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ECONOMIC AND FINANCIAL EFFECTS OF THE EXTERNAL DEBT PROBLEM: INTERNATIONAL EXPERIENCES OF JORDAN AND IRAQ

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ABSTRACT: The current research aims to clarify the economic and financial effects of the problem of external indebtedness, which is one of the important problems in our century, and the researcher identified a study of the experiences of the countries of Jordan and Iraq, to come up with a set of recommendations that contribute to solving this problem, and based on the importance of the topic of research for the Iraqi state was The use of some financial data that was obtained from the Iraqi Ministry of Finance.

Keywords: Bank, effectiveness, effectiveness of commercial banks,evaluation of the effectiveness,financial indicators of banks.

Introduction

In order to highlight the role that foreign debts play in foreign trade by exploiting those debts in the right ways and accompanying this with supportive economic policies in order to reach a balanced economy, and the most prominent results of the research were that Iraq It resorts to external borrowing in order to bridge the financing gap that appears due to the lack of local savings in meeting the needs necessary to finance investments, and we note that trade exchange affects the external debt through its impact on the variables associated with it, and the researcher noted that there is a large discrepancy in the assessment of Iraq's foreign obligations as a result of differences In calculating the Iraqi debts for different countries and how to calculate the interest with the different countries lending to it, and whether it should be The calculation of those interests in the first place or the delay fines in the light of Security Council resolutions that prohibited any financial dealings with Iraq, and the most important of the recommendations of this research is that the developing countries should stop looking for solutions to the public debt issue from abroad and they must start themselves in setting a model To get rid of these debts, it guarantees the preservation of its interests and aspirations away from dependency and external interference, as well as encouraging economic cooperation between developing countries and working to encourage exchange and support for the production of raw materials, the exchange of technology, knowledge and practical experiences for these countries and the encouragement and protection of local industry.

The methodological framework of the research

First: the research problem

The research problem is that the Iraqi economy is one of the developing and Arab countries that have fallen into the problem of external indebtedness, which is one of the important problems, as Iraq's misuse of loans led to great disruption in its imports, which is supposed to increase demand for consumer goods and not to increase production capacity Exports are not growing as fast as the reason for borrowing, and the current account deficit may not be reduced over time and enter into a vicious circle.

Second, the research hypothesis

The research stems from the hypothesis that the external debt in the Iraqi economy is affected in one way or another by the trade exchange, especially if there is a commodity concentration and lack of diversity in export commodities, which in turn leads to exacerbating the burdens of these debts and the inability to fulfill their obligations and exposure to financial crises due to their commercial exposure that exposes them to shocks external.

Third: The importance of research

The importance of the research lies in highlighting the role that foreign debt plays in foreign trade by exploiting those debts in the right aspects and accompanying this with supportive economic policies in order to reach a balanced economy

Fourth: Research objectives

1. Clarify the most important reasons leading to the high foreign debt in Iraq.
2. Measuring and estimating the relationship between foreign debt and trade exchange by studying the impact of some variables related to foreign trade

Fifth: Research method:

The research method used in this study adopted two methods of analysis:

The first: represents the descriptive analysis of the development in the volume of foreign debt in Iraq and its relationship to foreign trade.

The second: represents the method of quantitative analysis by estimating the relationship between foreign debt and foreign trade for some variables in Iraq

Main part

The relationship between foreign debt and trade exchange in the Iraqi economy for the period from 2010-2016

The first requirement / the concept of external debt and its types

External debt can be defined in a unified way, despite the problems it raises, and it is the product of the interaction of three important international bodies, namely the International Monetary Fund, the World Bank and the international cooperation and economic development organizations.[1] These bodies formed a working group that proposed to give the concept of indebtedness as, on a specific date, the sum of the current contractual obligations, which It allows the extradition of residents of a country towards non-residents and the obligation to pay the principal with the payment of interest, while the value of the existing obligations distributed over a period of time is known, for residents of a particular country towards non-residents to pay the principal with or without interest or pay interest with or without the base[2]

The concept of external debt can also be defined according to the following divisions:

First, according to the time period, it is divided into:

1- Long-term debt: It is a loan or debt that has a term of more than five years and has three components, namely, public loans, loans secured by a public authority, and unsecured private loans.

