

تواريخ البحث	Dynamic Trends of Trade Policy under the (WTO) Prospective Study: A Case of Iraq
تاريخ تقديم البحث: 2024/8/1	Asst. Prof. Dr. Ihab Abbas Mohammed Al-Faisal
تاريخ قبول البحث: 2024/10/8	
تاريخ رفع البحث على الموقع: 2024/12/15	
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Abstract:

The manuscript aims to study the reality of trade policy in Iraq and its future consistency with the requirements of the World Trade Organization (WTO) in the event of accession to it. Despite the fact that Iraq has taken a number of measures related to the foreign trade sector after 2003, joining the world organization requires a number of commitments related to its trade policy, thus determining the conformity of that policy and its procedures with the policies of the organization. As well as ensuring the achievement of an effective trade policy requires the adoption of economic policies, especially policies of economic diversification and support for the private sector to optimize the benefits of joining (WTO).

Keywords: Trade Policy, World Trade Organization (WTO), Tariffs, Consistency of Domestic Trade Policies with (WTO) Principles and Rules.

1. Introduction

International economic variables have contributed to the emergence of international trade liberalization policies and the application of these policies in the establishment of a new international economic order through its various international institutions, perhaps the most prominent of which is (WTO), which is the only reference governing the rules and procedures of international trade liberalization and the establishment of the necessary arrangements to expand the international trade exchange of goods and services and monitor the trade policies of member countries and ensure their consistency with their principles and agreements. Iraq's quest to join it and benefit from trade liberalization requires the need to work hard to meet the expected challenges, as it is expected to result, as is the case of developing countries that initially joined it, in positive and negative effects on its economy in general and its trade policy in particular, especially since joining the World Organization will result in the transfer of part of the national decision-making powers in several areas, including measures taken at the level of the foreign trade sector to (WTO), which means increasing the expected burdens, especially since multilateral agreements will be binding on Iraq, which means restricting its freedom in the future, within the current economic reality and its great reliance on only one resource, crude oil, to support the economy. The negative effects will be significant unless measures are taken to build a productive base that contributes to achieving the feasibility of accession.

1. 1. Importance: The importance of the manuscript in that it deals with one of the main economic topics at the level of international economic variables, represented by the World Trade Organization and thus the reflection of its agreements on the trade policy of its member countries. Iraq is one of the countries seeking to join it, and now it is in the capacity of observer in it, in light of the distortion of its trade policy, which requires the redesign and implementation of those policies in line with the agreements of the World Organization.

1. 2. Problem: Accession to the (WTO) requires the design and implementation of a sound and effective trade policy that ensures the achievement of the desired objectives, especially in light of the distortion of the foreign trade sector in general and trade policy in particular, which reduces the chances of benefiting from accession to the World Organization. Therefore, the question is: What are the implications of trade policy in Iraq in the event of accession to (WTO)? What are the possibilities for adaptation?

1. 3. Hypothesis: The hypothesis of the manuscript that "Iraq lacks an effective trade policy, which means weak opportunities to benefit from joining the World Trade Organization, and thus weak impact of that policy on the foreign trade sector."

1. 4. Objective: The objective of the manuscript is to:

- A. Highlighting trade policy and its main contents within the framework of (WTO).
- B. A statement of the reality of the foreign trade sector in Iraq, and the extent to which its policy is consistent with the requirements of (WTO).
- C. The development of a number of treatments as enablers for adaptation to the conventions of the World Organization.

2. Trade Policy: A Conceptual and Theoretical Review

Interest in the subject of international trade has increased for decades and the theories explaining it have been developed, as the economists of the Classical School stressed that international trade is beneficial to all parties of international exchange, and its importance increases in light of the availability of economic freedom factors and the opening of markets and competition, as Adam Smith stressed the specialization and division of labor in that the productivity of work is largely determined by the division of labor, where the division of labor leads to the worker's specialization in a specific part or parts of it, as he acquires over time the skill and experience, and this time is reduced to contribute to the development of productive art through inventions and innovations and then the increase in the volume of production (**Abdul Redha, 2015: 114**). Between the ranks of the scope and size of the market, as it depends mainly on the breadth and size of free trade, and the surplus of production requires large markets to dispose of it, so Smith called for freedom of trade as it makes no sense to divide labor unless there is freedom of trade. This is contrary to the opinion of its predecessors, specifically traders, whose ideas were the need for the state to follow a policy of trade protection, by placing restrictions on imports or preventing the import of some goods, as well as granting export industries tax benefits and subsidies.

Commercial activity is an important part of economic activity, as trade policy is an economic policy that can be applied in the field of foreign trade, when economic policy is a number of measures taken by the sovereign authority in the economic field to achieve certain goals, therefore, trade policy is considered to be:

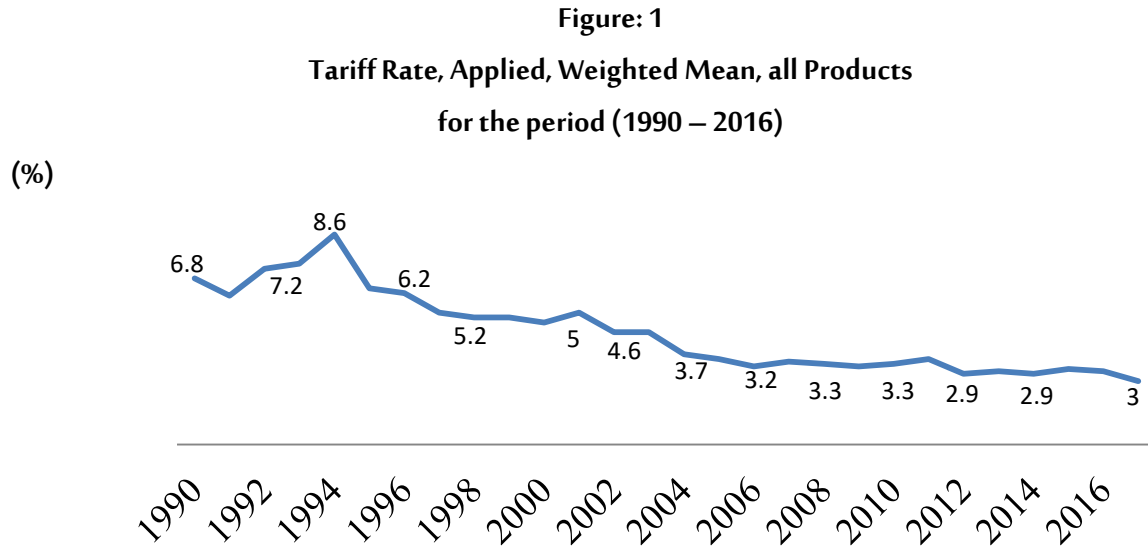
- A number of procedures applied by the State within the scope of its trade relations with other States to achieve certain objectives.
- International policy reflects the choice made by the public authorities of a coherent set of means capable of influencing the foreign trade of the state, with the aim of reaching specific goals, perhaps the most prominent of which is the development of the local economy.
- A number of procedures related to the control of imports and exports, such as customs duties, quotas and subsidies, and all procedures intended to control the decisions of economic dealers, whether individuals or bodies, regarding the import and export of goods and services (**Mahmoud, 2019: 88**).
- A number of measures applied by the state in the field of its trade with abroad, with the aim of achieving financial resources for its treasury, balancing the balance of payments, and protecting domestic production from foreign competition (**Ayeb, 2010: 77**).

2. 1. Key Trade Policy Requirements

Trade policy seeks to achieve goals and achieve goals that vary from one country to another. Therefore, it uses a set of tools and means that ensure the achievement of the state to what it wants. Therefore, trade policy works to achieve many economic, social, strategic and political goals, including the protection of local production from foreign competition, that is, external influences that negatively affect local production. Therefore, protection becomes necessary in this field when the real expenditure of production at home is greater than abroad, as local production must be maintained, and the resources of the public treasury must be achieved, which is one of the most important objectives of trade policy, as resources are obtained for the public treasury for the purpose of financing public spending in its various forms, as the financial resources of the treasury are obtained through customs tariffs obtained through the passage of goods across borders, most of which these resources are collected or paid for by foreigners (**Zainab, 2023: 17**). In a manner that does not prejudice economic development and social justice, the appropriate type of goods and services must be selected in international trade for which the price elasticity of demand is weak. In addition to the goal of achieving a balance of payments, especially through the trade balance, which is one of the important goals that most countries seek to achieve by increasing the volume of exports and reducing the volume of imports, when increasing the value of imports on exports represents a deficit in the balance of payments, and increasing exports on imports represents a surplus, in both of them an imbalance and instability in the economy that affects local prices.

Achieving balance by imposing customs duties on imports of goods to reduce their volume and increase exports, which improves the status of the trade balance and thus the balance of payments. There are a number of the aforementioned objectives that can be achieved through the use of trade policy tools through following regulations:

- A. **Prohibition or Embargo System:** According to this system, the country concerned prohibits trade with abroad, as the embargo may be either on imports or on exports or both. The embargo may be in whole or in part. Some believe that the embargo system is a system designed to cancel international trade and thus pose a great danger to international trade, noting that the embargo system may be for purely economic natural reasons or for reasons beyond the control of countries, as happened during the period of the Covid-19 pandemic (**Shehab, 2007: 127**).
- B. **System of Customs Duties:** According to this system, the concerned state imposes a tax on imports or exports, with its right of sovereignty over imported and exported goods, as it is imposed according to the legal and constitutional rules of the state. The imposition of customs duties is not limited to imported and exported goods, but is also imposed on goods in transit or what is known as transit according to special tax prices (**Al-Atabi, 2018: 91**). Customs duties are contained in a list called the customs tariff, that is, a list that includes a statement of the various goods and the fees assessed on them. The tariff includes all fees, whether on imports or exports. Therefore, the tariff rate applied to all products in the weighted media has witnessed a decline at the international level since 1990, as shown in Figure (1).



Source: <https://data.albankaldawli.org>

- C. **Import Quota System:** It is also known as the import licensing system. According to this system, the state sets a maximum limit for imports of quotas in determining the volume or value of imports. These quotas may be in-kind quotas, which determine the quantity imported during a certain period of time, or they may be value quotas, as they determine the maximum value of imports during a certain period of time, which is one of the direct restrictions that are characterized by ease of application. The difference between it and the customs duty system is that it eliminates the role of supply and demand, while the customs duty system does not eliminate the role of market forces of supply and demand for goods.
- D. **Export Promotion System:** According to this system, the state provides aid and assistance to local producers, which contributes to the possibility of discharging their goods to international markets, especially in light of the intense competition facing local production (Zubun, 2015: 39). Thus, encouraging exports, as this is done either by providing cash or in-kind benefits to exporters so that they can export certain goods, and then enable them to sell abroad. This type of support is known as subsidies that achieve a kind of protection for local products without customs duties, or the state may, in order to encourage exports, follow the method of dumping in foreign markets where the commodity is sold at two prices within the local market and in international markets, with the aim of profit, thus eliminating potential competition and seizing markets (Shihab, 2007: 150).

2. 2. Impacts on Local Economies

To clarify the impact of trade policy on the local economy, there are two main concepts of trade policy that can be expressed as actions taken by the concerned countries according to the philosophy of each economy. The first concept is known as the trade protection policy, which is the policy in which the state intervenes in a number of commercial economic relations used by both individuals and companies residing within its territory with companies and persons residing abroad for the purpose of influencing the size of transactions. This policy is one of the traditional policies used by countries during the period of the rule of Mercantilism, where the policy of restriction, many affirmations were made on the use of protection policies and their adoption through the imposition of barriers and restrictions on imports, including the leakage of wealth, especially precious metals abroad, as well as tyranny between the first and second world wars, as restrictions on international exchanges increased (**Abd, 2023: 29**).

