



## The role of Iraqi trade policies in stimulating productive sectors to grow for the period (2003-2019) (an analytical study in light of the Malaysian experience)

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### Abstract

The research deals with analyzing the influencing role of trade policies in the growth and development of productive economic sectors and their contribution to GDP and its reflection on workforce employment. Studies have proven the success of the Malaysian experience in stimulating the productive economic sectors to grow and their contribution to the gross domestic product with an increase in the growth of local markets and access to international markets for national products. The research also deals with the ineffectiveness of Iraqi trade policies after 2003 in stimulating the productive economic sectors (agricultural and industrial) on economic growth, as most of the increase in Iraqi GDP growth throughout the study period was due to the increase in the oil sector's contribution because of higher oil prices and increased production. Other sectors had no role in these increases, making the Iraqi economy dependent on the outside world and importer of external economic crises. The recommendations included drawing up an economic plan under which productive sectors would be stimulated to grow and increase their contribution to the Iraqi GDP, reduce dependence on oil to finance public expenditures, reform the tax system, and call for partnership with the private sector and create appropriate conditions for it and attract foreign direct investment for the development of the Iraqi economy. Moreover, the necessity for the government to adopt trade policies that are suitable to the reality of the Iraqi economy and the imbalances that exist in the economic sectors, and to exploit the trade deficit with some countries to develop an agreement to improve trade exchange with them, which lead to developing some national industries.

Paper type Categorize Research paper.

**Keywords:** free trade policy, trade protection policy, new trade protection policy, industrialization strategy, export industries, economic sectors.

\* The research is based on an MA thesis

**Introduction:**

The trade policy occupies a prominent position in macroeconomic policies, at the level of the national economy; this policy dramatically affects the development of productive economic sectors and the provision of job opportunities for the unemployed, as this policy has the underlying and leading force in creating markets for the disposal of local products, in the local and foreign markets, This will increase the demand for national products, and this will encourage an increase in production and the level of employment, and increase economic growth and gross domestic product. Where economic and trade policymakers protect national products from the competition of foreign products for them in the local markets through imposing tariffs, embargoes, or quotas, alternatively, support national products by creating foreign markets for them through a commercial agreement with a foreign country or group of countries and other methods to improve the performance of the economic sectors and create the appropriate conditions to stimulate them for growth and the level of employment. However, the role of trade policies in Iraq after 2003 was not at the level required for the development of productive sectors, as a result of disturbance and instability due to many factors, including political, security, administrative and financial corruption, and other factors that have passed through the country and up to our time.

Trade policies are an essential pillar of economic development in Iraq. They have a significant role in creating a stimulating environment for the growth of productive sectors, increasing the proportions of productive sectors in forming the gross domestic product, and reducing dependence on oil.

**Research problem:**

The research problem is materialized in the weak performance of trade policies after 2003 in developing productive economic sectors and reducing dependence on oil as a primary source of Iraqi national income.

The research aims to highlight the importance of the role of trade policies in stimulating economic sectors to grow and increase their percentage in the formation of the gross domestic product, and to adopt appropriate trade policies for that, and to benefit from international experiences in trade policies and to demonstrate the possibility of aligning and applying them to the Iraqi economy and reducing dependence on oil as a primary source for income and its acquisition of all Iraqi exports, due to its risks to the Iraqi economy.

Research limits are Spatial boundaries: Spatial boundaries represent the study of the reality of the trade policies of Iraq and Malaysia.

Temporal boundaries: represent the temporal boundaries of Iraq for the period (2019-2003).

**Research Methodology :**

The researcher adopted the descriptive deductive approach based on reviewing the main studies related to trade policies in order to reach analyzes and conclusions related to them, in addition to the experimental approach based on studying the reality of trade policies in Iraq, analyzing it and comparing it with the theoretical analysis to reach the desired results through the analysis of data and international statistical publications. And local and in order to prove the hypothesis and conclusions and determine the appropriate recommendations for the study, as well as relying on the inductive approach in analyzing the reality and experiences of the selected countries in trade policies to stimulate the productive economic sectors.

**Research hypothesis :**

The research starts out from the hypothesis that trade policies since 2003 were not appropriate for the specificity of the Iraqi economy and did not contribute to stimulating economic sectors to grow and increase their percentage in the gross domestic product.

**Research Structure :**

The research was divided into three main topics :

The first topic: the conceptual and theoretical framework for trade policies.

The second topic: the Malaysian experience and the role of trade policies in stimulating productive economic sectors in Malaysia.

The third topic: the role of Iraqi trade policies in stimulating the productive economic sectors to grow.

The first topic: the conceptual and definitional framework for trade policy The trade policy is considered a tool for achieving economic development through the appropriate conditions it provides for establishing new industries, developing existing industries, creating job opportunities for the unemployed, and expanding local and international markets for national products.

