

Prospects of Iraq's Maritime Openness and Their Effect on Its Economy

Mohanad Hammad

Abstract—Port institutions serve as a link connecting the land areas that receive the goods and the areas from where ships sail. These areas hold great significance for the conversion of goods into commodities of economic value, capable of meeting the needs of the society. Development of ports constitutes a fundamental component of the comprehensive economic development process. Recognizing this fact, developing countries have always resorted to this infrastructural element to resolve the numerous problems they face, taking into account its contribution to the reformation of their economic conditions. Iraqi ports have played a major role in boosting the commercial movement in Iraq, as they are the starting point of its oil exports and a key constituent in fulfilling the consumer and production needs of the various economic sectors of Iraq. With the Gulf wars and the economic blockade, Iraqi ports have continued to deteriorate and become unable to perform their functions as first-generation ports, prompting Iraq to use the ports of neighboring countries such as Jordan's Aqaba commercial port. Meanwhile, Iraqi ports face strong competition from the ports of neighboring countries, which have achieved progress and advancement as opposed to the declining performance and efficiency of Iraqi ports. The great developments in the economic conditions of Iraq lay a too great burden on the Iraqi maritime transport and ports, which require development in order to be able to meet the challenges arising from the fierce international and regional competition in the markets. Therefore, it is necessary to find appropriate solutions in support of the role that can be played by Iraqi ports in serving Iraq's foreign trade transported by sea and in keeping up with the development of foreign trade. Thus, this research aims at tackling the current situation of the Iraqi ports and their commercial activity and studying the problems and obstacles they face. The research also studies the future prospects of these ports, the potentials of maritime openness to Iraq under the fierce competition of neighboring ports, and the possibility of enhancing Iraqi ports' competitiveness. Among the results produced by this research is the future scenario it proposes for Iraqi ports, mainly represented in the establishment of Al-Faw Port, which will contribute to a greater openness of maritime transport in Iraq, and the rehabilitation and expansion of existing ports. This research seeks to develop solutions to Iraq ports so that they can be repositioned as a vital means of promoting economic development.

Keywords—Transport, port, regional openness, development.

I. INTRODUCTION

IRAQ has a single waterway with a 58 km-long coastline on the Arabian Gulf, through which it connects to the world. This passage is significant to Iraqi domestic and foreign trade, as it receives ships loaded with various kinds of goods from all over the world and exports oil via tankers.

The geographic location of Basra Governorate in south Iraq, overlooking the Arabian Gulf through Shatt Al-Arab, and its

convenience for ship navigation, give an opportunity for the various river and maritime means of transportation to pass through the territorial waters of Basra Governorate, which is the sole passage connecting Iraq with the outer world through its south, accommodating not only local, but also global maritime transportation means through the ships entering its waters.

Al Basra city is considered Iraq's gateway to the world; thus, it supports the economy by facilitating commercial exchange, providing financial resources for the state and actively contributing to providing job opportunities [1].

The Iraqi seaport is located in the area between the Mediterranean Sea and the Red Sea on the one side, and the Arabian Gulf on the other. This has affected the activity and importance of the ports, as they are located in the region that has witnessed conflicts and competition for decades, which has shaped its geographic history. This geographic location provides much flexibility, being near several neighboring countries (Kuwait, Iran and Saudi Arabia), with which Iraq has economic relations and deep-rooted social bonds, considering that it is located near the rich oil production areas in the south.

Research problem: Significant shortage in the potential of the Iraqi ports, which are not commensurate with the volume of the Iraqi trade –mainly after the 2003 economic and political changes, Iraq's shift from closed to open economy and the rise in the volume of trade to exceed the current capacity of the ports, especially in view of the strong expectations for growth.

II. THE CURRENT SITUATION OF IRAQI PORTS

Iraqi ports are located in Al Basra city, which overlooks the Arabian Gulf. Therefore, these ports have significantly and effectively contributed to augmenting the volume of commercial activity –in terms of exports and imports from and to Iraq– as Iraq depends on them in the commercial dealings with the different world countries [2]. Iraq has four main commercial ports, with a capacity of 17 million tons per year. The ports are located on the banks of Shatt Al Arab and the northern coasts of the Arabian Gulf as follows:

A. Al Maqal Port

The port is located on the west side of Shatt Al Arab, to the north of the Arabian Gulf. It was established in 1914 at the beginning of World War I and includes 13 berths. The port has stopped operation since the Iranian-Iraqi war in 1980 and is now operating with a very limited capacity due to the difficulty facing ships accessing the port. It is worth to

Mohanad Hammad is with the Al-Anbar University, Iraq (e-mail: mohanad_france@yahoo.fr).

mention that this port is considered unsuitable for navigation due to lack of economic feasibility.