Although this type of policy is facing a decline and limited in the current era, at the beginning of the new millennium, trade policy looms two clouds. The first is the increasing use of protectionist measures for economic activities in many countries. The second is the increasing spread of measures to impose restrictions on the export of agricultural products and natural resources (**Hockman, 2012: 19**).

The second concept is known as the trade freedom policy, which expresses a number of procedures, rules and measures that eliminate or reduce restrictions, whether direct or indirect, tariff or non-tariff, quantitative or non-quantitative, in order to activate the flow of international trade to achieve certain objectives. Freedom is the refusal of the state to interfere in economic activity in any case of government intervention, leaving things under the supervision of market forces under competition to determine the prices of goods, and to ensure the abundance of these goods, society must deepen freedom to prevent the person from monopolizing them and leave individuals in a way that satisfies their needs from buying goods and services.

The previous concepts today cross the border between developed and developing countries in the framework of foreign trade, if protectionism today represents one of the directives of trade policy applied by various countries of the developing and developed world, the effects on local economies are as follows:

- A. According to the trade protection policy or the restriction policy, government intervention works to protect the emerging local industry, especially in light of its inability to compete with the presence of strong industries. This policy enjoys a lot of positives that work to control the market and find new or emerging industries within the country. Therefore, the state insists on imposing customs restrictions

on imported goods with the aim of protecting local goods in it so as not to compete in front of large competition. These restrictions would contribute to creating many opportunities for workers in the local market, and then address unemployment by forcing local producers to employ local labor, especially in the presence of laws that oblige producers to work in this direction, with the state providing supportive initiatives such as tax exemptions (Zubun, 2015: 14). On the other hand, the funds obtained from the imposition of customs restrictions are important sources in financing the budgets of developing countries that are directed to infrastructure or to finance part of their expenditures.

This type of policy, in addition to the policy of supporting local emerging industries, is the health and safety standards imposed by countries as a condition for the entry of imports of some goods, quality standards, specifications and standards that are used as a hidden protection against imports, the application of bureaucratic procedures to disrupt the release of certain goods, and the confrontation of the artificial dumping policy by some countries, in addition to the application of monetary policies that lead to deliberate devaluation of the currency exchange rate with the aim of affecting the competitiveness of their products in international markets or limiting their imports (Fathallah, 2023: 1). Measures adopted by States may be tariff measures that may have an economic impact on international trade in goods, or non-tariff measures, as shown in Table (1).

Table: 1

International Classification of Non-Tariff Measures

Imports		Exports
Technical Measures	Non-Technical Measures	Export-related Measures
Sanitary and phytosanitary measures, technical barriers to trade, pre-shipment inspection and other formalities.	Emergency Trade Protection Measures, Non-automatic Licensing Measures, Price Control Measures, Financial Measures, Measures Affecting Competition, Trade-Related Investment Measures, Distribution Restrictions, After-Sales Restrictions, Subsidies, Government Procurement Restrictions, Intellectual Property, and Rules of Origin.	Export license, export quota, export ban, and other quantitative restrictions.

Source: UNCTAD. (2015). International Classification of Non-Tariff Measures, New York-Geneva, United Nations Conference on Trade and Development, 2012 Edition.

B. According to the trade freedom policy, trade freedom allows specialization in production, as each country specializes in the production of the commodity in which it has a comparative advantage, as it expands the production of that commodity beyond its local needs, and the surplus of production is directed to export, as its impact is shown by its ability to stimulate technical progress through the entrance of competition, which leads to innovation and the development of productive art and contributes to the acquisition of new markets, in addition to the role of this type of policy in limiting the establishment of monopoly, as the producer cannot monopolize the market and thus impose the price he wants, with trade freedom, the investor can import goods at low prices to prevent the exploitation of the local product (**Mahmoud, 2019: 24**). Thus, trade policy can lead to an increase in the national income of the parties to the international trade exchange in order to achieve prosperity for the entire international economy.

3. World Trade Organization: A Conceptual and Historical Review

The emergence of the World Trade Organization (WTO) is an important event in the history of international economic relations as the third pillar of the new international economic order, along with the IMF and the World Bank. It is also considered the main tool and mechanism of economic globalization. The Uruguay Round (1986-1994) is the last round of negotiations between the member countries on consultation and agreement on issues related to international trade under the supervision of the GATT, as it is the most comprehensive round in the fields of international trade and the most far-reaching impact on international trade policies, especially the Uruguay Round has approved the establishment of the World Trade Organization, which has been surrounded by a number of economic conditions since the 1970s, the most important of which are (**Naim, 2007: 222**):

- A. The growing conflict between developed countries over foreign markets and over the protection of their domestic markets.
- B. The inability of the internal economic policies of developed countries to emerge from the economic recession that characterized their economies, which made the goal of opening foreign markets a way out of their economic crisis.
- C. The collapse of the Bretton Woods system of fixed exchange rates with the introduction of the global price system, which was accompanied by a significant rise in international oil prices, fluctuations in the prices of major international currencies and the emergence of the problem of external indebtedness.

- D. The new methods that are emerging in most countries are methods of restricting international trade, especially what is known as the method of non-tariff barriers.
- E. The problem of stagflation is the simultaneous rise in inflation and unemployment rates, resulting in a decline in global gross domestic product (GDP) growth rates.