2- Medium-term debt: It is the debt that has a term of more than one year or less than five years.

3-Short-term debt: It is an external debt with a maturity of one year or less. [3]

Second: According to the source of the lender.

1- Official loans: These are loans provided by the governments of surplus countries and official bodies and agencies, which are usually on easy terms, either in cash or through agreements, and they are of two types:[4]

A - Bilateral loans: They are contracted between the country wishing to borrow and the government of the donor country officially. Often, the process of providing these loans is dominated by political considerations that may prevail over economic considerations, as the United States, England and France did. The same applies to the former socialist countries. The borrowing country had to Grant military facilities to the lending country or vote for it in international forums.

B - Multilateral loans: They are loans and credits provided by international and regional organizations and bodies to the borrowing countries. These loans vary according to the different bodies that donate them, as these conditions often reflect the viewpoint of the mother country that includes such organizations as the International Bank for Reconstruction and Development and the International Monetary Fund.

2- Private loans: These were provided by (informal) sources, usually short-term and with high interest rates on them. Despite their burdens on the debtor countries, these sources are also considered among the important financing sources for many of these countries, especially those burdened with debt. Some of the debtor Arab countries have turned to These sources are due to their increasing need for sufficient capital to finance their development projects, or to meet the deficit in their balance of payments, or because of the insufficiency of loans granted to them from official sources.[5]

Third: External debts according to their schedulability:[6]

1- Non-scheduling debts: These are debts owed to international or regional organizations such as the World Bank or the International Monetary Fund. For this type of debt, the country in question must fulfill it on its due dates, regardless of its economic and financial conditions.

2- Commercial debts: They are debts owed to foreign commercial banks and then rescheduled through negotiation between the creditor banks and the countries concerned. Scheduling operations are carried out in the London Club.

Government official debts: These are debts owed or guaranteed to governments, and this type of debt is rescheduled through the Paris Club.

Positive and Negative Effects of Debt: (12)

There are effects of debt on growth at low levels, debt has positive effects on growth; but additional debt also has a negative effect on growth, so whether debt affects growth mostly by affecting the accumulation of factors or an effect on the growth of total factor productivity, etc. If these effects are non-linear. And that the effect of debt on growth can occur through all major sources of growth, capital is supported, in particular, by two mediators. First, the concept of debt burden means that when external debt grows significantly, investors lower their expectations of returns in anticipation of the higher and more progressive taxes required to pay off the debt, so that new domestic and foreign investment is discouraged and, in turn, slows capital accumulation.

The second requirement // Modern foreign trade theories

Many modern theories have emerged that attempt to provide the analysis through which the criticisms leveled at the traditional theory can be overcome. There have been numerous attempts, according to the dimension on which it was based, to start from it and cross to the ideas most appropriate for developing countries. Hecksher-Olin theory was based on simplified assumptions (two states) (two commodities, two components) Therefore, this theory is suitable to explain some limited cases, such as the patterns of trade between the group of modern industrialized countries and developing countries, but there is no possibility of generalizing Heckscher-Olin's predictions on the state of trade between countries that are similar in the abundance of resources such as trade between advanced industrial countries and this prompted Many economists search for an alternative to the Heckscher-Olin model. However, their attempts did not rise to the level of a complete scientific theory, as is the case in this model, and they do not feel that this model is invalid or neglected, but rather that it is useful and can explain an important part of the commodity flows between countries In the following, recent developments in international trade will be presented:[7]

