

مركز البيدر للدراسات والتخطيط

Al-Baidar Center For Studies And Planning



Summary

The Iraqi Development Road: Prospects and Challenges

Department of Planning and Policies

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Summary

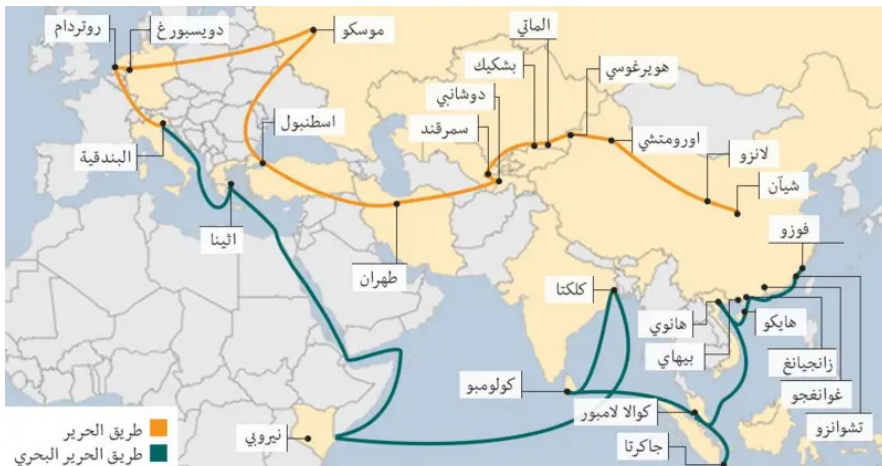
The Development Road project is considered a strategic project aimed at changing the reality of the Iraqi economy after 2003 by reducing reliance on oil as the main source of income, diversifying income sources, and attempting to achieve progress in developing the private sector. Additionally, it is regarded as a regional project, as it seeks to link trade between East and West through Iraq. The project leverages Iraq's geographical location, which has both positive and negative effects on Iraq's future relations with countries in the region. This paper outlines the nature of the project, the main challenges facing the Iraqi Development Road, and proposes some ideas to ensure the project's sustainability in a manner compatible with the nature of the Iraqi environment and the political system, given the project's internal and external dimensions and its involvement in multiple regional partnerships.

Context of the “Iraqi Development Road”

On May 27, 2023, the Iraqi government launched a conference in Baghdad titled “The Iraqi Development Road,” with the participation of nine countries (Saudi Arabia, the UAE, Qatar, Kuwait, Oman, Jordan, Syria, Iran, and Turkey), as well as representatives from the World Bank, the European Union, and others. The conference aimed to launch a strategic Iraqi initiative to establish the Development Road project, which consists of two main lines: a highway and a railway, known as the “dry canal,” extending from the Grand Faw Port in southern Basra province to the Fishkhabour area in Dohuk province, with a total length of 1,200 km and an estimated cost of about \$17 billion, of which \$6.5 billion is allocated for the highway and \$10.5 billion for the railway.

The project aims to transport goods from Asia to Europe, reducing the travel time for goods by more than 50%. It also includes the establishment of integrated industrial cities to revive Iraqi industry. The project is linked to the completion of the Grand Faw Port, of which about 85%¹ has been completed by the Iraqi government. The road construction project consists of three phases: the first ending in 2028, the second in 2038, and the third in 2050, reaching one of the provinces of Arbil. The planned projects in these provinces include Iraqi industrial projects, as well as providing about 100,000 job² opportunities as a first stage.

The project is expected to support the Iraqi economy, stimulate tourism, and generate revenues exceeding \$4 billion for Iraq. According to published maps, the Development Road is also linked to the Chinese Belt and Road Initiative, or what is known as the Silk Road³. However, the planned route through Iran via Iraq is only a small part, and its completion and preparation may encourage China to consider the Iraqi Development Road as part of the Silk Road, accelerating the investment and completion of the project.



1. <https://motrans.gov.iq/?article=1446>

2. <https://tinyurl.com/2j4dhlc2>

3. <https://www.bbc.com/arabic/business-39922326>

The Chinese ambassador to Iraq, Cui Wei, pointed out the importance of the Development Road, stating that it could become a road of peace and prosperity in the region and would be complementary to the Belt and Road Initiative. There is a clear effort to advance the project, as reflected in the exchange of visits between Iraq and the participating countries. These meetings included the signing of a quadripartite memorandum of understanding between Iraq, Turkey, Qatar, and the UAE for cooperation in the project. The memorandum included the commitment of the signatory countries to establish the necessary frameworks for implementing the Development Road project.

