

The Economic Development Road in Iraq, Challenges and Strategic Pathways: An Analytical Study of Economic Integration with Turkey

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Abstract:

This study examines *The Economic Development Road in Iraq* as a comprehensive transport and logistics initiative aimed at linking the Grand Al-Faw Port to Turkey and Europe. While the project has promoted as a strategic corridor for economic diversification and growth, its implementation reveals critical deficiencies in institutional capacity and policy coordination. The paper adopts a critical descriptive-analytical method to evaluate the project's economic foundations, financial viability, and regional implications. Findings indicate that without institutional reform, transparent governance, and regional cooperation with Turkey and the Gulf states, the Development Road risks remaining a symbolic rather than transformative initiative. The study proposes strategic measures to align Iraq's infrastructure development with sustainable growth objectives.

Keywords: Iraq; Development Road; Grand Al-Faw Port; Economic Integration; Governance; Turkey

JEL Classification Codes: H11, O23, O53, F36, G38, H10

1. INTRODUCTION

The Economic Development Road (EDR) represents a cornerstone of Iraq's aspiration to reclaim its historic role as a bridge between Asia and Europe (Abdullah et al., 2016). Post-Keynesian economics has not given it the same level of attention as it has given to the short term (Cornwall, 2006). Envisioned as a multimodal transport corridor linking the Grand Al-Faw Port on the Arabian Gulf to the Turkish border, the EDR promises to reduce shipping distances and redefine regional trade routes (Hussein, 2025). However, since its announcement in 2010 and renewed implementation in 2021, the project has faced significant institutional and geopolitical obstacles that question its sustainability (Al-Saadon, 2022). Since announced in 2010, renewed in 2021 despite ongoing risks, represented the root of the problem*. It included the eastern and western breakwaters, an import reception area, and facilities for inspection, surveys, and customs clearance using a modern and advanced system (Figure 1).

The Iraqi government's approach to the EDR demonstrates ambition but also a pattern of policy fragmentation and reactive planning. Despite support from Turkey and some Gulf states, the project lacks a comprehensive economic strategy integrating transport, industrial, and environmental objectives (Al-Farraji, 2023). This paper therefore assesses the EDR through a critical lens that combines economic analysis with governance evaluation, arguing that Iraq's developmental discourse has remained largely symbolic and politically driven.

* The first Iraqi government conference of 2021 held in Basra Governorate, presenting five project contracts awarded by the General Company for Iraqi Ports. These included container berths, a receiving yard, container storage and handling areas, dredging of the inner channel, and furnishing of the outer navigation channel. The conference focused on the submerged channel (SC) under Khor Al-Zubair and the highway connecting the Grand Faw and Umm Qasr ports. The second international conference on the Grand Faw Port and the dry canal, held from December 6-8, 2022, also in Basra, focused on universities and specialized research centers. This followed a field visit to the port projects located 90 km south of Basra (Rahi 2021).



Figure 1: Pouring one of the canal sections submerged in the canal, 2024.
Source: Ports Magazine, State Directorate of Iraqi Ports, 65th year, No. 466, 7.

Research Objectives and Hypotheses

Objective 1: To evaluate the Economic Development Road as a strategic instrument for Iraq's long-term economic diversification and integration with regional partners.

Objective 2: To identify and analyze the main institutional, financial, and security challenges hindering the project's implementation.

Objective 3: To propose sustainable strategies for enhancing the project's governance and economic impact.

Hypotheses:

H1: The EDR has the potential to transform Iraq into a regional logistics hub if supported by effective governance and stable regional partnerships.

H2: Weak institutional capacity and political instability significantly reduce the project's economic returns.

H3: Integrating the EDR with Turkey's transport network and Gulf investment frameworks is a pre-condition for long-term sustainability.

Methodology

This research adopts a **descriptive-analytical methodology** that combines qualitative document analysis with comparative policy review. Primary data derive from official Iraqi and Turkish government reports, bilateral meeting outcomes (Rahi 2021; Abdul Razzaq 2024), and engineering feasibility studies (Muhsen, M. 2022). Secondary data include academic sources and international development reports.

The study employs three analytical dimensions: (1) governance and institutional capacity; (2) financial and technological sustainability; and (3) regional integration potential. A critical framework is applied to assess policy coherence and the gap between declared objectives and implementation outcomes. This approach allows for evaluating the extent to which Iraq's development planning aligns with international best practices in infrastructure governance (OECD, 2008). The following is a discussion of the problem (Figure 2).

2- Internal and Regional Challenges

The project has firmly established in the media and political spheres[†]. The following challenges sounds expected in a strategic project under consideration.