1- Trade on the basis of technological gaps and product cycle:- Huge commercial deals are held between industrial countries on the basis of introducing new types of production or new production methods in the markets, and this is what gives the inventor company or the inventor country the right to a temporary monopoly on new goods in global markets and so on The temporary monopoly granted to the inventor company is based on the patent, copyright and copyright in order to encourage the invention phenomenon. As for the product cycle, it was brought by (Vernon), where it is based on the idea of a technological monopoly associated with the invention and focuses on the new commodity in itself and on the stages of its cycle and compose Between the evolution of the nature of the commodity throughout its cycle and the developments witnessed in international trade, the commodity can witness four stages, namely (emergence phase, growth phase, maturity phase, decline phase). Since the discovery of commodities, the process of producing commodities has undergone several phases in which production depends on different types of factors.[8] Which makes a country import a commodity that was the source for it in previous periods, as we find in the first stage the technology-intensive commodity being allocated and produced on a large scale. Limited ravi that requires high capital intensity (investment). My states at this stage of the cycle are international trade, where the commodity is manufactured and consumed in the country of origin in which it was invented. During the second phase of the cycle, we see the growth and proliferation of the inventor's exports towards its developed companies. As for the maturity stage. And the decline of the last two becomes the labor-intensive and low-skilled commodity in a path that ends with neglect in the mother country, as the direction of the flow of trade exchange shifts to become the inventor country with innovation (importer) and the developed countries imitate (exporting them).

2.Tastes similarity theory: [9]

This theory goes back to the economist (Stavn Linder) and its name came from the fact that countries have similar tastes. Linder began his analysis based on the following assumptions:

A - The country will export goods for which it has large and popular markets, and this was highlighted by the need for large-scale production in order to enable local enterprises to achieve economies of scale and thus reduce the costs of producing these goods, which leads to a decrease in their prices in order to be able to conquer foreign markets.

B - Countries with similar incomes have similar tastes, and therefore trade can be established between countries with similar incomes so that the prices of goods are suitable for consumers in other countries because of their equal purchasing power.

3.Trade based on economies of scale [8]

One of the assumptions on which Hecksher-Olin theory was built is that the production of the two commodities in each of the two assumed states takes place under conditions of constant volume returns, but when production takes place under conditions of increased volume returns, the beneficial trade exchange between the two countries takes its place even if the two countries The two trades are similar to each other in all respects, and this type of trade was not dealt with by the Hecksher-Olin model, with explanation and clarification. It is possible that a case of increasing the yield of scale may occur in large-scale production processes that help in a greater division of labor as well as specialization, as each worker specializes in a simple work that he repeats many times a day, which helps him to master this work and raise the productivity of work

4- Education Curve: This education relates the rise in the level of work skills and improvement in productive art and the total number of products that are produced of a particular type during a certain period of time, and not between the amount of investments in education and research, and with regard to the ability of workers to learn, it was noted that the number of hours The time spent by the worker in the manufacture of a product tends to decline at a regular rate whenever production doubles.” The extension of this analysis to international economic analysis gives results worthy of attention. Assuming the existence of two countries, the first is the leader in the manufacture of a labor-intensive product, while the second country entered this field at a later stage. Despite its comparative advantage for its labor-intensive production, it will not be able to compete with the leading country in the beginning, and the leading country can maintain the gap between them and the subsequent country as long as it is able to double production at the same speed as the latter, and accordingly the rate of decline in expenditures in the leading countries slows down While production expenditures decline at a faster rate in subsequent countries.[10]

The third demand / the most important causes of foreign debt in the Iraqi economy and its relationship to foreign trade

There is a great discrepancy in the assessment of Iraq’s foreign obligations as a result of the difference in calculating Iraqi debts to different countries and how to calculate the accrued interests on Iraq and the different establishment of those interests with the different countries lending to it, and whether those interests should be calculated at all or late fines in light of Security Council resolutions that prohibited any Financial dealings with Iraq. Debt estimates according to Table No. (1) indicate that Iraq's total debt varies between increase and decrease during 2014 due to its exposure to a financial crisis as a result of the drop in oil prices this year.

