417**	1			
X ₈	.092	.144	.104	.084	.213*	.140	.438**	1		
X ₉	.057	-.025	.054	.039	.133	-.112	-.039	.066	1	
X ₁₀	.414**	.465**	.268**	.354**	.261**	.244**	.120	.167	.193*	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table (2) Internal Consistency of Foreign Investment Strategy

	X ₁₁	X ₁₂	X ₁₃	X ₁₄	X ₁₅	X ₁₆	X ₁₇	X ₁₈	X ₁₉	X ₂₀
X ₁₁	1									
X ₁₂	.582**	1								
X ₁₃	.581**	.481**	1							
X ₁₄	.507**	.415**	.518**	1						
X ₁₅	.423**	.384**	.582**	.590**	1					
X ₁₆	.481**	.521**	.339**	.383**	.404**	1				
X ₁₇	.065	.121	.218*	.061	.103	-.018	1			
X ₁₈	.497**	.410**	.417**	.338**	.443**	.372**	.188*	1		
X ₁₉	.014	-.009	.073	-.079	.076	.077	.191*	.127	1	
X ₂₀	-.038	.021	-.029	-.011	.179	.016	.280**	.099	.369**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Second: Free Zone Variable

Table (3) Internal Consistency of the Economic Dimension

	Y ₁	Y ₂	Y ₃	Y ₄
Y ₁	1			
Y ₂	.528**	1		
Y ₃	.351**	.562**	1	
Y ₄	.279**	.541**	.465**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table (4) Internal Consistency of the Financial Dimension

	Y ₅	Y ₆	Y ₇	Y ₈
Y ₅	1			
Y ₆	.490**	1		
Y ₇	.479**	.536**	1	
Y ₈	.374**	.484**	.587**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table (5) Internal Consistency of the Investment Dimension

	Y ₉	Y ₁₀	Y ₁₁	Y ₁₂
Y ₉	1			
Y ₁₀	.564**	1		
Y ₁₁	.494**	.253**	1	
Y ₁₂	.437**	.446**	.412**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table (6) Internal Consistency of the Social Dimension

	Y ₁₃	Y ₁₄	Y ₁₅	Y ₁₆
Y ₁₃	1			
Y ₁₄	.611**	1		
Y ₁₅	.388**	.669**	1	
Y ₁₆	.486**	.383**	.433**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table (7) Internal Consistency of Political Dimension

	Y ₁₇	Y ₁₈	Y ₁₉	Y ₂₀
Y ₁₇	1			
Y ₁₈	.586**	1		
Y ₁₉	.608**	.697**	1	
Y ₂₀	.563**	.597**	.727**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Table (8) Internal Consistency of the Legal Dimension

	Y ₂₁	Y ₂₂	Y ₂₃	Y ₂₄
Y ₂₁	1			
Y ₂₂	.717**	1		
Y ₂₃	.464**	.531**	1	
Y ₂₄	.444**	.495**	.519**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

