
Analytical study of foreign trade in the Iraqi economy for the period 2010 – 2020

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Abstract

Iraq suffers from the chaos of economic openness to the outside world in terms of investment, financial and commercial investments, especially foreign trade. Therefore, we find that the liberalization of foreign trade after 2003 made the Iraqi economy dependent on the economy of other countries, and this led to an increase in economic exposure to the countries of the outside world and a decrease in the contribution of the agricultural, industrial and service sectors to the formation of the gross domestic product. One of the most important conclusions of the research is to work on reducing dependence. The oil sector should finance Iraqi exports and work to benefit from oil revenues in increasing the production capacities of the various economic sectors.

Keywords: foreign trade, economy, Iraq

Introduction

The countries of the world worked to liberalize their foreign trade, especially the developing countries, in order to obtain equipment and machinery, as well as obtaining hard currency through the export of various raw materials. Many problems occurred during the liberalization of foreign trade, including that manufactured goods in developing countries are unable to compete with manufactured goods in developed countries, and this has reduced domestic production in developing countries, so we see that after 2003, Iraq worked to liberalize foreign trade and increase imports. From abroad, especially consumer and food goods, and at the same time, we find that the dependence is almost entirely on the oil sector in export, that is, it is a unilateral economy and this made it an economic subordinate to the economies of different countries, and then the process of economic development declined and its local economy was affected by the economic problems that occur in the countries of the world from which it imports its products.

Literature review

First, the concept of foreign trade

The subject of international trade includes the concept of foreign trade and the country's internal trade, as international trade includes the exchange of goods and services across the country's international borders and includes a large percentage of the gross domestic product in various countries of the world. The various countries of the world, as well as the movement of goods and services and related to this transition of commercial operations such as insurance, transport and other services, there are some definitions of the subject of foreign trade, including:

It includes the process of trade exchange that takes place between the countries of the outside world and a specific country

- It is also known as “a branch of economics that is concerned with the study of economic transactions taking place across national borders (Moses, 2001).
- But the closest definition to the study of economic theory is that it defines foreign trade as a branch of economics that deals with the study of trade deals across the political borders of the state (Hossam, 2002).

Secondly, the importance of foreign trade

The importance of foreign trade is represented in the following points:

- 1- Getting the greatest possible satisfaction from goods and services, since there was no trade.
- 2- External, by acquiring goods and services that are difficult to produce locally.
- 3- Obtaining goods that the government is unable to produce locally
- 4- Specialization in production and the international division of labor increases national income.
- 5- Achieving the expected gains from obtaining goods and services at a lower cost than if they had been
- 6- Locally produced.
- 7- Providing the needs of developing countries with basic elements of economic development such as

Capital, technology, foreign currency sources, and modern management (Hossam, 2002).

Third: The reasons for the establishment of foreign trade

The reasons for the establishment of foreign trade can be summarized as the main reason that represents the economic problem or the so-called problem of relative scarcity, due to the lack of economic resources compared to the various uses represented in better satisfying the increasing human needs and the better use of these renewable resources.

Therefore, the reasons for the establishment of foreign trade can be explained in the following points:

- 1- The difference in the prices of the factors of production and local prices and the difference in costs between countries, as this leads to a decrease in the costs of the commodity in one country and this leads to achieving economies of scale compared to the high prices of these costs that are involved in the production of the same commodity in another country.
- 2- The production elements are unevenly distributed among the countries of the world, as this leads to the country's failure to achieve self-sufficiency in the production of goods locally.
- 3- In some cases, there is a surplus in local production, which requires searching for foreign markets to dispose of production, provided that appropriate global conditions are available for demand for production.
- 4- Working to increase the national income by relying on the income earned from foreign trade in order to raise the standard of living of citizens and increase the economic well-being locally
- 5- The technological level used in production, which differs from one country to another, which generates a disparity in the optimal use of economic resources. Poor production efficiency and inefficient use of economic resources (Hamdi, 1996).

Fourth: Theories of Foreign Trade

The main objective of establishing international trade is to achieve profits, and these profits increase as the specialization increases in the production of goods and services, which leads to directing economic resources towards the most productive materials in the countries participating in international trade.

Theory of absolute advantage

Adam Smith believes that trade takes place between two countries because of the difference in absolute costs, as each country specializes in the production of a commodity with a low cost and is exchanged for another commodity with a lower cost in other countries, and this allocation is based on an increase in production. The optimum exploitation of economic resources and the increase of production for each country in an efficient manner, thus expanding the market size from a local market to a large international market.