3. 1. The Emergence of the Organization, its Development and its Main Principles

It began in 1947, the date of the establishment of the GATT, which aimed to liberalize international trade by removing trade, customs and non-tariff barriers on goods and opening markets to allow greater international competition. After the end of the Uruguay Round in 1994, the World Trade Organization emerged, as with the emergence of this organization, the liberalization of international trade reached a high level, so that the tariff rate on industrial goods in developed countries fell to less than (4%) (Attar, 2021: 173). Accordingly, the establishment of the (WTO) is a starting point in international trade relations, as it supervises everything related to the components of international trade exchange (Al-Harazi, 2007: 213). The WTO has contractual powers to set rules, take measures and issue judgments on all matters related to international trade in goods and services. The agreement then defined a number of tasks and functions assigned to it, the most important of which was managing the task of the International Trade Policy Review Mechanism (Rajab, 2009: 64). The organization cooperates with the IMF and the World Bank in order to coordinate the policies of the Department of International Economic Affairs in various financial, monetary and trade fields within what is known as intersectional conditionality.

The World Trade Organization has a sound legal basis, which made it completely different from the GATT agreement, as it was established by an international treaty ratified by the governments of countries, as well as the legislative councils in member countries, which made the agreements emanating from it binding on all, as each country that joins the (WTO) is obliged to apply the terms of all agreements, especially as it is a multilateral contract consisting of principles and lists to regulate international trade, especially services. With the dynamism of international trade, it has become necessary to find an integrated and recognized set of laws at the international level to control and regulate international trade in goods and services. That (WTO) is the only organization competent with international laws on trade, in order to ensure the flow of trade as smoothly, easily and freely as possible, and thus to ensure the continuous supply of goods and services to both the consumer and the producer, while ensuring a wider choice of key products, especially in light of its pursuit of developing countries in particular on topics

related to trade policies through technological assistance and training programs, as well as reviewing the trade policies of the countries in which it is involved, this has strengthened the organization's foundation on basic principles: the principle of MFN or Most Favored Nation, the principle of National Treatment, the principle of The Market Access, and the principle of Transparency (Refaat, 2015: 22).

3. 2. Consistency between the Trade Policy of the Member States and the Principles and Laws of the World Organization

The debate continues among economists on how to deal with the rules and texts of the World Trade Organization in terms of the need not to use the trade policy tools that countries were able to use at the time to make the late industrialization process successful, especially developing countries, despite the view that the laws of the organization make more noise than they hurt developing countries is not completely accurate, especially when taking into account the prohibition or limitation regulation concluded by the Uruguay Conference, which showed a significant tightening compared to what prevailed before the conference, especially the issue of support provided by governments within the framework of their economic policies (Dagher, 2013: 39). The ultimate goal of establishing the organization is to improve the well-being of individuals in its member countries by reducing trade barriers and providing a forum for trade negotiations in order to ensure the flow of trade between countries and regions easily and freely, so one of its most important tasks was to present local trade policies and emphasize their transparency and conformity with the requirements of (WTO) (Abu Ghazaleh & et al., 2013: 195). The World Trade Organization conducts periodic reviews of trade policy. Appendix 3 contains details of the Trade Policy Review Mechanism. This mechanism has three objectives (Narlikar, 2008: 147):

Ensure transparency in the trade policies pursued by (WTO) Members through regular monitoring.

Trying to raise the level of popular debate within government circles about existing business issues.

Provide reasons for a multilateral assessment of the effects of policies on the global trading system.

The aforementioned Appendix has dealt with international relations arising due to the exercise of its functional competencies specified therein, through what is known as the Trade Policy Review Body, by verifying the conformity of the internal legislation and practices of members with the package of agreements of the Organization, which leads to deepening the compliance of member states, regions and federations with the agreements of the Organization, in accordance with the legal system included in

Appendix 3, taking into account the internal circumstances of members and taking them into account when reviewing their policies. Here we can refer to (Qusayr, 2017: 444):

The basic principle of the aforementioned agency in promoting work through the principle of public transparency in government decision-making related to trade policies, as it agrees to encourage and enhance transparency in its systems, and recognizes that the implementation of local transparency must be on a voluntary basis, taking into account the legal and political systems of (WTO) member countries.

Encouraging the Member's Trade Policy Review Body to comply with all (WTO) Agreements, evaluate its work and identify the problems faced by that Member in exercising its commercial and economic role when complying with the (WTO) Multilateral Agreements Package.

Carrying out trade policy review procedures to examine the conformity of the member state's policies with the policies of the international organization, and determining the degree of deviation and its cause, if any. Taking into account the problems and obstacles specific to each country that is a member of the (WTO).

To achieve the goal of liberalizing foreign trade, (WTO) member states must abide by all targeted rules to reduce and eliminate trade restrictions of any kind, tariff or non-tariff, as expressed in the preamble of the (WTO) Agreement when it stipulated that members must enter into reciprocity agreements that include mutual advantages, to achieve a significant reduction of tariffs and other barriers and to eliminate discriminatory treatment in international trade relations. The keenness of (WTO) on the successive reduction of customs duties because of its positive impact on the liberalization of international trade, this principle determines the need for member states to liberalize international trade from restrictions or at least reduce them within the framework of multilateral negotiations based on reciprocity, as each reduction in customs barriers, or other in a country is offset by an equivalent reduction in value on the other side until the benefits obtained by each country are equal, because what those negotiations reach becomes binding on all countries, after which no new amendment may be made except in new negotiations (Jamal, 2015: 375). The World Organization confirmed (Ramadan, 2015: 62):

The use of tariffs by Member States shall be solely for the protection of domestic industry and such protection shall be kept to a minimum.

Member States shall fix their customs tariffs, whether reduced or not, not to increase their ratios that came in the schedules of their future commitments.

Customs tariffs within (WTO) are known as Bound Tariffs, which represent commitments made by the governments of the countries participating in the World Organization, as they express the maximum tariff level of Most Favored Nation for a particular commodity. When a country regulates then agreements are made with members on bound tariff rates rather than actually applied rates. Restricted tariffs do not necessarily constitute the rate that a member of the world organization applies in practice to the products of other members of the organization. Members also have the flexibility to increase or reduce their tariffs on a non-discriminatory basis as long as they do not raise them above their restricted or bound levels. If a member raises the applied tariff above its restricted level, other members can sue it for dispute settlement, which means that the applied tariff is less than or equal to the restricted tariff in practice for any particular product, the gap between the rates of the restricted or bound and applied MFN is called binding overhang. This gap tends to be small on average in developed countries and is often fairly large in developing countries. Table (2) shows the simple annual average MFN tariff rate and the bound tariff for a sample of developed and developing countries for 2006 and 2022.