APPENDIX – 4

Table (1) Variables Descriptive

Items	Strongly Disagree %	Disagree %	Not Sure%	Agree%	Strongly Agree %	Mean	Standard Deviation
X1	2.7	7.2	10.8	52.3	27.0	3.94	.956
X2	.9	5.4	5.4	51.4	36.9	4.18	.833
X3	.9	6.3	10.8	55.0	27.0	4.01	.847
X4	-	5.4	10.8	52.3	31.5	4.10	.797
X5	.9	7.2	23.4	39.6	28.8	3.88	.941
X6	3.6	4.5	19.8	45.0	27.0	3.87	.983
X7	.9	7.2	17.1	40.5	34.2	4.00	.944
X8	.9	.9	13.5	37.8	46.8	4.29	.802
X9	4.5	21.6	27.9	28.8	17.1	3.32	1.129
X10	7.2	19.8	17.1	41.4	14.4	3.36	1.166
X11	.9	10.8	16.2	45.0	27.0	3.86	.968
X12	.9	5.4	11.7	46.8	35.1	4.10	.873
X13	1.8	6.3	14.4	53.2	24.3	3.92	.896
X14	3.6	6.3	18.0	54.1	18.0	3.77	.943
X15	2.7	6.3	11.7	61.3	18.0	3.86	.883
X16	2.7	7.2	11.7	55.0	23.4	3.89	.938
X17	3.6	6.3	23.4	34.2	32.4	3.86	1.60
X18	3.6	10.8	20.7	41.4	23.4	3.70	1.058
X19	2.7	21.6	13.5	46.8	15.3	3.50	1.078
X20	5.4	13.5	14.4	38.7	27.9	3.70	1.172
Y1	1.8	7.2	19.8	47.7	23.4	3.84	.930
Y2	1.8	11.7	18.0	43.2	25.2	3.78	1.013
Y3	3.6	11.7	26.1	48.6	9.9	3.50	.952
Y4	1.8	9.9	26.1	27.7	14.4	3.63	.914
Y5	4.5	9.0	21.6	47.7	17.1	3.64	1.016
Y6	4.5	13.5	14.4	46.8	20.7	3.66	1.091
Y7	3.6	9.0	18.9	52.3	16.2	3.68	.972
Y8	4.5	10.8	27.0	36.9	20.7	3.59	1.074
Y9	.9	9.9	15.3	60.4	13.5	3.76	.844
Y10	.9	7.2	19.8	55.0	17.1	3.80	.840
Y11	1.8	9.9	17.1	51.4	19.8	3.77	.941
Y12	3.6	3.6	20.7	51.4	20.7	3.82	.926
Y13	-	6.3	27.9	50.5	15.3	3.75	.792
Y14	1.8	18.9	39.6	26.1	13.5	3.31	.989
Y15	3.6	18.0	36.9	28.8	12.6	3.29	1.021
Y16	4.5	9.9	9.9	57.7	18.0	3.75	1.013
Y17	2.7	9.0	10.8	36.9	40.5	4.04	1.061
Y18	5.4	4.5	21.6	36.9	31.5	3.85	1.089
Y19	3.6	6.3	5.4	43.2	41.4	4.13	1.019
Y20	4.5	1.8	11.7	44.1	37.8	4.09	.987
Y21	2.7	6.3	18.9	42.3	29.7	3.90	.990
Y22	2.7	7.2	17.1	44.1	28.8	3.89	.994
Y23	4.5	9.0	25.2	45.9	15.3	3.59	1.004
Y24	.9	3.6	20.7	52.3	22.5	3.92	.811

Table (2) The Descriptive Measurements of Investment Strategies

Items	Strongly Disagree %	Disagree %	Not Sure %	Agree %	Strongly Agree %	Mean	Standard Deviation	Differences Coefficient
X1	2.7	7.2	10.8	52.3	27.0	3.94	.956	24.3
X2	.9	5.4	5.4	51.4	36.9	4.18	.833	19.9
X3	.9	6.3	10.8	55.0	27.0	4.01	.847	21.1
X4	-	5.4	10.8	52.3	31.5	4.10	.797	19.4
X5	.9	7.2	23.4	39.6	28.8	3.88	.941	24.3
X6	3.6	4.5	19.8	45.0	27.0	3.87	.983	25.4
X7	.9	7.2	17.1	40.5	34.2	4.00	.944	23.6
X8	.9	.9	13.5	37.8	46.8	4.29	.802	18.7
X9	4.5	21.6	27.9	28.8	17.1	3.32	1.129	34.0
X10	7.2	19.8	17.1	41.4	14.4	3.36	1.166	34.7
X11	.9	10.8	6.2	45.0	37.0	3.86	0.768	19.9
X12	.9	5.4	1.7	46.8	45.1	4.36	0.492	12.0
X13	1.8	6.3	4.4	53.2	34.3	4.12	0.596	15.2
X14	3.6	6.3	8.0	54.1	28.0	3.89	0.643	17.1
X15	2.7	6.3	6.7	61.3	23.0	3.86	0.583	15.1
X16	2.7	7.2	1.7	55.0	33.4	4.1	0.538	13.8
X17	3.6	6.3	13.4	44.2	32.4	3.98	0.747	19.4
X18	3.6	10.8	10.7	41.4	33.4	4.19	0.659	17.8
X19	2.7	21.6	13.5	46.8	15.3	3.66	0.963	27.5
X20	5.4	3.5	14.4	38.7	37.9	4.15	0.789	21.3