Table No. (1) Iraq's total debt during 2014

% Annual Growth Rate	External debt billion dollars	Years
7.7	73	2010
-27.9	52.58	2011
-3.4	50.79	2012
-1.04	50.26	2013
18.3	59.49	2014
32.5	57.6	2015
36.1	60	2016

Source: Republic of Iraq Ministry of Finance 2015
http://www.mof.gov.iq/pages/ar/externaldebt.aspx

Debt increase after 2014

The blow to the country represented by the invasion of the terrorist organization ISIS in 2014 and the collapse of oil prices had devastating effects on the country's economy. In investment spending and resorting to borrowing to finance the current bloated spending (wages, subsidies, social welfare system) and the International Monetary Fund's Credit Standby Agreement provided a framework for the accumulated sustainable debts, provided the government is committed to reducing dependence on the state and encouraging private sector development. The regular reviews of the Credit Standby Agreement between the International Monetary Fund and Iraq have identified the mechanics of this process, while budget estimates for the years 2017-2022 have been sent as the basis on which both Iraq and the International Monetary Fund have identified creditors and donors to finance the expected budget deficit.

Table No. (2) shows the picture of debt starting from 2014, as it was the year that ended the relative prosperity of the country, and it also shows the current situation of debt since 2017 and future expectations for 2022

Table No. (2) Gross domestic product and debt for the years 2017, 2014 and 2022

Gross product and debt	2022	2017	2014
Gross Domestic Product/billion dollars	256.2	192.7	234.7
Iraqi oil prices - dollars per barrel	47.1	45.3	96.5
Oil exports million barrels per day	4.1	3.8	2.6
The ratio of total debt to GDP	52.1%	63.8%	32.0%
Total debt – billion dollars	133.1%	122.9	75.2
The ratio of foreign debt to GDP	27.9%	38.3%	24.8
External debt billion dollars	71.4	73.7	58.1
The ratio of domestic debt to GDP	24.2%	25.5	7.2
Internal debt is billions of dollars	62.0	49.2	17.1

Source: Central Bank of Iraqhttp://ara.tv/z2cyu

` Mechanisms for dealing with the problem of external debt

The resort to external borrowing and the search for external sources of financing should be to cover the resource gap (investment - saving) and add it to the resources available to the economy. If these resources are used well by directing them towards income-generating investments that contribute to diversifying the economy, they benefit the country. And it contributes to the development and growth process. But if the debts are inappropriately distributed by directing them towards operational spending, as is the case in Iraq, the costs of borrowing contribute to complicating macroeconomic problems in the form of unsustainable levels of debt service.

It is noted that the bulk of these loans go to support the budget and for operational purposes, which in the future will constitute a major constraint on the possibility of the Iraqi economy in development and development due to the large entitlements in the future for debt service installments that Iraq should pay at the expense of the development of the Iraqi economy. Iraq reached (according to the quarterly reports published by the Ministry of Finance on its website) in 2015 about $99.6 billion, or 66.1% of the GDP. As for the external debt, it reached $66 billion, at a rate of 7 and 41% of the GDP, with a percentage of 118% of the total exports. Iraq's total debts rose to 117 billion dollars in 2017, including 70 billion dollars in external debts and 47 billion dollars in internal debts.

The source of the real danger, as a general rule, comes from the close link between the growth of the budget deficit and the growth of internal and external indebtedness. This matter may enter the economy and subsequent budgets in a vicious circle with devastating effects on the economy, which imposes on Iraq mainly internal and external borrowing to cover the large budget deficit In the 2018 budget, Iraq relied on internal borrowing, which amounted to 2 trillion dinars to cover 15% of the planned deficit. However, the great danger is represented by the heavy reliance on external borrowing (from multiple parties). To finance the budget deficit, which amounts to 13.015 trillion dinars. And by 77% of the financial gap (deficit). This means that internal and external borrowing finances 92% of the federal budget deficit in Iraq for 2018. While the surplus from 2017, amounting to 992.835 billion dinars, contributes to financing 8% of the Iraqi budget deficit. For the year (2018) that resorting to external sources of financing, in particular external borrowing, Iraq will bear annual installments to service the internal and external debt amounting to (8.246 trillion dinars) in the budget and at a rate of (8%) of public spending for the year (2018), which is It was not small. It could have been added to investment spending and to projects related to the commodity sector in order to push the growth process in the Iraqi economy. This is one of the mistakes of the past in the experience of financing with unjustified external and internal borrowing.