Table: 2

Simple Annual Average MFN Tariff Rate and Restricted Tariff for a Sample of Developed and Developing (WTO) Members for 2006 and 2022

Countries		All Products			
		MFN applied		Bonded Tariff	
		2006	2022	2006	2022
Developed	United States	3.5	3.3	3.5	3.4
	Japan	5.6	3.9	6.1	4.3
	Canada	5.5	3.8	6.8	6.5
Developing	Brazil	12.3	11.1	31.4	31.4
	Kenya	12.7	14.3	95.7	93.8
	Bangladesh	15.2	14.1	163.6	156.3

Source: World Tariff Profiles, World Trade Organization (WTO), Geneva, 2023, P8.

This means that the basic specific obligation is that the member state binds the customs tariff at certain borders, so that it is not amended by increase except after consultation and agreement with the rest of the member states of the organization in accordance with the procedures included in the articles on amending the obligations specified in the provisions of the agreement, which require notifying the parties to determine the damages that may result from the amendment required to increase the customs tariff.

4. Trade Policy and Management of Iraq's Foreign Trade Sector

Attracting the World Trade Organization and many countries are still different in their degree of economic growth and development. Perhaps Iraq is one of the countries seeking to join it, especially since the accession of these countries is going in one direction because of the inability of the state to remain isolated from international economic developments, as well as being a fait accompli and inevitable fate. In general, Article (12) of the founding charter of (WTO) stipulates that a country or customs area that enjoys complete independence in the conduct of its foreign trade relations can join, with the approval of conditions between it and the world organization. Iraq submitted an application for accession as an observer in February 2004. In the same year, the General Council of the Organization unanimously approved the application. After Iraq obtained observer status, the National Committee on Iraq's accession to the World Trade Organization was formed under the chairmanship of the Minister of Trade and with the membership of representatives of Iraqi ministries and entities related to Iraq's accession, in addition to representatives from the private sector by preparing the necessary requirements for accession through the provision of what is known as the Memorandum of Foreign Trade Regime of Iraq. Which means that if Iraq joins, its trade policy must be consistent with the agreements of the relevant organization, taking into account that there is a big difference between the trade policies followed in Iraq within the framework of its new economic policy after 2003 and the shift towards market mechanisms, and the trade policies within the framework of the World Organization. The first is as non-binding measures, while the second measures are subject to the rules and principles of the World Organization, for the purpose of knowing all the expected effects on trade policy in Iraq in the event of accession, the following aspects must not be addressed:

4. 1. Structural Imbalances in Iraq's Foreign Trade Sector

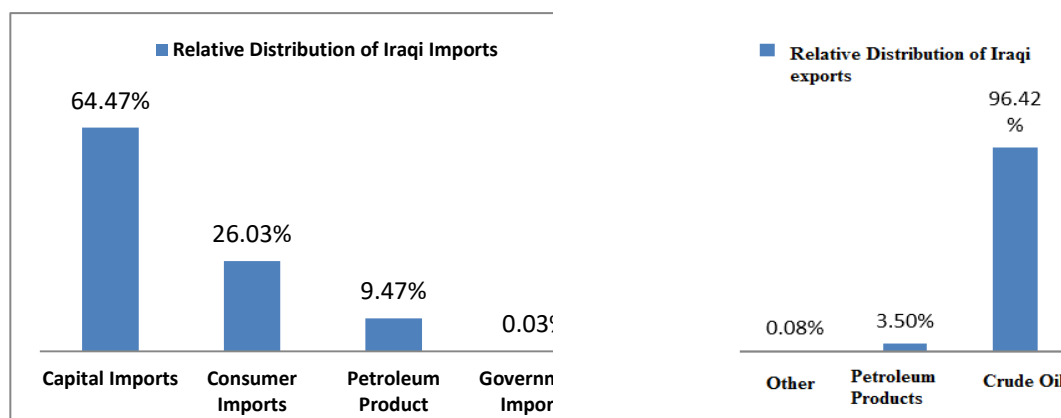
Despite the Iraqi economy's need for active foreign trade to advance its economic reality, its foreign trade suffers from a large structural imbalance represented by the absence of commodity diversification of exports, while its imports are a number of diverse goods. This imbalance prevents the possibility of achieving the desired goals of the foreign trade sector. Therefore, the foreign trade sector is characterized by weak trade exchange and high dependence on the export of crude oil, whose prices fluctuate. This fluctuation affects the balance of foreign trade (Al-Rubaie and Al-Saadi, 2024: 486).

One of the characteristics of the trade balance in Iraq is the presence of commodity concentration on the export side. The exports of the oil sector constitute about (95%) of the total exports, to reflect the

large imbalance in the export sector, as non-oil exports are not of economic importance quantitatively and qualitatively, as in Figure (2), which indicates the imbalance in the structure of exports that makes the foreign trade sector vulnerable to external shocks in the international market. During the period (2004-2022), exports increased significantly, except for some years that witnessed economic and political crises such as the global financial crisis in 2008, the global financial crises and the war with the terrorist organization ISIS, in addition to the global crisis caused by Covid-19. As for imports, they were characterized by their diversity, especially the weakness of the productive sector and the inflexibility of the productive apparatus, as the local market relies to a large extent in providing its needs of goods on imports, especially with the growing domestic demand, specifically after 2004. Figure (2) shows the relative distribution of exports and imports in Iraq for 2022.

Figure: 2

Relative Distribution of Exports and Imports in Iraq for 2022



Source: Central Bank of Iraq. (2023). Annual Economic Report, Baghdad, General Directorate of Statistics and Research.