B. Umm Qasr Port (IQUQR) [3]

Umm Qasr port is located near the Arabian Gulf, 75 km away from Al Basra city [4]. The port was completed in 1965 and consists of two parts [5]. The southern part includes nine berths for goods and the northern one includes 10 berths. The ports' capacity is 10.5 million tons per year. This port has stopped its commercial activity on the onset of the Iraqi-Iranian world and during the economic siege, but has since resumed commercial activity.

C. Khor Al Zubair Port

This port is considered a commercial and industrial port and contains 12 berths, with a capacity of 40.25 million tons per year. It is located 60 km away from Al Basra city center [6]. This port stopped operating during the war with Iran, but witnessed significant commercial movement in 2003, as the movement of goods started witnessing continuous growth.

D. Abu Flous Port

This port, which was established in 1974 and located in Shatt Al Arab bank, is considered the smallest among the Iraqi ports, as it includes three berths for general cargos, and is dedicated for diversified cargos [7].

As discussed, Iraq has four commercial ports, but Umm Qasr port plays an important role in receiving large cargo ships because, unlike the other ports, it has certain features that make it more favorable, such as having berths appropriate for receiving ships and nearness to maritime routes.

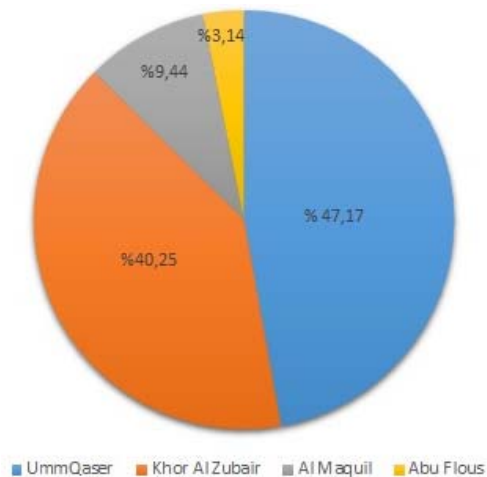


Fig. 1 Volume of exchange in Iraqi ports [8]

The first and second Gulf Wars, during the period 1980 and 1991, followed by the economic siege which lasted from 1991 to 2003, have negatively impacted and harmed the Iraqi ports; thus, their operations stopped. Moreover, plenty of commercial and military vessels sank in the water passages and the dredging works stopped, which led to the deterioration of depths and reduction of draft levels, due to increased

sediments, which have negatively affected the port's commercial efficiency.



Fig. 2 Umm Qasr Port Source: Author

III. PORTS DEVELOPMENT OPPORTUNITIES

After the lifting of the economic siege imposed on Iraq since the 90s, and in view of Iraq's trade openness, especially after 2003, it has become necessary to develop Iraqi ports to keep pace with the current and future volume of commercial exchange, and to increase their productivity to fulfill the trade needs in terms of import and export; especially considering that the current capacity of the ports and the Iraqi maritime fleet is of relatively low value. Noteworthy is that the cargos in these ports are increasing year after year, as shown in Fig. 3, which shows the ascending movement in these ports leading to dependence on a foreign fleet.

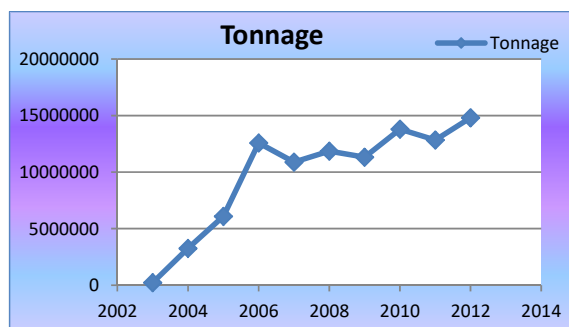


Fig. 3 Tonnage of Iraq's ports between 2000-2015

Thus, it is necessary to develop Iraqi ports and provide their basic needs for maritime shipping to be equal to key ports in the Arab States, like the ports of the United Arab Emirates; and to become a passage for transit operations and to be rid of the mediation of other ports. As a result, Iraqi ports will be able to eliminate the additional costs imposed on agreements with maritime shipping lines to transport goods to ports.