Since the treatment of external debt through international institutions is one of the forms of external debt management that is linked to economic adjustment programmes.

First: Dealing with the debts of Saudi Arabia and Kuwait

The origin of these debts was about $18 billion, which is $12 billion for Saudi Arabia and $6 billion for Kuwait, and this can be counted as a debt from the documents submitted. As for the rest of the claims, they cannot be counted as debt. Because they are a mixture of several components, including:[11]

1- Exporting oil for the benefit of Iraq in the neutral zone between the two countries if Saudi Arabia agreed with Kuwait

There is no production equivalent to 1.3 million barrels of oil per day and it is marketed for the benefit of Iraq.

2- Paying the debts owed by Iraq to others or guaranteeing Iraq towards them, as Saudi Arabia pledged to enhance the creditworthiness of the former Iraqi government and to support its attempts to obtain loans from the international financial markets.

3- Providing Iraq with civilian means to serve the war effort, including vehicles, tankers, iron for military positions, and barbed wire. These were specifically considered donations and support for the war effort.
4- Providing facilities in Saudi and Kuwaiti ports and exemptions from transit fees and customs clearance, as Saudi Arabia allowed the extension of a pipeline to export Iraqi oil through its territory, so the Iraqis do not see that all of these are loans because there is no evidence to prove that, as it is possible that they are gifts or aid. Especially since the political motive was behind this aid. All of this brought the debts of Kuwait and Saudi Arabia on Iraq to 41 billion. No action was taken in this regard, as Kuwait did not agree to the reduction. The Board of Governors of the Arab Monetary Fund took the decision at the twenty-seventh meeting held in Kuwait in April. 2004 Some measures, including granting Iraq an extended grace period to settle its debts with Arab creditors. For this reason, it remained under the heading of unaddressed debts, noting that "the Kuwaiti National Assembly at that time demanded the Kuwaiti government to exchange debts for investments, and there are indications that these countries arranged for debt settlement in Similar formulas in the Paris Club Agreement, but there is nothing on the ground to support this, and it seems that exemptions from them need political agreements more than any other person, knowing that Iraq is committed to the principle of reciprocity within the Bar Club Agreement Yes (that is, Iraq may not enter into an agreement with any creditor to reduce the debt by less than 80%), which is one of the requirements of the International Monetary Fund to conduct the reduction, which later formed the general framework of the state's economic policies after 2003.
The bulk of the Iraqi debt was to Gulf countries, particularly Saudi Arabia and Kuwait, at a time when a large part of these debts were granted under the door of aid and were unilaterally transferred to debts, although Kuwait confirms that it possesses official documents showing the transfer of those funds to Iraq, but from the legal point of view, the reality of the transfer that has been achieved is not enough to prove that Iraq bears any claim, not to repay any amount, unless the terms of the transfer are specific and binding, and if the creditor countries insist on their intransigent positions and legal interpretations regarding their non-acceptance of applying the hateful debt principle to Iraq's debts, then Iraq should not hesitate to defend the fact that these transfers do not constitute loans without a written contract that proves that the hateful debt principle that says that debt that is not used for the benefit of the people and I support corruption and oppression of dictatorship is a debt that lacks legal legitimacy 'The solution is The optimum of the debts of Saudi Arabia and Kuwait is the need for a great national effort to call for the establishment of an arbitration court to look into the hateful debts and to decide which of these debts are hateful debts and which of them are legitimate legal debts, and therefore only And the one that constitutes most of the Iraqi debt, and Iraq will pay the legal debts, which are the lowest and do not exceed 10%, which will consequently lead to the liberation of Iraq from its foreign debts.[12]
Second: Commitment to pay debt service installments on their specified dates
Iraq must commit itself to paying the debt service installments on their specified dates within the agreement signed by Iraq in the Paris Club Agreement and with financial organizations such as the International Monetary Fund, the World Bank and other financial institutions from which Iraq borrowed after 2003, and not to resort to rescheduling these debts due to Because of the additional benefits that it entails that burden Iraq. This would contribute to reducing the size of the external debt in the long run.[13]
Note that the Paris Club has agreed to cancel 80% of Iraq's debts to the Paris Club, amounting to 40 billion dollars, in three stages: the first stage, in which 30% is canceled, equivalent to 6 and 11 billion