**1- The concept of trade policy**

Trade policy is part of the international economic policy. It works to regulate the state's foreign trade through specific tools and means to achieve specific goals. We can express it in another way, as the state adopts a commercial policy by which it organizes its commercial relations with the countries of the world, and this adoption of a trade policy that is organized according to the issuance of legislation and decision-making, procedures and tools that it puts into practice through which it works to achieve a set of economic goals. (Abd alkader, 2011: 69)

Foreign trade policies, which are the policies that the state adopts towards its international trade, and includes a set of various means, procedures, and tools, and the state benefits from them, which include customs tariffs, quantitative restrictions on international transactions, import quotas, export support and the provision of subsidies and other measures. (UN and WTO, 2012 63 – 64:).

## **2- Types of trade policies**

The commercial policy followed in any country in the world aims at national interests and its economic goals. Through the trade policy that the state chooses, it comes in accordance with the economic development and economic situation it is going through in a certain period of time to achieve its national and economic interests. Where there are two policies that countries follow in their foreign trade, they are the trade protection policy and the free trade policy. Recently, a new trade policy has emerged, which mixes the protection policy with freedom together.

### **A - the policy of free trade**

The policy of free trade means that the state does not interfere in its foreign trade with other countries. Or it is the free and unrestricted trade exchange between different countries. The concept of freedom of trade was derived in the nineteenth century AD through the free doctrine, and the principle of freedom of foreign trade was based on Ricardo's theory of relative costs, as well as the demand for the application of freedom of trade by the physiognomies (the naturalists), and they called for free competition in order to achieve the price that is satisfactory for the seller and the buyer at the same time. (Ali, 2020:191) .

### **B - Trade protection policy**

The trade protection policy is based on restricting the state's foreign trade with the aim of protecting national products and their local markets from foreign competition for them. The state takes a set of laws, legislations, procedures, and many methods to restrict trade, including the adoption of price methods such as imposing customs duties on imports or quantitative methods such as setting a ceiling for the import quota. During a certain period of time, which provides protection for national products from foreign competition for them. (Khaled, 2014: 224)

### **C - The new protection policy**

It is one of the new trade policies that include a protection policy with some freedom policy together, and it is considered one of the trade policies that emerged with openness and globalization, where the government imposes tariffs on some imported foreign products that compete with locally-made products in the local markets, and thus this policy will push the demand on the local product. (Ali, 2020: 196)

## **3 - The objectives of the trade policy**

Trade policy goals can be divided into social goals, economic goals, and strategic goals. (Khaled, 2014: 222 – 223)

**A - Social goals:** They are represented in protecting the interests of producers and farmers of certain commodities considered necessary for the state and working on redistributing the national income among the different classes of society.

**B - Economic objectives:** It is represented in protecting national industries from foreign competition, increasing the state's public treasury resources, and financing public expenditures, in addition to protecting the national economy from economic fluctuations that occur in the outside world, such as cases of inflation and deflation, and providing protection for newly emerging industries in the country and protecting the national economy from the risk of dumping in the field of foreign trade.

**C - Strategic objectives:** They are represented in preserving the state's economic, food, and military security and providing the production of energy sources.

#### **4 - Tools and methods of commercial policies**

There are many tools and methods of trade policy that are used to achieve certain goals, such as protecting national products from foreign competition or supporting goods destined for export. These tools and methods are varied and numerous, which can be summarized as follows: -

##### **A - a set of price tools and methods**

- **Customs duties:** it is the imposition of a specific amount imposed by the competent authorities on imported goods from abroad to affect the price of imported goods in the local markets, and it is added to the value of the imported commodity, which increases the price of the commodity, reduces its consumption and imports and increases its products locally. It may be imposed on domestic goods designated for export abroad with the intention of reducing their export. (Amin, 2010: 145).

- **Dumping system:** which is when the producer exports the commodity and sells it in foreign markets at prices lower than the selling prices in the local markets at the same time for the purpose of competition with countries and industries that produce the same commodity in the international markets, while in the local market the producer could be monopolist of this commodity and does not reduce the price of it in the local market. (Al-Tai, 1999: 288)

**Export subsidies:** "Export subsidies mean the government pays a sum of money for each unit of those products intended for export. (Krianin, 201: 152).

##### **B - A set of quantitative tools and methods.**

- **the import quota system :** "It is a quantitative restriction on imports of foreign goods or local goods destined for export. They are used for several purposes such as protecting local products or for the purpose of improving the balance of payments." (Salvatore, 2013: 258)

- **Voluntary restrictions on exports:** "An agreement is made between the country importing a certain commodity and the country that is exporting that good, according to which the exporter agrees not to export more than a specified amount of a commodity to the importing country (Sherlock and Reuvid, 2008: 6)

- **The import ban system:** "The state bans total imports or exports, prohibits dealing with the outside world, and relies on self-sufficiency, meaning isolation from the outside world. Or the state makes a partial ban prohibiting dealing with international markets for some goods and for some countries (Khaled, 2014: 226)

- Financial and monetary measures: "The government increases taxes and purchase controls in order to reduce the purchasing power of imported goods, and the government raises the prices of imported goods by reducing the value of the local currency, and at the same time the country's exports become cheaper for buyers abroad." (Sherlock and Reuvid 2008: 17).
- Commercial tools: "They are represented in international trade treaties and agreements to regulate commercial relations, which include issues of commercial and economic exchange between countries and on how to organize and settle financial rights and obligations among states. (Khaled,2014: 227).