[†] On December 11, 2022, the Center for Regional Studies, the University of Mosul discussed the Grand Faw Port and Dry Canal project in a panel discussion titled. The panel focused on the operation of the Grand Faw Port, the importance of the Dry Canal, future visions, and investment opportunities. The Center for Middle Eastern Studies (ORSAM) in Ankara presented reviews and analyses (Econ 2023), as did the Arabian Gulf Center for Studies and Research in Basra and the Al-Mustansiriya Center for Arab and International Studies in Baghdad. Iraq presented the opportunities for operating the Faw Port to companies with Arab interests (Sky News Arabia 2022), given the passage of the New Silk Road through Iraq. Research institutions such as the Center for Strategic Studies, the College of Engineering at the University of Diyala (Al-Jassem 2022), the Turkish Ministry of Transport and Communications, and the Turkish state-run Anadolu Agency also contributed their analyses, expressing the Turkish government's support for the strategic project of the Grand Faw International Port Conference 2022 (Abdul-Razzaq 2024).

1.1. Internal Challenges.

The EDR reveals chronic structural weaknesses in Iraq's administrative and financial systems. The centralized decision-making model of the Ministry of Transport and its affiliates has impeded cross-sectoral coordination (Mahmoud, 2017). Budgetary delays driven by political gridlock often halt project execution, while corruption in procurement processes undermines public trust (Hamed, 2012). Security risks and militia influence continue to elevate project costs, reducing the expected economic multiplier effects (IMF, 2025).

Moreover, the government's reliance on short-term contracts and foreign contractors, notably the Korean Daewoo Engineering Company, creates dependency and limits technology transfer. Iraq's limited capacity for project monitoring and digital governance further exposes the EDR to delays and inefficiencies (Al-Hassan, 2021). These challenges reflect a broader governance crisis where economic planning remains reactive and heavily influenced by political patronage.



Figure 2: Manufacturing Basin, the dry canal parts between Al-Faw Port and Umm Qasr Port.

Source: Ports Magazine, General Directorate of Iraqi Ports, Year 65, Issue 466, 7.

1.2. Regional Challenges

Regionally, the EDR faces a competitive and volatile environment. Alternative corridors, such as the India-Middle East-Europe Corridor (IMEC), the UAE's Jebel Ali–Suez route, and Iran's Bandar Abbas corridor, challenge the EDR's economic feasibility (Siddiqi, 2023). Iran perceives the project as a strategic threat to its port revenues, while Turkey views it as an opportunity to consolidate its role as a gateway to Europe (Turkish

Ministry of Transport, 2023). The lack of a formal regional framework for trade and logistics integration has delayed joint implementation (Figure 3).

Security volatility in northern Iraq and the absence of a comprehensive bilateral financing agreement further undermine momentum. Iraq's hesitance to engage with multinational investors and its avoidance of international arbitration (Brozelius, 2005) limit credibility in global markets. Consequently, the EDR risks becoming a national project without regional ownership, contradicting its original vision as a transnational corridor for economic growth.

1.3. Financing

Financing is a fundamental element in completing the development path, covering land-based construction costs, the technology plan, and capacity building. The legal framework for economic integration expected to regulate these aspects (Turk Publishing House, 2024).



Figure 3: The Grand Al Faw Port on the Shatt al-Arab in southern Iraq

Source: Ports Magazine, General Directorate of Iraqi Ports, Year 65, Issue 466, 7.

The project cost for Iraq estimated at approximately US\$17 billion. The first phase includes the Grand Faw Port, to be completed by 2028. This will allow for the transport of 3.5 million containers by rail and 22 million tons of bulk cargo annually. The second phase involves the construction of railways and roads from Basra to the Turkish border by 2033. This will enable the transport of 7.5 million containers and 33 million tons of cargo annually. The third phase will complete the development of the Grand Faw Port by 2050, enabling the transport of 40 million tons of cargo annually.

Public Finance.

It is preferable to avoid financing from international institutions and rely solely on self-financing. Financing can be achieved through a diverse and integrated set of mechanisms, including public-private partnerships (Alfen 2007; Plan-Broad, Goldsmith, and Valella, 2006). These mechanisms encompass four sources, with government funding being the most crucial.

- 1) Direct financing, which includes allocating national budgets from the Iraqi and Turkish governments to finance portions of the project, and using government financial resources to cover the costs of basic infrastructure (each portion being the responsibility of the state).
- 2) Sovereign wealth funds, which include utilizing the sovereign wealth funds of both Iraq and Turkey to invest in the project, and using surplus funds in these funds to achieve development goals.
- 3) Multilateral financing, which includes cooperation with regional and international organizations such as the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, and the Arab Fund for Economic and Social Development.