dollars without conditions, and in the second stage, 30% is canceled if Iraq ratifies the The standard program of the International Monetary Fund. As for the third stage, the reduction is by 20%, after the Fund approves, after three years, Iraq's commitment to implementing the Fund's program.

Third: The need to stay away from external borrowing

That Iraq stay away as much as possible from resorting to external borrowing to address the federal budget deficit and finance operating expenses. And Iraq should apply the principle of the golden rule in external borrowing, ie borrowing only in the case of an urgent need to finance strategic projects that result in increasing the country's production capacity (Such as oil and petrochemical refineries) or creating new sources of income in the future (such as the Grand Port of Faw for example) that will be sufficient to pay the external debt service installments when they become due in the future. [14]

And Iraq should avoid borrowing from the International Monetary Fund because it is conditioned by a package of measures that the debtor country must abide by, which are represented in:[15]

1- Liberalizing prices, liberalizing marketing and distribution arrangements, and liberalizing investment

2- Liberalizing trade and removing quantitative restrictions on imports

3- Adopting a realistic exchange rate policy

4- Reducing public spending and reducing wages

5- Raising interest rates

6- Restructuring public institutions, holding them accountable, and initiating their privatization, which is rarely in the interest of the peoples who apply them.

Many Iraqi economists believe that the Fund's conditions ignore the costs of these policies, and the Iraqis cannot bear the social cost due to their tragic situation, and that the Fund's structural reform program will create more social tension in Iraq, which may destroy the transition towards democracy.

Fourth: Restricting external borrowing

It means that the executive authority is not allowed to borrow externally except by virtue of a special law approved by the Iraqi Council of Representatives to limit the resort to this dangerous source of financing due to its significant negative effects on Iraqi borrowing and on the future of future generations by subjecting and depleting financial resources to pay the debt and term premiums This puts a significant limitation on the subsequent development of the Iraqi economy and the possibilities of achieving independent economic development that contribute to building sources of economic strength and improve the standard of living and the quality of life of Iraqi citizens.

Fifth: Establishing the Oil Revenue Stabilization Fund

Iraq is the only country within OPEC that does not have a fund to stabilize oil revenues. As Iraq depends on oil revenues, which constitute 85% of public revenues. This means that estimates of public revenues are linked to estimates of the quantities expected to be exported from crude oil, in addition to estimates of prices The expected world oil, which are factors characterized by fluctuations and sometimes severe, which calls for caution when estimating both public expenditures (especially current operating expenses) and public revenues. The dominance of oil revenues over public revenues and the low contribution of non-oil activities reflect the nature of the large and permanent imbalance that suffers from Including the Iraqi budgets for several decades, which in turn indicate the extent of the fragility of it

The Iraqi economy and its increasing dependence on the oil commodity and the decline in oil revenues, which prevents the country from resorting to external borrowing.