The second topic: the Malaysian experience in trade policies to stimulate productive economic sectors The Malaysian experience of employing trade policies in the development process is one of the successful experiences in the world so that Malaysia was able to record evolution in development, especially in the field of industry, and to become an exporter of industrial goods with modern technologies due to the adoption of appropriate trade policies that drive the economic development process, after that, it was based on the export of raw materials and some agricultural products and imports most of the manufactured goods to meet the local market.

### **First - An overview of Malaysia**

Malaysia is an Islamic country located in the southeast of Asia. Its capital is Kuala Lumpur. Malaysia is bordered by the south of the Java Sea, the island of Singapore, and Indonesia, and on the north, it is bordered by Thailand, the South China Sea, and the Sultanate of Brunei. Malaysia gained independence from Britain in 1957, and Malaysia unified as a modern country in 1963 with the union of Sabah, Sarouk, Malay, and Singapore (and after two years, Singapore was expelled from the union). Malaysia consists of a group of islands and two main parts separated by the South China Sea. The first part is East Malaysia, which sits on the northern part, and the second part is known as Western Malaysia or the Malaysian Peninsula and includes 13 federal states, including the capital, Kuala Lumpur. The Malaysian economy depends on the production of manufactured goods, rubber, agricultural crops, timber, oil, tin, and gas. Malaysia has gold, iron, and bauxite mines. And the national currency of Malaysia is the ringgit, which is equivalent to 0,303 US dollars. (Al-Arabi,25:2019)The area of Malaysia is 3303345 km<sup>2</sup>, the GDP at current prices of Malaysia is 364.68 billion US dollars, and the population of Malaysia reached 31194777 in 2019 (World Bank data).

### **Second - the Malaysian economy before independence**

The Malaysian economy was distinguished before independence by relying on its colonial country, and the colonizer made Malaysia an import market for types of goods manufactured from abroad, such as cars, electronic devices, clothes, and chemical products, and a source for exporting commodities and raw materials mainly abroad, such as rubber and tin, Therefore, the Malaysian economy became dependent on the existing commercial relationship between Malaysia and the colonial capitalist countries before independence, as it was based on the dependency on the economic policies of the colonial countries,

considering Malaysia as one of the backward parties in the Third World. Tin was discovered in the seventeenth century under the British occupation of the Malaysian lands, and they began planting rubber trees and palms; and Malaysia became the first source in the world in the production of tin, palm oil, and natural rubber, and the British colonialist brought cheap foreign labor from the Indians and Chinese to work in mines and farms on account of the native Malawian Muslim countrymen who caused the poverty, unemployment, absolute ignorance and ugly primitiveness. (Al-Masry, 2016: 24.)

### **Third - the Malaysian economy after independence**

Poverty and unemployment formed the most serious problems for the Malaysian society and economy in general after independence in 1957, and the Malaysian economy was dependent on the tin and the rubber industry, and these industries were not able to absorb large numbers of workers, and the government sought to provide job opportunities for the unemployed and improve economic conditions for citizens through the development of the industrial side according to the following industrial strategies: - (Al-Obeidi and Mahmoud, 2017: 315-316).

**A - Manufacturing strategy to replace imports:** The government implemented a strategy at the beginning of the sixties of the last century, which was based on industrial development focused on consumer industries such as plastics, printing, tobacco, building materials, food, and chemicals. However, this strategy did not succeed as a primary axis of development processes, nor did it lead to a boom in the volume of employment and value-added due to the narrow local market and weak internal demand.

**B - Export-oriented industrialization strategy:** Another strategy was adopted at the beginning of the seventies of the last century,, which was based on export-oriented industrialization that took place in the following manner: -

1- The strategy of labor-intensive export industries: which were of two types, industries that depended on local resources such as palm oil, wood, tin, and rubber and transformed them into industrial products that could be exported, and other export industries that depended on parts imported from abroad by active international companies specialized in the field of electronic components and durable electrical goods.

2- Heavy Industry Strategy: This strategy focused on developing heavy industries, and the initiative and funding were undertaken by the Malaysian government headed by Mahathir Muhammad at the beginning of the eighties of the last century. Its goal was to Deeping the industrial base, Deeping and strengthened Front and back bonding relationships with other national economy components, factories of cement, petrochemical, iron and steel plants, Motorcycle engines, and the Proton National Car were established.

3- The strategy of high-tech industries: It started focusing at the beginning of the nineties of the last century on advanced industries with high technology and high capital, such as medical and scientific equipment and semiconductors, in order to increase the competitiveness of national products and expand the local market.

Malaysia has been able to significantly reduce the spread of poverty and unemployment in society while achieving rapid economic growth thanks to development policies, especially the export-oriented industrialization strategy, and Malaysia developed a set of policies and plans to direct the national development management during the period (1970-2000), which consisted of National basic policies, medium-term, long-term, annual and special development plans, and sectoral master plans. The policies consisted of the New Economic Policy (1970- 1990) NEP and the National Development Policy (1991-2000) NDP. The policies considered national unity as the goal of development and a two-pronged strategy to achieve it, the first of which is the eradication of poverty and unemployment, and the second is the restructuring of society. The development policies were based on the effectiveness of the main industrial plans, the national agricultural policies, the master plan for privatization, and the increase in participation of modern sectors in the economy in order to employ the labor force. Malaysia experienced rapid and nearly continuous economic growth from year to year during the NEP and NDP periods, with significant reductions in the incidence of poverty and unemployment and marked increases in real national income and average per capita income. (Shanghai,200:1).