Subsequently, self-financing will become the primary source, derived from anticipated road revenues, tolls, and transportation fees (Figure 4).



Figure 4: The Canal Road and its Commercial Advantages between the East and Europe.

Source: Al-Fartousi, Farhan (2022), Khor Al-Zubair Canal: The Beginning, General Administration of Iraqi Ports, Lecture on 6 Jan.

1.4. Development Road Path

This includes the proposed Basra-Fishkhabur-Istanbul stops and points.

The Development Route in Iraq

This route includes the following stops (Figure 5):

Basra, the Port of Basra - Nasiriyah, the center of Dhi Qar Governorate, a transportation and logistics center - Samawah, a distribution center facilitating the distribution of goods to neighboring areas and a truck terminal - Baghdad and Ramadi - Tikrit, a passenger terminal - Nineveh, Mosul, and Rabia - Fishkhabur, a border crossing on the Iraqi side.



Figure 5: General map of the development path within Iraq

Source: [Bing Maps - Directions, trip planning, traffic cameras & more](#)

The Development Route in Turkey

The route passes through the following provinces and cities (Figure 6):

Fişkhabur: Border station on the Turkish side; Şırnak: Land transport hub; Diyarbakır: Industrial center supporting local industrial activity and freight station; Mardin: Train station; Şanlıurfa: Passenger station; Gaziantep: Major transport hub; Konya: Logistics center to improve the efficiency of



Figure 6: The path of economic development within the Republic of Turkey

Source: <https://www.google.com/maps/place/Istanbul+stanbul+Turkiye/>

The Ministry of Transport and the Economic Development Authority will select one or some of the four possible bridge routes across the Sea of Marmara to the European side of Turkey (Figure 7).

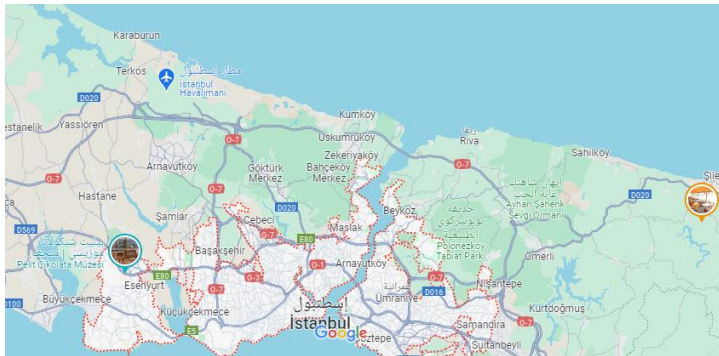


Figure 7: Alternatives to the Türkiye-Europe Development Method

Source: <https://www.google.com/maps/place/Istanbul+stanbul+Turkiye/>

2. Strategic Framework for Sustainable Development

2.1. Governance and Institutional Reform.

A sustainable framework for the Economic Development Road (EDR) requires an institutional overhaul. Iraq's current governance model, centered on ministerial silos and bureaucratic inertia, fails to coordinate among transport, finance, and planning agencies. Effective reform should create an **independent Development Road Authority** under parliamentary oversight, integrating procurement transparency through blockchain-based documentation (Mahmoud, 2017). This institutional redesign must prioritize efficiency, accountability, and inter-ministerial coordination.

2.2. Financial and Technological Sustainability.

The project's estimated cost of USD 17 billion, divided into three phases through 2050, reveals a financing gap that cannot be met solely through state budgets (Dar Nashr Turk, 2024). Iraq's insistence on avoiding international financial institutions, such as the World Bank or EBRD, restricts access to concessional funding and expertise. Instead, a balanced financing model combining public-private partnerships (PPPs), sovereign wealth funds, and project-specific bonds should be pursued (Alfen, 2007). Integrating Gulf-based investment mechanisms, particularly from the UAE and Qatar, would enhance financial resilience.

Technologically, the integration of smart transport systems, renewable energy infrastructure, and cybersecurity networks should define the EDR's operational framework. The adoption of Building Information Modelling (BIM) and Computer Modelling Design (CMD) technologies already marks a shift toward digital governance, yet implementation remains fragmented (Al-Saadon, 2022).

2.3. Environmental and Social Dimensions.

The project's ecological footprint, including port expansion, road networks, and urban corridors, necessitates environmental impact assessments aligned with UN Sustainable Development Goals (UN, 2015). Public participation mechanisms must be embedded in planning processes to mitigate displacement and social inequality. Sustainable investment

frameworks should allocate a defined share of revenues to **local development funds**, prioritizing education, healthcare, and employment in affected regions (Zindros & Anagnostopoulou, 2024).