Sixth: Rationalizing the general budget

Operational expenditures remained dominant over the volume of public spending, at a rate of no less than 75% of the total public expenditures in all Iraqi budgets, including the 2018 budget, which is a very high percentage. This indicates something, but rather indicates that the government has no well-defined development programs from In order to push the growth process in the Iraqi economy to maintain its unilateral dependence on oil. The significant rise in public spending has focused mainly on current operational spending, which constitutes a dangerous indicator in a developing country such as Iraq that needs large and enormous resources for its reconstruction in all fields, starting From infrastructure, including education, health, housing, and roads to the oil, industry and agriculture sectors, in addition to providing the minimum standards of living worthy of a person in a country full of resources. In addition, a significant part of the operating expenses are disguised through external borrowing. It is necessary to compress operational expenses to the minimum possible, especially the salary clause, which constitutes an important aspect of operating expenses through the abolition of laws that allow the Iraqi citizen to receive more than one salary and the abolition of the ro Pensions are paid for those who have no job service of not less than 15 years, and as is valid for other employees. As for investment expenditures, they do not exceed 25% of public expenditures. The Iraqi budgets are some of them financed by foreign borrowing. However, investment spending in Iraq is inactive, that is, it is not directed towards investment in infrastructure and investment projects that increase the country's production capacity and improve its investment environment. Therefore, attention should be paid to the nature of investment spending and to determine investment priorities accurately in order to provide the necessary ingredients for economic advancement, strengthening local production and providing resources The funds required to pay the external debt service installments.

1) The second topic 2) The concept of external debt.

It is necessary to define what is meant by external indebtedness, because the actual figures of indebtedness owed by developing countries far exceed what is indicated by statistical data published by local or international sources on the external debt of a country or group of countries.

External debt:

The secret of the difference in the statistical data published by local or international sources, and what is meant by external debt is "those amounts that a national economy has borrowed, in which the loan period exceeds one year or more and are due to the lender through payment in foreign currencies or by exporting goods and services." Payment shall be made either through the national government or its official bodies, or through independent bodies, individuals and private institutions, as long as national governments or official public bodies are guarantors of the obligations of these individuals and private institutions.

It is noted that this definition does not include the following elements of debt:

External debts less than one year old

Debts owed by individuals and private bodies if they are not secured by governments or public bodies

External commitments that have not yet been agreed upon in terms of their size and conditions.

Foreign debt figures often do not include military loans.

Debts payable in the local currency of the debtor country, such as the debts of the US agricultural surplus to some developing countries, and they are paid in the currency of the debtor country.

Last but not least, the published figures on the external debts of developing countries do not include the obligations arising from the presence of private foreign investments in these countries. ( )

According to Arezki & Brückner, 2012:6, gross external debt is the debt owed to non-residents that must be repaid in foreign currency, goods or services.

There are three reasons to prefer debt over taxes or printing money (Ogunmuyiwa, 2011:29)

First, debt encourages tilt by allowing a more equitable way in which a country can exploit investment in long gestation periods.

Second, by harmonizing a more effective measure of counter-cyclical policy management or emergency spending needs, tax controls often lead to inefficiency and economic uncertainty.

Third: It is the stability advantage of debt over taxes.

Jordan's external debt:

The evolution of the volume of debt in Jordan:

Jordan, like other developing countries, depends on foreign aid, grants or loans to finance development projects and reduce distortions in the balance of payments. It is a result of the wars he fought since the beginning of the second half of the last century, the lack of natural resources and the misuse of the available ones. Not to mention the reasons that most developing countries suffer from, such as budget deficits and distortions in the balance of payments that push countries to borrow, and borrowing can be for the purpose of financing investments Which local savings are unable to achieve or with the aim of absorbing the purchasing power of individuals. The economic evidence indicated that Jordan entered the phase of economic stagnation, as the regional trade of Jordan was affected as a result of the deflationary policies pursued by the countries of the region, and the limited automatic foreign revenues (represented in remittances of workers from abroad and foreign aid) paid These circumstances Jordan is looking for alternatives to contain the lack of funding b Domestic and foreign borrowing significantly, which led to the rapid growth of debt.

As shown in Table No. (3), the government depends on focusing on internal borrowing through government bonds and permissions, and limiting external borrowing to soft and long-term loans (Central Bank, 2006).