#### **Fourth - The development of the export industries sector in Malaysia**

There has been a huge boom in the restructuring of the Malaysian economy after independence, in the way that the manufacturing sector replaced the agricultural sector in relative importance, as the structure of Malaysian commodity exports changed after independence in favor of industrial products after agricultural products dominated exports (Al-Talbani,2019:61). As the percentage of industrial products constituted only 5% of total exports in 1965, and the percentage of agricultural and food products was 61% for the same year. The rapid growth of export-oriented industrialization and the influx of foreign direct investment in export-oriented industries have led to a boom in merchandise export earnings, and to a significant change in the structure of Malaysian exports, with the industry's contribution jumped to 76.3% of total merchandise exports in 2019. This helped the rapid pace of growth of the Malaysian economy, as we observe successive jumps in the growth of the gross domestic product, reaching 364.68 billion US dollars, compared to 2.96 in the year 1965. Table No. (1) shows the percentage change in the structure of exports by sectors of exports size and development of export industries in Malaysia :



**Table (1) Percentage of change in the structure of merchandise exports by sectors in terms of the volume of exports, the development of the export industries sector and the growth of the Malaysian GDP (1965-2019) (billion US \$)**

<b>the year</b>	<b>G.D.P</b>	<b>The total volume of exports</b>	<b>Agricultural and food products of export volume %</b>	<b>The fuel of export volume %</b>	<b>Industrial products of export volume %</b>	<b>Ores and minerals from the volume of exports %</b>
1965	2,96	----	61	5	5	29
1980	24,49	17,57	46	25	19	10
1995	88,7	59,25	16	7	75	2
2010	162,69	137,97	15	16	67	2
2019	364,68	188,31	11,2	8,1	76.3	4,4

Source: Weiss, Meredith L, *Contemporary Malaysia*, Routledge Taylor & Francis Books, London, and New York, 2018: 136; MALAYSIA EXTERNAL TRADE STATISTICS, TRADE PERFORMANCE, 2019: 9; World Bank data

We note from the data of Table (1) the change in the volume of exports of industrial products from 5% of the total volume of exports in 1965 to 67% in 2010 and to 76.3% in 2019. The change in the structure of Malaysian exports came as a result of the economic development process and the successful trade and economic policies that transferred The Malaysian economy to the rank of industrially developed countries after its economy was dependent on exports of agricultural products, food, and raw materials, which accounted for 61% and 29% respectively of the total volume of exports in 1965, which in 2019 became 11.2% and 4.4% Of the total volume of exports.

The Malaysian government has taken many measures to increase economic growth, develop productive sectors, and create more job opportunities, so it relied on foreign direct investment and creating a favorable environment to attract foreign investment to the country, legislating labor laws for foreign companies inside Malaysia and providing great incentives for foreign direct investment. The government succeeded in this and boosted the economic performance with a strong boost, especially for certain industrial sectors. The plastic and chemical industries, printing, publishing, and food industries were exempt from taxes. In the seventies, incentives were provided for industries that use labor intensity and are destined for export, and free zones were established to attract foreign companies in order to invest in the electronics and textile industries designated for export. In 1986, new incentives were introduced to encourage foreign direct investment, including the ownership of foreign companies. . (Saud and Saleh, 2020: 180).

### **Fifth - Malaysia's rural industrialization strategy to create new factories and job opportunities for the unemployed**

This strategy is based on the transfer of urban industries to rural areas, the establishment of rural agricultural processing industries and rural industrial cities, as well as the establishment of new industrial enterprises in the countryside. The main goal of Malaysia's rural industrialization strategy is to create work opportunities for the unemployed in rural areas, mainly to prevent the migration of peasants from the countryside to the city. And persuade the medium-sized and large modern industrial enterprises through incentives to move their factories to specific rural areas in order to relieve pressure on urban cities. Malaysia has worked with this strategy in establishing rural agricultural processing industries and supporting and developing handicrafts. This strategy had a major role in changes in the industrial and occupational profile of the rural workforce and in alleviating poverty and unemployment in the countryside. This strategy was implemented through three sub-policies, namely: - (K.S, 2002: 164-174)

**A - Transforming villages or regrouping traditional villages to enhance the development of rural growth centers.**

**B - Establishment, which includes agricultural development based on the new focus on managing small farm owners.**

**C - Industrialization, which means promoting rural industries or other small industries or non-agricultural economic activities.**

### **Sixth - The most important lessons learned from the Malaysian experience**

**1 - Malaysia was characterized by economic dependence on global capitalism represented by colonialism, which resulted in Malaysia's dependence on trade greatly, as its trade was based on exporting raw materials to the colonial capitalist countries and importing all industrial goods from them. This caused economic problems, including poverty, unemployment, and others.**

**2 - The economic policies undertaken by Malaysia after independence in 1957 have successfully achieved their goals, and through industrialization strategies and trade policies, Malaysia was able to reach good levels of economic growth and eliminate poverty and unemployment that it was suffering from at the beginning of its independence.**

**3 - Trade policies are of priority in Malaysian economic policies because Malaysia is fully dependent on international trade and that the activation of trade policies comes in order to benefit from international trade blocs and agreements.**

**4 - The development process in Malaysia was not obstructed by the existence of different ethnicities, nationalities, and religions. On the contrary, ethnic diversity was a source of development.**

**5 - Political stability and democracy, with the existence of permanent peace with the countries of the world and the presence of national political figures, including Dr. Mahathir Muhammad and others, pushed Malaysia towards economic, political, and social progress.**

6 - The great interest and focus in human resources and comprehensive national development for all economic sectors, regions, and components of the country.