-2Relative Expenditure Theory

In his book *Principles of Political Economy*, in 1817, Ricardo published the law of relative expenditures, which is considered one of the most important laws in economics until the present time. It is called the theory of comparative benefits, relative expenditures or comparative advantages, and this theory is considered one of the main theories that explain the reasons for establishing international trade, as each country specializes in producing the commodity that it produces with relatively less expenses than other countries and then exports it to another country in order to obtain Commodities that other countries excel in producing at relatively lower expenses, so trade between countries takes place on the basis of different relative costs, not absolute costs, which include a special case of the more comprehensive and general relative costs (Ali, 2010). David Ricardo has made it clear that the use of primitive means of production in the developing countries as well as the failure to benefit from economies of scale used in the specialization of production costs will be a barrier to the establishment of foreign trade according to the theory of absolute advantage because the developed countries enjoy high production efficiency and the lack of employment in the developing countries. foreign goods to it

The theory of relativity in the factors of production

This theory is also called the Hecksher-Olin theory, as he sees that foreign trade is an extension of internal exchange and trade, and that prices in the international sphere are determined by the same principles and forces on which prices are determined in the internal sphere of states.

According to Perry Ohlin, the establishment of international trade is due to two reasons:

- 1- The difference in the relative abundance of the factors of production between the different countries of the world.
- 2- The difference in the ratio of the mix of factors of production between the different countries of the world

However, the relative difference in the factors of production, in addition to the difference in their prices, is not a necessary and sufficient condition for the existence of a difference in the prices of commodities that are considered a necessary condition for the establishment of international trade, in addition to the ratio of the necessary mix of production factors to other factors.

Fourth: Analysis of foreign trade on the Iraqi economy for the period 2010-2020

Economic openness worked to increase imported goods from abroad, as it worked to flood the Iraqi market with various foreign goods imported from international origins. The shape of Iraqi exports, as we see that the value of oil exports exceeds the value of

other exports, as the value of oil exports is about 98% of the total exports, while the rest of the other exports amount to about 2% or 1%, and this is due to the lack of economic diversification in foreign trade or in other forms Production on it. We see that the oil sector is the dominant sector in Iraq's exports, and therefore its exports constitute Iraq's revenues to a large extent

Table No. (1) Total Iraqi exports for the period 2010- 2020 (billion dollars)

year	oil exports	oil -Non exports	Total exports
2010	51.2	0.5	51.7
2011	79.4	0.2	79.6
2012	93.8	0.4	94.2
2013	90	0.5	90.5
2014	85	0.3	85.3
2015	51.1	0.2	51.3
2016	40.9	0.3	41.3
2017	57.2	0.3	57.5
2018	86	0.3	86.3
2019	81	0.5	81.5
2020	46.6	0.2	46.8

International Monetary Fund, Country Report IRAQ, 2015, 2018, 2020
 Central Bank Of Iraq

Regarding the impact of foreign trade on the performance of the Iraqi economy, we note from the data of Table (2) that there is a wide fluctuation in the value of trade exchange between the outside world and Iraq. We note that the value of foreign trade in Iraq jumps from (95.6) billion dollars in 2010 to (153.2) billion dollars in 2012 due to the rise in oil prices from (77.4) dollars per barrel in 2010 to (109.5) dollars per barrel in 2012, and this led to a rise in the value of Iraqi oil exports, reaching (51.2) billion dollars in 2010 to (93.8) billion dollars in 2012 and the same Time: The value of imports increased from (43.9) billion dollars in 2010 to (59) billion dollars in 2013, and this worked to increase the rate of economic exposure to the outside world, reaching 69 % in 2010 and rising to (70.2 %) in 2012, but in 2014 The volume of foreign trade decreased to (143.9) billion dollars due to the drop in prices to (96.7) dollars per barrel due to the increase in the production of shale oil by the United States of America, in addition to the decline in global economic growth and the decrease in global consumption of crude oil. Iraqi oil exports increased to (85) billion dollars, and the value of imports declined to (58.6) billion dollars in 2014, which led to a decrease in the economic exposure rate (63 %), and the volume of foreign trade continued to decline between 2015 and 2016 due to the drop in oil prices, as it reached The price of one barrel of oil in 2015 decreased to (50.9) and (40.7) in 2016. This resulted in a decrease in Iraqi oil exports, as the year (2015) amounted to about (51.1) billion dollars, and in (2016) the value of oil exports amounted to about (40.9) billion At the same time, the total imports decreased from (47.4 billion dollars in 2015 to) (34.2 billion dollars in 2016). In general, we see a large fluctuation in the value of imports during the period (2014-2016) due to the reform laws set by the customs authority in order to control At the border crossings, in addition to the Central Bank's procedures, by holding the importers accountable and providing them with the correct issuance of the import values they submit, on the basis of which they are allowed to participate in the currency auction in order to combat money laundering and prevent currency smuggling abroad (Mayh, 2021) this led to that Decrease in the economic exposure rate, as it reached about (59.2 %) in 2015 until it reached (45.3 %) in 2016