With regard to the trade balance, which represents a certain type of current transactions that are commodity exchanges, if commodity exports exceed commodity imports, there is a surplus in the trade balance, but if commodity imports exceed commodity exports, there is a deficit in the trade balance, taking into account that the surplus in the trade balance is not necessarily in the interest of the state and the deficit is not in its favor for two reasons (Abdullah and Ibrahim, 1998: 92):

- A. There may be a deficit in the trade balance, however, this deficit is less important when it consists of a surplus larger than the balance of invisible trade.

- B. A surplus in the trade balance may be achieved under appropriate economic conditions, such as the best exploitation of economic resources, achieving economic growth, or following a sound trade policy that works to develop exports that are relatively characteristic of the state. It is an indication of the strength of the economic position of countries. However, if this surplus is achieved under inappropriate economic conditions or following a trade policy that works to restrict and pressure imports at the expense of consumer welfare and protecting domestic production, this surplus does not reflect more than the success of the state in achieving a short-term trade policy, which leads to imbalance in economic activity later.

Therefore, it may not be clear in the case of the foreign trade sector in Iraq through the trade balance that faces a surplus during the period (2004-2022) that the high value of exports comes mainly from the high value of oil exports, as reliance on the production and export of crude oil alone, as shown in the previous figure, as the proportion of oil exports reached the limits of (96%) of the total value of exports, in addition to (3.5%) exports of oil products (**Central Bank of Iraq, 2022: 20**), which indicates the imbalance in the export structure due to the focus on the goal of increasing oil production and excessive exploitation of oil resources without being accompanied by a serious endeavor to employ the revenues achieved in expanding productive investment and expanding non-oil production capacities and other material and human development investments to prepare the basic prerequisites for the start of the Iraqi economy, which reduced the opportunities for productive diversification, so the economy became described as a rentier economy dependent on oil, making it vulnerable to the fluctuations that occur in international oil markets. The surplus in the Iraqi trade balance is due to the oil sector, while when oil exports are excluded from total exports, we will find that the balance faces a continuous deficit and thus a deep imbalance in the foreign trade sector. This imbalance is caused by the imbalance in the economic structure, as the imbalances in the Iraqi economy are generative imbalances in the sense that each imbalance generates another imbalance. Figure (3) shows the development of exports and imports in Iraq for the period (2004-2022). Figure (4) shows the development of the trade balance in Iraq for the period (2004-2022).

Figure: 3

Growth of Exports and Imports in Iraq for the period (2004-2022)

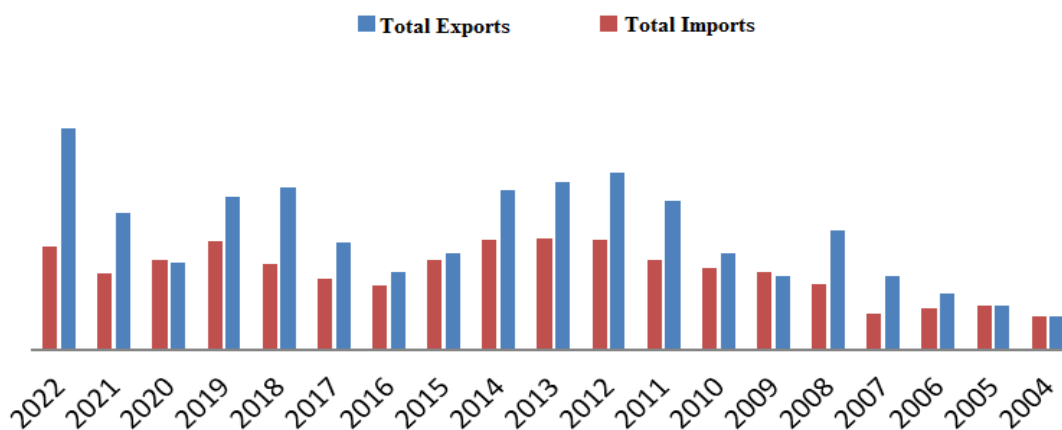
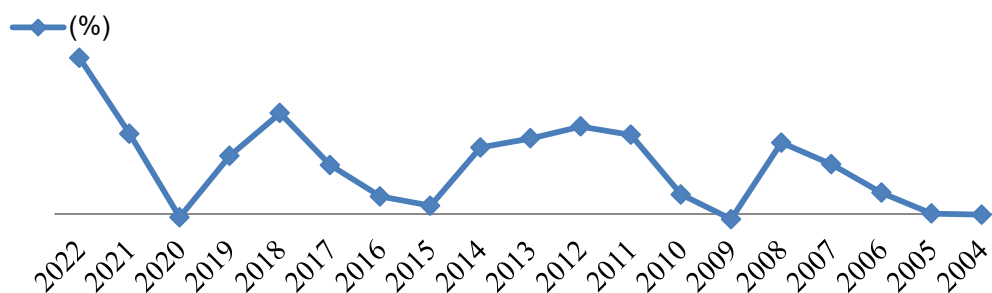


Figure: 4

Growth of the Trade Balance in Iraq for the period (2004-2022)



Source: Central Bank of Iraq. (Miscellaneous Volume). Annual Economic Report, Baghdad, General Directorate of Statistics and Research.

Although the trade balance represents the largest component in the Iraqi balance of payments, thus giving a comprehensive picture of the reality of the foreign trade sector, there are many indicators that can be referred to, which also reflect the reality of the foreign trade sector and the imbalances facing this sector, including: The foreign trade efficiency index, which is one of the composite indicators, whose calculation is based on a number of sub-indicators of the competitiveness of domestic exports in international markets that determine the efficiency of trade based on four main elements, namely, market access, border management, infrastructure, and operational environment. According to the report issued

by the Arab Monetary Fund for 2014 (**Arab Monetary Fund, 2016: 503**), the index of the efficiency of foreign trade in Iraq was as follows:

- **Agricultural Products:** The share of world exports is about (0.01%) in order (134) globally, compared to (0.36%) in order (46) in the case of Egypt, and (0.14%) in order (73) in the case of Jordan.
- **Chemical Products:** The share of world exports is about (0%) in order (133) globally, compared to (0.2%) in order (45) in the case of Egypt, and (0.13%) in order (57) in the case of Jordan.
- **Mineral Products:** The share of world exports is about (2.53%) in order (12) globally, compared to (0.2%) in order (62) in the case of Egypt, and (0.02%) in order (112) in the case of Jordan.