7 - Malaysia has become a workplace for various foreign companies due to its distancing from alliances and international wars and working for friendship and cooperation with all countries of the world.

8 - Malaysia adopted an economic policy whose primary goal is to eliminate poverty and unemployment, adopted the strategy of industrialization, replacing imports, and applied a strict trade protection policy for this strategy. This strategy has failed to achieve its goal of reducing the problem of poverty and unemployment due to the tight local market. This required the creation of a new strategy, which was represented by the export-oriented industrialization strategy, the policy of free trade and trade openness was applied, and the stimulation of foreign and domestic investment and the customs tariff was canceled on all incoming materials and supplies that were included in the components of export-oriented industries. Export duties were also reduced. Malaysia has succeeded in absorbing and employing millions of workers in industry and reducing poverty and unemployment rates, as the unemployment rate in 2019 reached 3.5% of the total size of the workforce in Malaysia.

**The third topic:** The role of Iraqi trade policies in stimulating the productive sectors to grow and increase their percentage in the formation of the gross domestic product for the period (2003-2019)

The liberalization of the Iraqi economy and the adoption of a trade policy opened to the countries of the world is the first step taken in the economic reform program after 2003, which represents a shift from the central planning system for a long period of time to the market system after 2003, and behind this shift was the hope of eliminating the numerous economic problems, which were represented by numerous structural and structuralism imbalances, the collapse of the infrastructure, the high rates of inflation, poverty and unemployment, the reduction of dependence on the oil sector to finance public expenditures, the domination of the public sector over the Iraqi economy, which suffers from poor management methods and widespread of administrative and financial corruption in most of its institutions. And the absence of coordination among macroeconomic policies has made the Iraqi economic and trade openness on the world negatively affected the productive economic sectors.

### **First: An analysis of the foreign trade of Iraq after 2003**

The trade sector is the main nerve of the Iraqi economy and one of the sectors affecting its economy as Iraq relies on foreign trade to provide most of its needs. The Iraqi commercial sector expresses the weakness of its economy and its dependence on the outside completely due to the imbalance of the structure of exports, which indicates the absence of diversification of exports and the complete acquisition of oil on exports. On the import side, because of the structural imbalances of the productive sectors, most imports of goods and services are consumer, machinery, and vehicles for transport and transportation, and this is evident from the absence of productive goods and services in imports, which made the volume of Iraqi foreign trade affected by external economic

crises greatly, and the provision of revenues from rentier exports (oil) and filling the deficit in total demand for goods and services in the domestic market through imports depends on the volume of oil production and exports on the one hand and the price of oil on the other hand. This puts Iraq in severe economic crises, as happened in 2015 when the Iraqi gross domestic product fell to 177.5 billion dollars after it was 234.65 billion dollars the year before it, and this decrease was due to the drop in global oil prices on one hand and Iraqi oil exports. On the other hand. Table (2) shows the percentage of oil exports to the total volume of exports for the period (2003-2019) :

Table (2) the ratio of oil exports to the total volume of Iraqi exports for the period (2003-2019)

the year	Total Exports (Million USD\$)	Percentage of oil exports to total exports %	The ratio of non- oil exports to total exports %
2003	9711	83,9	16,1
2004	17810	99,4	0,6
2005	23697	99,5	0,5
2006	30529	99,2	0,8
2007	39587	99,2	0,8
2008	63726	99,2	0,8
2009	39427	99,2	0,8
2010	51764	99,2	0,8
2011	79681	99,2	0,8
2012	94209	99,2	0,8
2013	89768	99,2	0,8
2014	83981	99,2	0,8
2015	51338	99,2	0,8
2016	41298	99,2	0,8
2017	57559	99,9	0,1
2018	86360	99,9	0,1
2019	81585	99,8	0,2

Source: From the researcher's work based on the annual statistical bulletins for the period (2003-2019), Central Bank of Iraq: General Directorate of Statistics and Research

We note from the data of Table (2) the complete acquisition of oil on Iraqi exports, as we note in 2003 the percentage of oil in total exports was 83.9%, and in the second year this percentage jumped to 99.4% of the volume of exports, and it did not decrease from 99.2% % For the duration of the study period. This shows the Iraqi economy's dependence on oil exports to a large extent, as well as the imbalance in the structure of exports in a huge and profound way. Imports of goods and services depend mainly on public expenditures, which in turn depend on oil imports, as is evident in the data of Table (3), which shows the percentage of oil revenues in financing the general budget in Iraq for the period (2003-2019):