A high-quality transport system is a fundamental condition for empowering the economy of any state or region, in order to grow without restraints or obstacles [9].

There are some proposed options for developing the current

conditions of the Iraqi ports, of which, are the following two options: the first is to improve the conditions of the ports and raise their efficiency. This option includes Abu Flous and Al Maqal ports, and aims at dedicating them to serving local trade via small ships, while dedicating Umm Qasr port to foreign trade and increasing its capacity to 11 million tons per year through expanding it and building new berths. This option also includes increasing the depth of the port, which entails increasing the port's depth to 17 m, as container ships with 14 m drafts are expected to harbor in it. The development of the ports and increasing their capacities –particularly to harbor container ships– also requires connecting the ports to the highway via roads [10]. It is important to mention that the expected volume of cargo handling in 2020 is 25 million tons, and 26 million tons in 2030; and the port is expected to receive 15 thousand tons of containers [11].

The second option is to establish the Grand Port of Al Faw, which is considered one of the gigantic strategic projects in Iraq. This project extends along 22 km in the Faw region and overlooks depths that reach 28 m, which provides suitable drafts for large vessels and huge oil tankers. This port will include 50 berths, and its length will be 10-40 km [12]. The project will include annexes for loading and unloading ships, administrative buildings and accommodation complexes. This port will also be connected with railways and expressways.

This gigantic project will overlook the Arabian Gulf, moving Iraqi ports away from shallow navigation passages and low draft conditions to open up to international ports, thus bringing in high economic revenues to Iraq.

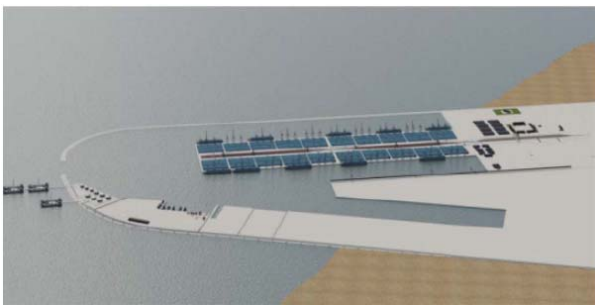


Fig. 4 The project of the Iraqi port of Al Faw [11]

The consideration of establishing Al Faw port will be a helping hand to the existing ports, if a timeline is set (2020, 2030, 2040), The navigation expectations were based according to the C.I.I.T. (Italian Consortium for Iraqi Transport Infrastructure) study of multimodal transport in south Iraq [13]; and if navigation is classified into three types: containers, dry cargos, and grain cargos. According to the table of expected cargos in 2020, the volume is estimated be 24 million tons, which the existing Iraqi ports cannot handle, as per the 2013 statistics that showed that Iraqi ports cannot handle more than 20 million tons of shipments. Due to the expected increase in the volume of cargos, establishing a new port to overcome the shortage in existing ports was considered as a potential solution.

Al Faw port is intended to fulfill all future needs, create

investment opportunities to utilize the uninvested Iraqi natural resources and increase the capabilities of crude oil export, considering that oil production will increase from 4.5 million barrels per day to 5.5 million barrels by 2055 [14]. The establishment of this port will also contribute to the development of the surrounding areas and the industries operating there.

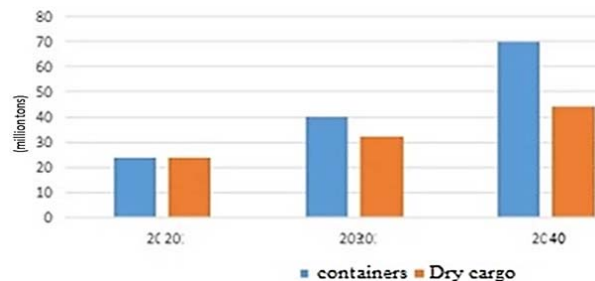


Fig. 5 Marine Traffic Forecast between 2020-2040

IV. THE PORTS' COMPETITIVENESS AND COMPARISON WITH NEIGHBORING COUNTRIES

Competitiveness among ports will encourage innovation and specialization, and stimulates thinking and creativity to aim for the best [15]. It is worth to mention that the Middle East region, particularly the Gulf States, are competing in establishing gigantic ports.