As for the trade exposure index, which also reflects the reality of the foreign trade sector, the percentage is still considered high, as it reached (54.8%) and (65.6%) for 2021 and 2022, respectively. These percentages indicate that Iraq suffers from trade exposure to the outside world, especially since the percentage exceeded the standard percentage of exposure of (45%) (**Central Bank of Iraq, 2023: 47**).

4. 2. Expected Impacts of (WTO) on Trade Policy in Iraq and Potential for Adjustment

Domestic trade policy is affected by multiple factors, including economic factors, including with regard to the laws, regulations and standards governing international trade according to the World Trade Organization, as the World Trade Organization agreements are the only system that governs the rules and procedures of international trade liberalization within the multilateral parties. Therefore, Iraq's participation in accession will gain it a new institutional framework to strengthen the trade policy that Iraq will take within the organization, based on measures that contribute to benefiting from the pros and reducing the negatives. Making good use of the opportunities created by the international trading environment by the application of (WTO) agreements requires efforts to adapt to the rules of the new global trading system.

The trade policy in Iraq, especially after 2003, was characterized by its lack of clarity in relying on the export of crude oil in exchange for large imports of a consumer nature with the sudden opening of the economy, which led to the emergence of significant negative effects at all levels, within the support to accelerate the process of accession to (WTO). The competent authorities demanded more information related to internal support, subsidies to the agricultural sector, pricing policies, import licenses, investment and customs laws (**Al-Rubaie and Al-Saadi, 2024: 492**). Although there is no production base of industrial and agricultural products that can compete in international trade, which, according to

the World Organization, has become subject to a strict system in quality rules, specifications and international standards, it is possible that the effects will be significant in the event of accession, including:

- At the level of exports, Iraqi exports can face great difficulties and obstacles in accessing foreign markets because of their inability to compete with the products of member states, which harms those exports because of the complexity and difficulty of discharging them to markets that are characterized by their competitive strength, or because of the exposure of products in which Iraq can have a comparative advantage to high customs tariffs, which may exceed (200%) initially as a result of the stabilization process used by member states when converting their quantitative restrictions into tariff restrictions. As for imports, opening the local market and reducing customs barriers will not expose local production in the short and / or long term in the absence of the production base to intense competition, due to the quality of imports of goods and their low prices because of their low cost **(Mualla and Salman, 2016: 343)**.
- At the legal and legislative level, despite the issuance of Law No. (22) of 2010, where the reasons for it were for the purpose of setting a customs tariff in line with the reform of the Iraqi economy for the many amendments that took place to the law, but to legislate new commercial laws aimed at meeting the conditions stipulated in trade agreements, especially that the instructions and laws related to the foreign trade sector, there is a difference we mentioned earlier between those instructions and laws outside the world organization and the instructions and laws upon accession, as it requires Iraq to provide commitments it undertakes to member states towards liberalizing its trade policy, which requires legislative and economic reforms in order to make its trade system meet the conditions of the organization, as it may require replacing some of the laws in force with new laws that meet those conditions. This means that at the level of the customs system, tariff restructuring and associated with the reform of the tax system, in many countries structural reform programs have been adopted to liberalize the foreign trade sector.

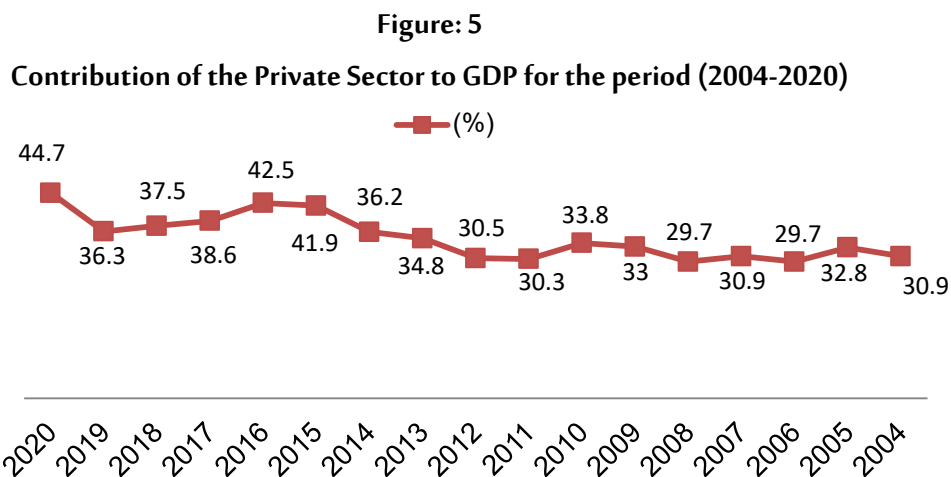
The agreements of the World Organization must have local decision-making powers in a number of areas to the Organization, or at least they require consultation with it before taking many decisions related to trade, such as determining the types of allowable and prohibited support, and the new requirements related to foreign investments that prevent the foreign project from being forced with

objectives related to export or import or the local component, such as intellectual property laws (Al-Issawi, 1995: 123). On this basis, the possibility of adjustment the foreign trade sector in Iraq to the requirements of (WTO) and the adoption of an integrated economic program that includes the following steps:

- 1- **Improving Iraq's Integration into the International Economy and Benefiting from International and / or Regional Integration:** (Kravis) shows that international trade is not a sufficient condition for economic development, although it is a catalyst for economic growth, but its repercussions on the local economy may not reach the export sector. The necessary condition for the economy's response to international trade is to have the capabilities and economic base capable of benefiting from integration with the international economy, as it has clear effects on the local economy, as well as the Impact Effect. When the economy opens up to international trade, it can to absorb or use more goods and services, and the Capital Accumulation Effect as a result of the effect of the merger, as it leads to an increase in real national income. This leads to an increase in investment and capital accumulation, and the Substitution Effect as the decrease in the relative prices of investment goods will not encourage the economy to import capital goods. This leads to an increase in national income and the rate of economic growth. Finally, the Factor Weight Effect, which takes into account the relative productivity of the elements of labor and capital, if exports increase and the element of production used in the production of exports increases to a greater extent, the rate of Exports will increase further, and then increase (GDP) (Hashad, 2001: 297). The integration of Iraq like other countries through accession to (WTO) is necessary to find the appropriate ground for the implementation of the expected international obligations through their implementation and compliance with the need to work to ensure the maximization of the benefits and benefits that will accrue to it as a result of entering into those obligations.
- 2- **Promoting Non-Oil Economic Growth:** The pursuit of this must be based on qualitative strategies by adopting an economic policy based on the policy of economic diversification and moving away as much as possible from oil as the only source of income, with the need for real investment in infrastructure to ensure the opening of doors to new industries to make international trade easier and more effective, to enable small and medium industries, especially consumer industries, to better access international markets.

- 3- **Export Diversification:** It requires setting a target for the growth of non-oil exports in order to reduce dependence on volatile oil revenues to ensure sustainable growth, thus addressing the imbalance in the export structure, as Iraq is characterized by irregular export revenues derived from crude oil, thus the frequent fluctuations associated with external economic shocks, such as low crude oil prices, thus highlighting the importance of export diversification. which usually achieves a major goal of distributing products to the largest number of markets at the international level (**Lazaar, 2017: 10**). Iraq could benefit from the difficulty of diversifying non-oil exports by enhancing the sectoral entanglement of the oil and gas industry to create a refining industry and a sophisticated petrochemical industry through which markets can be accessed.
- 4- **Developing the Management of the Import Sector:** It is possible to benefit from the rules and controls provided by the Organization to Member States, to enhance this, it requires working on the establishment and development of specialized administrative bodies to prove the occurrence of material damage to the local industry, and recommending appropriate anti-dumping measures and the use of official subsidies by exporting countries that cause damage to the local product (**Zarrouq, 1998: 28**).
- 5- Attracting foreign investment by opening the local market to foreign investors and companies, especially in the industrial and agricultural sector, thus contributing to achieving a rise in non-oil GDP growth rates, especially through the great role of foreign investment in influencing local investment in a dynamic manner, as foreign investment can stimulate local investment through the effects of industrial linkages, buying locally manufactured inputs from local companies and equipping them with intermediate inputs, in addition to the fact that foreign investment may take a physical form such as machinery, equipment and technological equipment necessary for the formation of local capital, thus having a positive impact on local savings and investment and then on exports towards increasing them (**Abdul Ghaffar, 2002: 256**).
- 6- Enhancing the role of the private sector in economic growth and expansion, as the public sector continues to impede export promotion policies and private sector participation in the economy, either through public monopoly or state-owned enterprises, along with bureaucratic measures that shock the private sector that lack economic reform programs, the state is still unable to remove obstacles that hinder efforts and procedures applied to develop the foreign trade sector. The private sector can make a positive contribution to the process of trade liberalization, so that it becomes a

help to the government. The private sector can benefit from the mechanism of the World Organization for the Settlement of Trade Disputes among Member States. Although the complaint is submitted through the official authorities in the state, the private sector can cooperate with the official authorities in the state to monitor the commercial practices facing exporters in foreign countries, as well as the commercial practices of foreign companies in the local market. Despite the strategies prepared by Iraq to develop the private sector to increase its contribution to GDP, the percentage is still low if compared to countries that have similar conditions to Iraq, especially oil, which requires the need to work hard to develop this sector to ensure an increase in the cycle of supporting the trade sector. Figure (5) shows the contribution of the private sector to GDP for the period (2004-2020).



Source: Republic of Iraq. (Miscellaneous years). Annual actual estimates of GDP and national income, Baghdad, Central Organization for Statistics and Information Technology.

5. Conclusions

- 1- Domestic trade policy is influenced by multiple factors, the most important of which relates to the laws and standards governing international trade, including the (WTO) agreements.
- 2- That accession to (WTO) requires the conformity of legislation and laws of Member States with the package of agreements of the World Organization, thus adhering to all rules specifically targeted for the reduction and elimination of trade restrictions of all kinds.

- 3- The expected negative impact upon Iraq's accession to (WTO) is represented by the entry into force of its agreements in the form of a single package in light of the distortion of the foreign trade sector in general and its trade policy in particular.
- 4- Iraq's foreign trade sector continues to be characterized by structural imbalances represented by the absence of commodity diversification of exports and increased commodity diversification of imports, which means that the objectives of its trade policy cannot be achieved.

6. Recommendations

- 1- The need to work to achieve stability in economic and commercial laws, legislation and instructions to ensure their consistency with international economic variables, as it is one of the catalysts for local economic activity.
- 2- The need to work to build a productive base that stimulates the foreign trade sector, in order to reduce dependence on the oil resource and increase the diversification of sources of income, by adopting effective economic policies to diversify the economy, attract foreign investments and enhance the role of the private sector.
- 3- The need to work on redesigning and implementing trade policy in Iraq, in line with its quest to join the world organization. Policies outside the framework of (WTO) are others upon accession.
- 4- The need to review the trade policies of the Member States of the World Organization that have conditions similar to those of Iraq, especially the oil countries, to benefit from them in evaluating the schedules of their obligations towards the World Organization.

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