**Table (3) Percentage of oil revenues in financing the Iraqi public budget for the period (2003-2019)**

the year	Percentage of oil revenues in financing the general budget %	Percentage of other non-oil revenues in financing the general budget %	the year	Percentage of oil revenues in financing the general budget %	Percentage of other non-oil revenues in financing the general budget %
2003	97	3	2012	92	8
2004	96	4	2013	93,12	6,88
2005	94	6	2014	92,11	7,89
2006	93	7	2015	84	16
2007	93	7	2016	81,4	18,6
2008	88	12	2017	84,1	15,9
2009	90	10	2018	89,7	10,3
2010	90	10	2019	92,2	7,8
2011	88	12			

Source: Hussein, Karim Salem, "The Impact of International Crude Oil Prices on Some Indicators of the Iraqi Economy for the Period (2003-2015)" Al-Bayan Center for Studies and Planning, 2018: 11; The annual economic report of the Central Bank of Iraq for the years (2016-2017-2018-2019)

Table (3) data shows financing the state's general budget, the main role of oil in financing the state's general budget, which reached the average total percentage during the study period about 90.44% in financing the budget, and the low percentage of other non-oil revenues in financing the general budget with an average total percentage during the study period, which amounted to only 9,56%.

### **Second: Analysis of trade policies after 2003**

After 2003, Iraq adopted a policy of free trade and lifted all restrictions imposed on foreign trade (exports and imports) of goods and services to and from Iraq. This trade policy was not based on organizing the export and import process through legislation and laws in order to fit the reality, nature, and economic conditions in Iraq and the economic problems it suffers from, such as inflation, structural imbalances in the economic sectors, unemployment and other problems, and this is what made Iraq rely on a commercial policy with two main axes: The first axis is based on imports of a mostly consumer nature, and the second axis is based on the export of oil (Hilal,108-109:2014).

In 2003, the Coalition Provisional Authority issued Order No. (38) in order to finance the reconstruction, and the order stipulated the imposition of customs duties of 5% of the value of any imported commodity excluding and exempting food and agricultural products (Al- Deposits Al-Iraqiya, 2003: 28), and it also canceled the quota and licensing system for the most of agricultural

products imported from abroad, and this led to the occurrence of one of the main problems for the agricultural sector.

Iraq was accepted as an observer in the World Trade Organization (W.T.O) on 11-2-2004 by the organization after submitting a formal request by Iraq to join it. Iraq witnessed a new phase of trade policies in order to implement the conditions of the WTO organization in order to obtain membership as a full member in the organization, which required Iraq to follow the policy of free trade, financial and banking liberalization, and reform of tax and customs laws, and the policy of trade liberalization was approved in accordance with Law 54 For the year 2004 by the Iraqi authorities in order to pave the way for obtaining approval to enter the organization as a full member. (Al-Obaidi and Munir 2015: 275) With this law, customs duties were canceled, and the role of relevant institutions such as standardization and quality control, economic security, health monitoring departments, and other institutions were suspended, Which made Iraq an open market. And the foreign and neighboring countries of Iraq practiced a policy of dumping in order to control the Iraqi markets, which resulted in serious damage to the agricultural and industrial sector in Iraq, increasing unemployment rates in society, the leakage of hard currencies abroad, and damaging the consumer and the environment. The dumping policy of the Iraqi markets was helped by external and other internal factors. The internal factors were the owners of capital laundering their dirty money through trade as a result of the lack of legal, administrative, and financial procedures and taxes that prevent the transfer of money abroad, especially the Iraqi markets were thirsty for goods and services after the lifting of the economic sanctions that lasted For a long time for more than a decade. The external factors were represented by the foreign countries, especially the neighboring countries, to exploit the Iraqi markets after Iraq adopted the free trade policy, by introducing types of Fraudulent industrial goods, inferior agricultural products, and at low prices, in order to achieve political and economic goals to harm the Iraqi society and destroy its economy in order to remain a market for the disposal of their products. (Hussain,2017: 354).

### **Third - Analyzing the impact of trade policies in stimulating the productive sectors to grow and increase their percentage in the formation of the Iraqi GDP for the period (2003-2019)**

The impact of trade policies in Iraq has not been positive in stimulating the productive sectors (industry and agriculture). The policy of freedom and commercial openness in the Iraqi markets, the cancellation of customs duties, and the lack of control over quality after 2003 caused many factories and farms to stop working and lay off their workers due to their inability to match the Intense competition from foreign products to it. (Nazir and Al-Ani2020: 348) The Iraqi authorities have realized the need to correct the imbalances in the production structure and the structure of exports and protect national industry and products in light of the chaos and disorganization of the foreign trade of Iraq and the diversification of sources of income, so the authorities issued several laws on trade policies to strengthen the economic sectors Productivity including :

- Law to protect Iraqi products (Law No. 11 of 2010).

- Customs Tariff Law No. (22) of 2010 instead of Law No. 77 of 1955, and Order No. 38 of 2003 (Iraq Reconstruction Tax), and Order No. 54 of 2004 (Trade Liberalization Policy) issued by the dissolved Coalition Provisional Authority. This law is for the purpose of setting customs tariffs in line with the reform and development of the productive sectors of the Iraqi economy. (Al-Deposits al-Iraqiya, 2010: 3).