The employment of modern technology in ports and the strategic developments carried out by shipping companies and ports' management has led to strong competition between the ports in the Middle East –especially the Gulf States, which invest great amounts of money in the maritime sector– in the development of ports and containers in particular, as each and every Gulf State endeavors to have latest port in the region. The ports of the United Arab Emirates succeeded to be the most prominent among the Gulf ports, as its ports rank among the top 10 in world trade, and handle distribution and re-export. The map in Fig. 6 illustrates the ports' traffic.

Meanwhile, Iraqi ports are placed among the worst ports in the world, according to the Ports Quality and Competitiveness Indicator, in terms of competitiveness and keeping pace with the current economic variables, because of the problems facing these ports and their inability to compete with the huge ports, in terms of growth and market share.

A port's competitive position (or its competitiveness) may be evaluated in terms of the growth, market share, and diversification of its traffic volume. An analytical tool that has been used to evaluate the competitiveness of a port [16].

On comparing Iraqi and UAE ports, we notice that the Iraqi ports are affected by the peer UAE ports, as the latter's are the most developed in the region and witness an ongoing increase in maritime movement and traffic. In addition, UAE ports are optimally managed, as the state significantly invests in the maritime sector, especially in the development of ports and shipping containers.

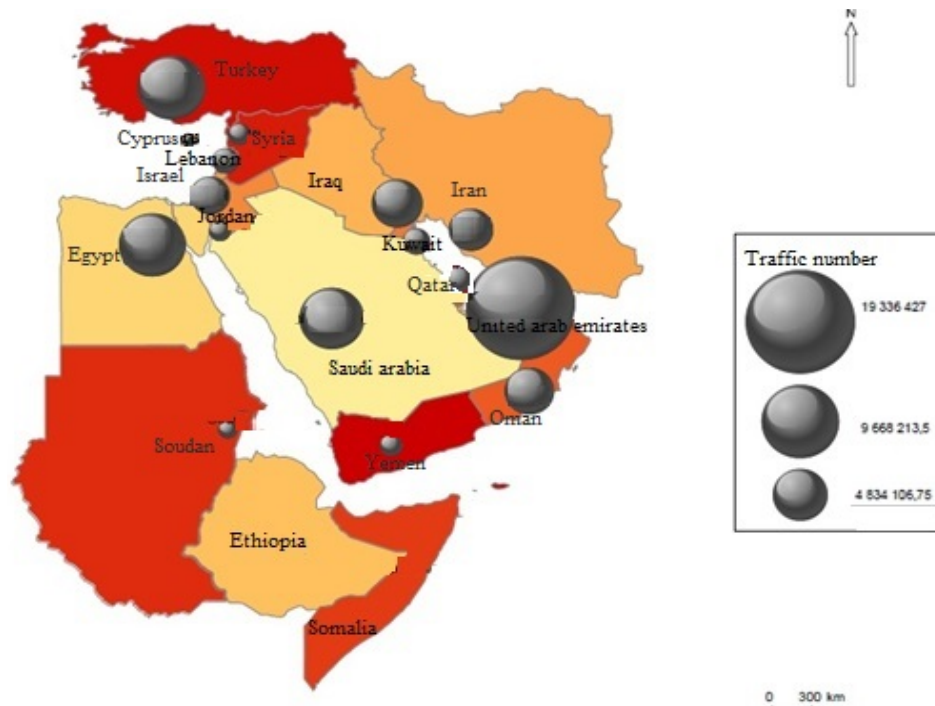


Fig. 6 Container traffic at Middle East ports 2013

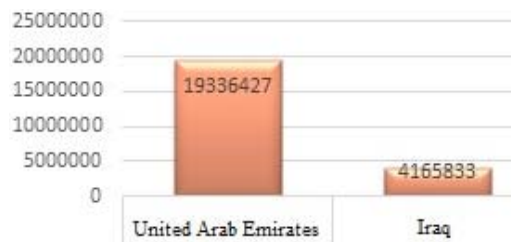


Fig. 7 Traffic in Iraqi ports and Emirati ports in 2013

According to these indicators, Iraqi ports are suffering from a huge gap compared to UAE ports, due to the vast difference between them. This difference owes to the impact of the various wars Iraq has been through and the economic siege that has been imposed for more than 12 years.

This competition induced the General Company for Ports of Iraq (GCPI) –being the main entity responsible for developing this sector in the country– to accelerate the pace of development and to work on proposing new ports, that would contribute to attracting more international maritime lines and increasing revenues. However, there is considerable work to be done, with the objective of increasing the ports' regional and international competitiveness; achieving ongoing growth in handling cargos; connecting these ports with transport and service networks and ensuring that the infrastructure is capable of keeping pace with the significant developments in this critical sector, to enable these ports to meet the sector's needs. Hence, Iraqi ports have an opportunity to own regional competitive advantages and are qualified to become among the main ports in the region because of their potential.