as shown in Table No. (2), but in 2017, oil prices rose, reaching (52.4) dollars per barrel. Accordingly, the value of oil exports increased, amounting to about (57.2) billion dollars, and at the same time the value of imports increased by (37.8) billion dollars, and this led to an increase in the volume of foreign trade, as it reached about (95.3) billion dollars, and the rate of economic exposure increased by (50.9 percent), and it continued The rate of economic exposure to the rise in (2018) reached (132 %) due to the rise in oil prices, as it reached almost (70) dollars per barrel in 2018, and this resulted in the increase of Iraq's oil exports to reach (86) billion dollars, but oil prices It returned to decline to reach (64) dollars per barrel in (2019) due to the trade war between China and the United States of America and the decline in global demand for oil. down Iraqi oil exports amounted to (81) billion dollars in 2019, but the economic exposure was at a rate of (139.6 %) due to the increase in imports during that period, as it amounted to about (58.1) billion dollars, but oil prices returned to decline in 2020 due to the Corona pandemic that affected Significantly on the performance of the global economy and a decrease in the global economic growth rate, as it reached (3.3-3 %), and a significant decline in global demand for oil, as the price of one barrel reached (40) dollars per barrel, and this led to a decrease in the total Iraqi oil exports, as it reached (46.6) billion dollars, a decrease in the volume of imports to (48.7) billion dollars, and a decrease in the volume of foreign trade to (95.5) billion dollars, and this led to a decrease in the economic exposure rate to (51.8 percent).

Table No. (2) Total imports and exports, total foreign trade and economic openness for the period 2010- 2020
 (Billion dollar)

the year	total imports	Total exports	GDP	foreign trade *	Economic exposure % ** ratio
2010	43.9	51.7	138.5	95.6	69
2011	47.8	79.6	185.7	127.4	68.6
2012	59	94.2	218	153.2	70.2
2013	63.3	90.5	234.6	153.8	65.5
2014	58.6	85.3	228.4	143.9	63
2015	47.4	51.3	166.7	98.7	59.2
2016	34.2	41.3	166.6	75.5	45.3
2017	37.8	57.5	187.2	95.3	50.9
2018	45.7	86.3	227.3	132	58
2019	58.1	81.5	233.6	139.6	59.7
2020	48.7	46.8	184.3	95.5	51.8

Source:

International Monetary Fund, Country Report IRAQ,2015,2018,2020-
 Central Bank Of Iraq
 IMF Publications 2017-2019-2020

*Foreign trade = {total imports + total exports {

**Economic exposure ratio = {(imports + exports)/GDP}*100

Conclusions

- 1- The process of liberalizing foreign trade leads to an increase in the transfer of modern technology to developing countries and the restructuring of their

- infrastructure, in addition to the import of necessary commodities that developing countries cannot produce locally.
- 2- The liberalization of foreign trade in Iraq led to a decline in the proportion of local agricultural and industrial production.
 - 3- The liberalization of foreign trade led to the dumping of the markets of developing countries, including Iraq, with foreign goods at the expense of domestic goods.
 - 4- The Iraqi economy is characterized by its exposure to the outside world to a large degree because of its dependence on the oil sector and the low percentage of the contribution of other commodity sectors in the formation of the gross domestic product.
 - 5- Foreign trade increases dependence on the outside world in the disposal of goods, which made it characterized by economic dependency and this leads to making the local economy affected by the economies of the outside world.

Recommendations

- 1- Working to improve the quality of local production in order to compete with imported goods within the local market.
- 2- Increasing the development of specifications for the production of goods and services so that they have
- 3- It is characterized by being of high quality, the ability to penetrate into foreign markets and able to compete with foreign goods, which are characterized by their high quality and low price.
- 4- The tax policy in Iraq should be activated in order to protect emerging local industries from competing with strategic industries.
- 5- Encouraging the national industry, such as the manufacture of carpets, dates, and construction materials in order to meet the needs of the local demand for various commodities.

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