Despite the efforts of the Iraqi authorities to improve the performance of the economic sectors and correct the imbalances in them, trade policies have not succeeded in stimulating the productive economic sectors (industrial and agricultural) in order to increase growth and their formation ratios of the GDP, provide jobs, develop and stabilize the Iraqi economy, and reduce dependence on oil. The failure of trade policies to achieve their goals was due to a number of factors that negatively affected and affecting economic and commercial reform efforts, such as terrorist operations, political and sectarian conflicts, foreign interference in the internal affairs of Iraq, and other factors, and this, in turn, formed the phenomenon of widespread of financial and administrative corruption in all administrative and economic facilities of the state and made Iraq an Investment-repellent environment for foreign direct investment. Through the data of Table (4), we note the percentage of contributions of the economic sectors in the formation of the Iraqi gross domestic product as follows : Table (4) the Iraqi GDP and the percentage of contributions from the economic sectors in its formation for the period (2003-2019)

the year	G.D.P (Billion US \$)	The annual rate of change of GDP %	The annual rate of change of GDP %	Percentage of the contribution of the agricultural, forestry, and fishing sectors to the GDP %	Percentage of the contribution of the oil, mining, and quarrying sector to the GDP %	Percentage of the contribution of the service sector, construction, electricity, water, transportation, trade, tourism, hotels, banks, housing, social development services, public and personal services to the GDP %
2003	20,36	-----	1,01	8,32	68,14	22,52
2004	36,63	79,91	1,75	6,90	57,68	33,67
2005	49,95	36,36	1,31	6,85	57,54	34,30
2006	65,14	30,41	1,53	5,80	55,21	37,46
2007	88,84	36,38	1,62	4,91	52,94	40,53
2008	131,61	48,14	1,67	3,81	55,24	39,28
2009	111,66	- 15,15	2,59	5,19	42,97	49,25
2010	138,46	24,00	2,25	5,13	45,11	47,51
2011	185,47	33,85	2,81	4,54	53,06	39,59
2012	217,81	17,25	2,70	4,10	49,80	43,40
2013	234,65	7,73	2,30	4,80	46,00	46,90
2014	234,65	0.00	1,87	4,91	43,93	49,29
2015	177,50	- 34,35	180	3,90	29,86	64,44

2016	174,90	- 1,46	2,23	3,94	34,11	59,73
2017	195,47	11,76	2,14	2,83	39,65	55,38
2018	224,23	14,71	1,91	2,94	45,84	49,84
2019	234,09	4,39	1,59	3,94	43,49	52,33

Source: Saleh, Lawrence Yahya, and Al-Mousawi, Muhammad Taher Nuri "Structural distortions and unemployment in light of economic reform in Iraq after 2003" Al-Dhad Library, Baghdad, Iraq, 2019: 142; Data of the Ministry of Planning - Central Statistical Organization - National Accounts Directorate; World Bank data

Table (4) data shows the negligible role of the agricultural and industrial sector in the formation of the GDP during the study period, as the percentage of the agricultural, forestry, and the fishing sector was 8.32% of the GDP in 2003, and this percentage decreased year after year until it reached its lowest level at 2.83% of the GDP in 2017, while the contribution of the industrial sector ranged between 1.01% as the lowest percentage in 2003, and 2.87% as the highest percentage in 2014 for the duration of the study. The contribution of the oil sector to the formation of the product was the highest, as the average total percentage during the study period was about 48.67%. The average total percentage of the service sector during the study period was about 45.02% in the composition of the gross domestic product. So it is clear from the above that the impact of trade policies on the productive economic sectors was minimal and was not at the required level, and unlike what was mentioned in the Malaysian experience about the main role of trade policies in stimulating productive economic sectors, especially the industrial sector, on which the Malaysian government's hopes were built for development, growth, the economic evolution and the elimination of unemployment and poverty in the Malaysian society, although these policies were not up to the required level in their beginnings when Malaysia adopted the industrialization strategy to replace imports and adopt a strict protection policy for it. But those efforts succeeded by adopting industrialization for export policy and free trade policy, and this success was evident through what was mentioned about the growth of productive economic sectors, their increase in total exports, the decrease in the contribution of raw materials to total exports, as well as the increase in the proportions of the productive sectors in forming the gross domestic product, the increase in the level of employment and the decrease in unemployment rates.

#### **Conclusions :**

1- The increase in Iraqi GDP growth throughout the study period came as a result of the increase in oil revenues due to the increase in prices and oil production. Other sectors had no role in these increases.

2- The success of the Malaysian trade policy objectives in developing productive economic sectors and achieving its main objectives by employing the unemployed and eradicating poverty. Malaysia did not bring the fruits of success until after it went through development plans with a strategy that was not at the required level and replaced it with another strategy, as the economic policy after independence was directed towards achieving the strategy of industrialization for import substitution to eliminate poverty and unemployment in Malaysia, and this strategy failed to achieve its goals, which required finding A new strategy,



represented by the export-oriented industrialization strategy, the policy of free trade and open trade was adopted and the provision of support and incentives to foreign and domestic investment. Malaysia succeeded in developing the economy and developing all productive sectors and absorbing and employing thousands of workers in export-oriented industries.