Challenges Facing the Iraqi Development Road

1. Security Challenge

Security is a crucial element in the completion of the Development Road project. The project passes through several Iraqi provinces, some of which are internally unstable. The most dangerous is Dohuk province, which has the presence of multiple armed groups and the activity of the Kurdistan Workers' Party (PKK), in addition to the control of the Peshmerga forces over the security of Dohuk province. There are also tensions between the federal government and the Kurdistan Regional Government. The road also needs to be secured along its entire length in all provinces. Externally, the road is exposed to the risk of terrorist operations, especially in the Strait of Hormuz, which is controlled by neighboring Iran. The strait is a vital outlet, and the tension between Iran and the West could lead to the suspension of activity in the strait, especially in the context of global trade and oil trade.

2. Financial Challenge (Project Funding)

The completion of the project depends on the availability of the necessary

funds, estimated at \$17 billion. It is known that Iraq possesses significant liquidity, but two main reasons prevent the expenditure of this amount: the existence of dominant current expenditures in the general state budget, and the inability to withdraw funds from Iraq's balance in the Federal Reserve Bank of the United States, which exceeds \$110 billion, due to the immunity imposed by the United States to protect Iraqi funds from seizure. Until now, the Iraqi government has not adopted clear mechanisms for financing the project, nor has it provided guarantees to investors, especially after the control of political parties over the state and the presence of armed groups and companies executing the road project.

3. Political Challenge (Continuity)

The current government considers the project a strategic project to save the Iraqi economy from collapse. However, the challenge lies in the continuity of the project, as its failure to be adopted by future governments could lead to its collapse. The project is also linked to the completion of the Grand Faw Port, which has not yet been fully completed.

4. Bureaucracy and Corruption

Any project in Iraq faces significant problems of bureaucracy and corruption. It is expected that the active political parties will compete to obtain financial gains from the project and attempt to introduce companies affiliated with them or obtain commissions from the executing companies.

5. Regional Commercial Competition

The project is expected to face competition from some regional countries, especially Iran and Kuwait, as they are not a fundamental part of the project. There is also talk of competition with the Suez Canal project, as well as the India-Middle East-Europe Economic Corridor, which connects South Asia with Europe

via the Arabian Gulf and the Middle East, supported by the United States. It is hoped that the Iraqi Development Road will have a role in the Belt and Road Initiative in the future.

Conclusion

The Iraqi economy suffers from a unilateral direction, being a rentier economy dependent on oil, with more than 90% of the general state budget relying on oil revenues. Successive governments in Iraq have tried to stimulate the private sector, but the economic cycle remains dependent on oil, government salaries, and pensions, which cover about 9 million people benefiting from social protection. The Development Road project is considered a strategic project with significant economic and cultural impacts on Iraq. It could establish strategic relations with neighboring countries, especially some Gulf countries and Turkey. However, the challenges facing this road, particularly from some Gulf countries, may cause major obstacles and significant financial waste if the project fails. Therefore, the government must deal with this file with high transparency and specificity, outside the traditional bureaucratic frameworks it usually adopts in project implementation. Some obstacles can be overcome if the project is consolidated in its various aspects according to the legislative, executive, and economic contexts of the state.

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Note: The opinions expressed in this research do not necessarily reflect the views of the center, but only the opinions of its author.

About center

Al-Baydar Center for Studies and Planning is a non-governmental and non-profit organization established in 2015 and registered with the NGO directorate in the general secretariat of the council of ministers in Baghdad.

The center seeks to contribute to developing the state and its institutions, by proposing ideas and practical solutions to the main problems and challenges facing the state, including improving public sector management, policies, and strategic planning, using reliable data and best practices. The center engages the relevant authorities in the state with regular meetings to support this objective and utilizes the support of international organizations dedicated to assisting Iraq's development. The center also seeks to support economic reforms, and sustainable development and provide technical assistance to the public and private sectors. The center also seeks to support the development of the private sector to provide job opportunities for citizens through training and upskilling, in a way that reduces dependence on government institutions and contributes to supporting and diversifying the country's economy.

The center aims to utilize the vast amount of potential in Iraq's human resources by organizing programs to prepare and develop promising young people, including leaders capable of proposing, adopting and implementing visions and future plans that advance society and preserve its value-system based on the commitment to a high moral standard and rejection of all types of corruption.

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