While the internal debt constituted about 41.1% of the total public debt, while the share of the external debt was 58.9% of the total public debt. This increase is attributed to the increase in the balance of treasury bonds and bills within the general budget (Central Bank, 2010).

Table (3) The size of the debth in Jordan

Total public debt	Growth rate of external debt	External public debt	The rate of growth in the internal debt	Internal public debt	Year
7349.7	3%	1586.5	**-11%**	**2163.2**	2006
1899.6	1%	5253.3	36%	2946.4	2007
8551.3	-31%	3640.2	67%	4911.2	2008
9660.3	6%	3869.0	18%	5791.3	2009
11462.3	19%	4610.8	18%	6851.518	2010
13401.7	3%	4486.8	30%	8915.0	2011
17610.4	9%	4932.4	30%	12678	2012

- https://aawsat.com/home/article

The economic effects of external debt - the case of Jordan (2000-2010)

Table No. (4) shows the external debt as a percentage of the gross domestic product, where the external debt exceeded more than 50% of the gross domestic product in the period from 2000-2007 and less than 50% during the period 2008-2010

Table No.4 External public debt as a percentage of GDP

The ratio of external debt to GDP	Years
93.1	2000
87.1	2001
88.7	2002
85.8	2003
78.4	2004
68.5	2005
65.0	2006
60.9	2007
39.3	2008
39.6	2009
46.2	2010

Table / prepared by the researcher based on Ali Hussein (1993) The effect of indebtedness on the phenomenon of capital flight, an applied study on Jordan, King Saud University Journal, Administrative Science, No. 1

Conclusion

1. Iraq resorts to external borrowing in order to bridge the financing gap that appears due to the lack of local savings in meeting the needs for financing investments, and we note that trade exchange affects the external debt through its influence on the variables associated with it.
2. There is a great discrepancy in the assessment of Iraq's foreign obligations as a result of the differences in calculating Iraqi debts to different countries and how the interests are calculated with the different countries lending to it, and whether those interests should be calculated at all or delay penalties in light of Security Council resolutions that prohibited any financial transactions with Iraq
3. One of the requirements for good management of external debt is to allocate an equivalent part of the expected future growth or gross domestic product to finance the current debt service or, at a minimum, its service, as well as setting maximum limits for the growth of indebtedness in a way that keeps it within serviceable limits.
4. The dependence of the Arab countries in their foreign trade on one type or limited types of commodities that are characterized by low prices internationally and the increase in their imports of high-priced consumer and investment goods internationally, which led to the weakening of their international competitive position, so they became buying and importing in a harder currency than they exported, and this negatively reflected on The size of its international reserves and its ability to service its debts.
5. The occurrence of economic crises in most countries was due to their adoption of irrational economic policies that do not suit their actual circumstances and capabilities, that is, policies imposed on them, in addition to the huge economic development programs in some of them, which

led to a chronic deficit in their balance of payments, which led them to resort to to external financing to cover this shortfall.

Recommendations:

1. Activating the joint responsibility between the creditor countries, the various international organizations and the debtor countries, because the problem of debt exacerbation originally stemmed from the fact that the framework in which the foreign resources of the creditor countries and the World Bank moved to the debtor countries was a framework of certain conditions and characteristics that contributed to the explosion of the external debt crisis.
2. The developing countries must stop looking for solutions to the issue of public debt from abroad, and they must begin to develop a model to get rid of these debts to ensure that they preserve their interests and aspirations away from dependence and external interference.
3. Encouraging economic cooperation between developing countries and working to encourage exchange, support the production of raw materials, exchange technology, knowledge and practical experiences for these countries, and encourage and protect the local industry.
4. Reducing the smuggling of capital abroad to mitigate the negative impact of smuggling this money on the balance of payments of the countries from which these funds came out, and finding solutions to alleviate this phenomenon, such as reducing high taxes on income and easing restrictions imposed on the private sector

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