3- The dependence of the Iraqi economy to the outside world as a result of the weakness of the productive economic sectors and its dependence on oil exports mainly to finance the general budget and public expenditures. This makes Iraq an importer of external economic crises, directly or indirectly.

4- Lack of coordination among the main components of macroeconomic policies.

5-Iraq's endeavors to join the World Trade Organization, economic openness, and market mechanisms, and in light of imbalances in the production structure and in the structure of exports, the Iraqi economy in the long and medium-term will not have any economic benefit from joining this organization, because Iraq's economy will become in the organization as a source of raw materials for members of the organization, on the one hand, and on the other hand, it will be an importer of the member states' consumer goods and services.

6- The ineffectiveness of trade policies in stimulating the productive economic sectors (agricultural and industrial) to grow and increase their percentage in the formation of the gross domestic product, and the negative impact of the policy of free trade on these sectors, due to the inability of their products to compete with foreign products in the Iraqi domestic markets.

#### **Recommendations :**

1- Drawing up an economic plan whereby the productive economic sectors (agricultural and industrial) are stimulated to grow and increase their contributions to the formation of the gross domestic product, reform the tax system, and work to reduce dependence on oil to finance the general budget and public expenditures gradually to be replaced by tax revenues in the long term.

2- The necessity for the government to adopt trade policies that are appropriate with the reality of the Iraqi economy and the imbalances that exist in the economic sectors. And it is taking advantage of the opportunities from the trade deficit with certain countries, especially the neighboring countries of Iraq, to establish trade exchange agreements with those countries in order to develop some national industries.

3- Calling for public sector partnership with the private sector, creating appropriate conditions for it, and attracting foreign direct investment to develop the Iraqi economy, capacity and human resources development, and improving working conditions in the private sector.

4- Protecting local products from foreign competition, controlling the border and customs outlets, protecting consumers from exploiting local products, activating quality and supervision control, and working with a pricing system for all goods and services in the Iraqi market.

5- Work to eliminate the roots of financial and administrative corruption in the joints of the state, through public awareness of the dangers of corruption on the economic and social system, improving the living conditions of citizens, improving the health and educational system, and providing adequate housing and public services.

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## دور السياسات التجارية العراقية في تحفيز القطاعات الإنتاجية على النمو للمدة (2003-2019) دراسة تحليلية على ضوء التجربة الماليزية

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هذا العمل مرخص تحت اتفاقية المشاع الإبداعي نسب المُصنّف - غير تجاري - الترخيص العمومي الدولي 4.0

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### المستخلص:

يتناول البحث تحليل الدور المؤثر للسياسات التجارية في النمو وتطوير القطاعات الاقتصادية الإنتاجية ومساهمتها في الناتج المحلي الإجمالي وانعكاس ذلك على مستوى تشغيل الأيدي العاملة. أثبتت الدراسات نجاح التجربة الماليزية في تحفيز القطاعات الاقتصادية الإنتاجية على النمو ومساهمتها في الناتج المحلي الإجمالي مع زيادة في نمو الأسواق المحلية والنفوذ إلى الأسواق الدولية للمنتجات الوطنية. ويتناول البحث أيضاً عدم فعالية السياسات التجارية العراقية بعد عام 2003 في تحفيز القطاعات الاقتصادية الإنتاجية (الزراعي والصناعي) على النمو الاقتصادي، حيث جاءت معظم الزيادة في نمو الناتج المحلي الإجمالي العراقي طيلة فترة الدراسة بفعل زيادة مساهمة قطاع النفط لارتفاع أسعار النفط وزيادة الإنتاج، ولم يكن للقطاعات الأخرى دور في تلك الزيادات، مما جعل الاقتصاد العراقي تابعا للعالم الخارجي ومستورداً للأزمات الاقتصادية الخارجية. وجاءت التوصيات برسم خطة اقتصادية يتم بموجبها تحفيز القطاعات الإنتاجية على النمو وزيادة مساهمتها في الناتج المحلي الإجمالي العراقي، وتقليل الاعتماد على النفط لتمويل النفقات العامة، وإصلاح النظام الضريبي، والدعوة إلى الشراكة مع القطاع الخاص وتهينة الظروف الملائمة له وجذب الاستثمار الأجنبي المباشر لتنمية الاقتصاد العراقي، وضرورة تبني الحكومة سياسات تجارية تتلاءم مع الواقع الاقتصادي العراقي والاختلالات الموجودة في القطاعات الاقتصادية، واستغلال العجز التجاري مع بعض الدول لوضع اتفاقية تحسين التبادل التجاري معها يتم بموجبها تنمية بعض الصناعات الوطنية

نوع الورق تصنيف: ورقة بحث.

المصطلحات الرئيسية للبحث: سياسة حرية التجارة، سياسة حماية التجارة، سياسة حماية التجارة الجديدة، استراتيجية التصنيع، الصناعات التصديرية، القطاعات الاقتصادية.

\*البحث مستل من رسالة ماجستير.