2.4. Regional Cooperation.

The success of the EDR hinges on Iraq's ability to forge credible regional partnerships. A **joint economic commission** between Iraq and Turkey could coordinate customs integration, logistics harmonization, and security oversight. Such cooperation would convert the EDR from a competitive to a **complementary corridor** relative to IMEC and the Belt and Road Initiative. Gulf countries, especially the UAE, Qatar, and Saudi, should be engaged as equity partners rather than external financiers (Figure 8).

3. Findings and Policy Implications

3.1. Symbolic Ambition vs. Structural Deficiency.

The EDR embodies Iraq's aspirations for regional leadership but exposes the fragility of its governance and fiscal systems. The gap between political rhetoric and implementation capacity threatens to erode public confidence.

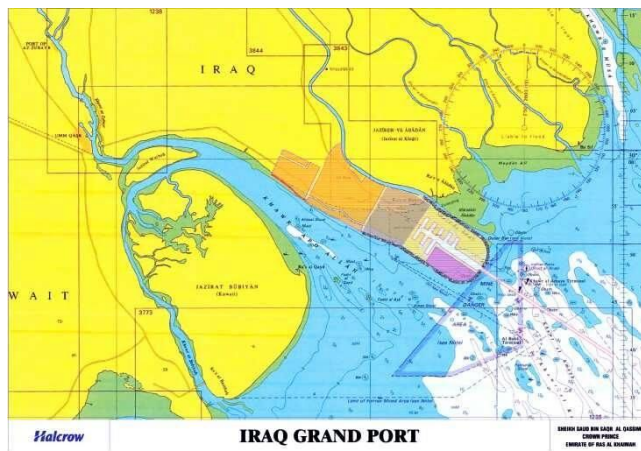


Figure 8: Location of Al-Faw Port on the Arabian Gulf coast.

Source: Ports Magazine, General Directorate of Iraqi Ports, Year 65, Issue 466, 7.

3.2 Geoeconomic Competition.

Iraq's hesitation to integrate with multilateral frameworks isolates it from regional logistics networks dominated by Turkey, the UAE, and India. Without a cooperative trade architecture, the EDR risks redundancy.

3.3 Employment and Socioeconomic Impact.

With unemployment exceeding 22% nationally (and 93% among youth aged 35–40), the EDR offers a unique but underutilized opportunity for job creation. Failure to integrate vocational training and industrial clustering will diminish its domestic benefits.

3.4. Security and Risk Management.

Sustainable operation requires synchronized defense mechanisms, including naval and cyber units. The proposed naval base in Basra and northern command in Ninawa must be embedded within a civilian-led security doctrine to prevent militarization of economic space.

3.5. Policy Integration.

For the EDR to achieve developmental legitimacy, Iraq must embed infrastructure policy within a national economic diversification strategy that links logistics to manufacturing, trade facilitation, and regional diplomacy.

Conclusion

The Economic Development Road Project represents Iraq's most ambitious attempt to redefine its economic and geostrategic position since 2003. This paper critically evaluated the Iraqi government's strategy in implementing the project and its capacity to transform Iraq into a regional logistics hub linking the Gulf to Europe. The study argued that the project faces deep-rooted challenges of governance, finance, and security that undermine its declared objectives. By comparing the Development Road with parallel initiatives such as IMEC and China's Belt and Road, the paper identified structural weaknesses in Iraq's policy framework and suggested strategic pathways toward sustainable integration with Turkey and the wider region.

The EDR stands at a crossroads between transformative potential and bureaucratic paralysis. The project could redefine Iraq's economic geography by 2050, connecting Asia to Europe through a cost-efficient multimodal corridor, yet this vision depends on structural reform. Iraq's government must shift from a project-based to a **policy-based approach**, embedding transparency, sustainability, and inclusivity in every stage of implementation.

Key Recommendations:

1. Establish an *Independent Development Road Authority* with legal and financial autonomy.
2. Formalize *Iraq–Turkey–Gulf cooperation* through multilateral economic agreements.
3. Adopt *hybrid financing* combining PPPs, sovereign funds, and limited multilateral loans.
4. Implement *digital governance tools* (block chain, IT-based logistics) to ensure transparency.
5. Integrate *social responsibility mechanisms* to reinvest revenues in community development.

By transforming governance and fostering cooperation, Iraq can reposition itself as a strategic trade and energy hub linking Asia, the Gulf, and Europe. Otherwise, the EDR risks becoming another incomplete mega-project — a monument to lost potential rather than a pathway to development.

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