Table (3) The Descriptive Measurements of Free Zone

Items	Strongly Disagree %	Disagree %	Not Sure%	Agree %	Strongly Agree %	Mean	Standard Deviation	Differences Coefficient
Y1	1.8	7.2	19.8	47.7	23.4	3.84	.930	24.2
Y2	1.8	11.7	18.0	43.2	25.2	3.78	1.013	26.8
Y3	3.6	11.7	26.1	48.6	9.9	3.50	.952	27.2
Y4	1.8	9.9	26.1	27.7	14.4	3.63	.914	25.2
Y5	4.5	9.0	21.6	47.7	17.1	3.64	1.016	27.9
Y6	4.5	13.5	14.4	46.8	20.7	3.66	1.091	29.8
Y7	3.6	9.0	18.9	52.3	16.2	3.68	.972	26.4
Y8	4.5	10.8	27.0	36.9	20.7	3.59	1.074	29.9
Y9	.9	9.9	15.3	60.4	13.5	3.76	.844	22.4
Y10	.9	7.2	19.8	55.0	17.1	3.80	.840	22.1
Y11	1.8	9.9	17.1	51.4	19.8	3.77	.941	25.0
Y12	3.6	3.6	20.7	51.4	20.7	3.82	.926	24.2
Y13	-	6.3	27.9	50.5	15.3	3.75	.792	21.1
Y14	1.8	18.9	39.6	26.1	13.5	3.31	.989	29.9
Y15	3.6	18.0	36.9	28.8	12.6	3.29	1.021	31.0
Y16	4.5	9.9	9.9	57.7	18.0	3.75	1.013	27.0
Y17	2.7	9.0	10.8	36.9	40.5	4.04	1.061	26.3
Y18	5.4	4.5	21.6	36.9	31.5	3.85	1.089	28.3
Y19	3.6	6.3	5.4	43.2	41.4	4.13	1.019	24.7
Y20	4.5	1.8	11.7	44.1	37.8	4.09	.987	24.1
Y21	2.7	6.3	18.9	42.3	29.7	3.90	.990	25.4
Y22	2.7	7.2	17.1	44.1	28.8	3.89	.994	25.6
Y23	4.5	9.0	25.2	45.9	15.3	3.59	1.004	28.0
Y24	.9	3.6	20.7	52.3	22.5	3.92	.811	20.7

Appendix (5)

The Abbreviations of The Study

CEE	Central and Eastern Europe
COMECON	Council for Mutual Economic Assistance
DFI	Direct Foreign Investment
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FTZ	Free Trade Zone
GDP	Gross Domestic Product
MNE	Multinational Enterprises
SEZ	Special Economic Zone
UNCTAD	United Nations Conference on Trade and Development
IKR	Investor in The Iraqi Kurdistan Region
KBOI	Kurdistan Board of Investment
KRIL	Kurdistan Region Investment Law
KRG	Kurdistan Region Government
DIKIPC	Directorate Of Ibrahim Khalil International Port Complex

Appendix (6)
ÖZGEÇMİŞ



KİŞİSEL BİLGİLER

Adı Soyadı	MOHAMMED S. ALDIN JA. ALDIN AL-BRAIFKANI
Doğum Yeri	DUHOK – IRAQ
Doğum Tarihi	11-7-1973

LİSANS EĞİTİM BİLGİLERİ

Üniversite	Mosul Üniversitesi
Fakülte	Sanat Fakültesi
Bölüm	Fransızca dili

YABANCI DİL BİLGİSİ

İngilizce	KPDS (....) ÜDS (...) TOEFL (...) EILTS (...)
...	İngilizce Dilinde kurs

İŞ DENEYİMİ

Çalıştığı Kurum	Yatırım Genel Müdürlüğü
Görevi / Pozisyonu	bölüm şefi
Tecrübe Süresi	15 Yıl

KATILDIĞI

Kurslar	
Projeler	

İLETİŞİM

Adres	Duhok – Tanahi
E-mail	alber_m2003@yahoo.com