The establishment of a new port –mainly Al Faw port,

which is being planned– is considered a key driving force for development and competition that will help in attracting more investments and will contribute to creating new opportunities.

V.CONCLUSION

This study analyses the current conditions of Iraqi ports in the south, and focuses on the importance of these ports' regional openness to having the ability to compete with the ports of the neighboring countries and to be a significant front for Iraq.

Despite the fact that these ports are characterized by several distinguishing positive potentials, these ports are facing numerous problems. Once solved, Iraqi ports will have the capability to keep pace with the international development of the maritime transport requirements.

Some of the problems revealed by this study:

- 1- At the present time, the status of the Iraqi ports does not match the potential of the neighboring countries' ports at any level. With such a condition, Iraqi ports cannot serve the future Iraqi trade as required, since they will suffer from the accumulation of cargos and vessels on the berths and the impossibility of harboring large vessels because of the shallow water passages, which are 9 m deep. Optimistically, the flow of Iraqi export needs –for reconstruction and meeting the domestic demand– will increase the volume of equipment and machinery that will be transported by sea via the ports on board of large vessels. Such a situation will require deeper passages, as well as modern and efficient berths and handling tools, along with a competent administrative system; since the ports will not be able to fulfill such needs with their

- current potential and qualifications.
- 2- The limited capacity of the berths, lack of sufficient equipment, obsolescence and low capacity of the existing equipment, which dates back to 1968, in addition to the low quality of the services presented to the vessels in terms of activities, services and supply, and the absence of specialized stations for containers compared to the ports of the neighboring countries.
 - 3- The capacity of the existing ports is limited and cannot fulfill the future needs of Iraqi exports and imports or transit trade through the Iraqi territories; consequently, these ports cannot compete with those of the neighboring or adjacent countries. Several state entities and tradesmen in the sector have started using the ports of neighboring countries to import their goods from European countries and the United States, which has negatively impacted the volume of the cargo the Iraqi ports used to receive for multiple reasons, of which, are the difference in the types and prices of services, the cost of land transport and the security situation, and other reasons that should be studied and addressed.

REFERENCES

- [1] Ghaleb, Saadi Ali, 1985, Geography of Maritime Transport, University of El Mawsil, Iraq, p. 62.
- [2] Hsine, Ban Ali, 2008, Ports in the Gulf Cooperation Council and Iraq Countries and their Role in Activating Maritime Transport, Faculty of Administration and Economy, Baghdad, Iraq, p. 117.
- [3] http://www.worldportsource.com/ports/IRQ_Port_of_Umm_Qasr_2251.php.
- [4] Nakchidi, Azed, 1988, The Petroleum Industry in Basra Province, Geographical Encyclopedia, University of Basra, Iraq, p. 340.
- [5] El moudres, Siry, 1988, Geography of Commerce in Iraq between 1950-156, Ain Shems University, Egypt, p. 297.
- [6] Abdelkader, Kamel and Abdelhalim, wali, 1976, Iraq Ports, Ministry of Petroleum, Ports and Transport Department, Iraq, p. 24.
- [7] <http://www.maritime-database.com/port.php?pid=2855>.
- [8] General Company of Iraqi Ports, 2011, Annual Report, Basra.
- [9] Blum, U. 1985, The Development and Effects of Transportation in West Germany: 1960-80. In: ECMT (1986), pp.37-66.
- [10] Daniel, Labaronne, 2014, Port city in the Maghreb, Actors of sustainable development, Paris.
- [11] Asaad Abderrahim, 2011, the stages of realization of the big project of Al Fao, University of Basra, p. 59.
- [12] Mohammed, Salah, 2011, The importance of the large port of Al Fao, Arab Gulf Studies Center, Basra, pp.57-59.
- [13] Asaad Abderrahim, 2011, The Implementation Steps of the Port of Fao Project, University of Basra, Iraq, pp.72-74.
- [14] Al Michhadani, Ali, 2011, The Great Port of El Fao, Center for Arab Gulf Studies, University of Basra, p.11.
- [15] Langen P. W. and Pallis A. A. (2006), Analysis of the benefits of intra-port competition. International Journal of Transport Economics, p. 33.
- [16] Wayne K. Talley, 2009, Port Economics, London, p. 143.