

## Economies of non-Arab neighboring countries and their trade with Iraq (Iran and Turkey)

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**Abstract :** The research deals with the economies of neighboring non-Arab countries (Iran and Turkey) to understand the nature of the economies represented by the components of their gross domestic product structure. Which usually reflects their economic capabilities and then shows the size and structure of the trade of these two countries with Iraq, and includes a set of conclusions, the most prominent of which is that both countries are diverse economies in the formation of their local products and because they are neighboring Iraq, they exploited this advantage in making the Iraqi market a space for disposing of their products of various consumer goods, and among the most prominent recommendations, the study calls for diversifying the Iraqi economy to find alternatives to imported goods from both Iran and Turkey.

**Introduction:** Iraq, after changing the political system in Iraq after 2003, sought to open up economically to the outside world with different countries of the world and to geographically neighboring countries in particular by activating the economic, trade and technical agreements that it concluded before 2003 and the new ones under the current political system. Of course, it is very necessary to stand on the nature of the economies in neighboring countries so that Iraq can know the successful areas that must be worked on to develop and thus strive to achieve a balanced economic partnership. Based on that, this research deals with studying the economies of the non-Arab neighboring countries represented by (Iran and Turkey). These two countries currently represent Iraq's main partners in terms of Iraq's need for consumer and production goods. Accordingly, Iraq achieves a continuous trade deficit with them.

### Importance of research:

Understanding the nature of the economies of the non-Arab neighboring countries enables Iraq to know the extent of the differences and similarities in the performance of their economies, which requires the Iraqi economy to follow appropriate trade policies with those countries.

Research objective:

The objective seeks to show the volume of Iraqi trade exchange to correct cases of imbalance or trade deficit with neighboring non-Arab countries.

### Research problem:

Iraq's trade deficit with Iran and Turkey is due to the diversity of the economies of the neighboring non-Arab countries, unlike the Iraqi economy, which depends mainly on oil revenues

### Research hypothesis:

an high The high of diversification of the economies of neighboring countries is due to the success of those countries in their development programs, which enabled them to increase their trade gains with Iraq

### The first topic: The nature of the economies of neighboring non-Arab countries.

#### First - The Iranian economy

##### 1- The nature of the economy

The Iranian economy is characterized by hydrocarbon, agricultural and service sectors, as well as a significant state presence in the manufacturing and financial services sectors. Iran ranks second in the world in natural gas reserves and fourth in proven crude oil reserves, while its economic base is relatively diversified as an oil-exporting country. However, economic activity and government revenues depend on oil revenues and are therefore volatile. A new five-year development plan is currently being prepared. The previous plan for the period (2016-2017) (2021-2022) consisted of three pillars: developing an economy capable of withstanding Western sanctions imposed on it, achieving technological progress in science, and enhancing cultural and civilizational superiority. It also placed at the top of its

priorities the reform of state-owned enterprises and the financial and banking sectors, as well as the allocation and good management of oil revenues. On the economic level, the plan expected an annual economic growth of 80% <sup>(1)</sup> The Iranian economy was classified according to data from the International Monetary Fund (IMF) for the year (2017). This economy has strengths and weaknesses. It has a surplus of manpower. On the other hand, the Iranian economy suffers from structural weaknesses, most notably the control of government and military institutions over economic activity, the absence of the role of the private sector, and weak competitiveness. Iran has witnessed many political and social changes and fluctuations that have been reflected in its economic activity. The revolution in Iran in 1979 and the international economic sanctions are what will be drawn to when discussing the Iranian model and its reflection on economic activity. Iran has witnessed many political and social upheavals and structural changes over the past four decades, including the Iranian revolution, the eight-year war with Iraq (1980-1988), economic sanctions, and a series of demographic shifts. These shifts had repercussions on Iranian economic activity and consumers. Iranian economic thought was influenced by the socialist ideology that prevailed in the Middle East during the 1970s and the Islamic principles brought by the revolution in Iran. Therefore, one of the institutional changes that occurred after the revolution was the nationalization of major companies in the country. This gave the government the largest role in the economy as the owner and manager of the largest companies. The clerics began to extend their influence and control over economic activity through the work of charitable institutions and associations called (ONDSB HET), which were able to control about (20%) of the Iranian economy and employ about (4 million) workers. Their heads were among the most prominent economists and producers in Iran. They succeeded in competing with the public and private sectors. Government and semi-government companies and factories enjoyed government support by providing them with inputs at subsidized prices and granting soft loans, in addition to A complex system of import licensing and tariff increases to protect the products of these companies from foreign competition <sup>(2)</sup>

## **2- The size of the GDP**

The term gross domestic product refers to the value of final goods and services produced within the borders of a country during a specific period of time, usually a year. Table No. (1) shows that Iran's GDP has been growing steadily during the first years of the table period and in the years (2000) - (2005). This is due to the rise in oil prices, which is the main sector in the formation of the GDP. Iran's GDP reached its highest level in (2010) and then gradually declined to reach a low level in (2015). The reason for this decline is the international economic sanctions on Iran, which were reflected in the decrease in financial revenues from oil, in addition to changing Iranian exports of all kinds, in addition to the decrease in financial revenues from oil <sup>(3)</sup>. It is worth noting that economic sanctions were imposed on Iran on its exports, specifically on oil exports, due to the implementation of the Iranian nuclear agreement as a result of the withdrawal of former US President Donald Trump from the deal. By the year (2020), Iran's gross domestic product reached about (239,074) billion dollars, which is about half of what it was in 2015, which is the lowest GDP due to the restrictions and procedures imposed and the closure of many residential and industrial cities to confront the Corona pandemic. The average per capita share of the gross domestic product also witnessed a significant decline in the same year, reaching (274,640) dollars, in addition to the large increase in prices in general, which made the costs of basic commodities such as food and medicine very expensive due to the renewal of sanctions by the United States of America on the Iranian oil and gas sector. According to the International Monetary Fund, the growth rate in size of Iran's gross domestic product in (2023) reached the level of (368,968) billion dollars and the fund raised this in a new report on the economic prospects for the Middle East and Central Asia region. Expectations indicate growth in Iran's gross domestic product. At about \$16 billion in 2023, according to its estimates in the previous year, the Fund indicated that Iran's output, estimated at \$368 billion in 2023, is higher than the average estimates for the years (2000-2020), i.e. \$360 billion. Thus, the average per capita share will increase compared to previous years and after Iran emerges from a four-year recession after imposing more sanctions due to its nuclear program and the post-Corona pandemic period, which means that Iran's production has increased tenfold to occupy

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<sup>(1)</sup> ) Central Bank of Group\_ [https:// www.al bank al dawli .org](https://www.albankaldawli.org)

<sup>(2)</sup> ) Al aedini , pooya, Razavi, MohaMad, Industrial\_Trade, and Employ ment policies in Iran, Springer International publishing, SWizerland,2018,p29\_

<sup>(3)</sup> ) Nazem Abdullah Abdul, Nizar Dhiab Asaf, and others. Measuring and analyzing the factors affecting Iraq's foreign trade with Iran within the framework of the gravity model for the period (2001–2016). Journal of Anbar University for Economic and Administrative Sciences, Volume (11), Issue (24), 2019, p. 408.

the fourteenth place globally. Table No. (1) indicates the size of Iran's gross domestic product and the average per capita income for different years.

**Table (1)**  
**The size of Iran's gross domestic product and the rate of per capita income in various years.**

The years	Size GDP (Billion/\$)	population (milyun nasama)	Per capita income/dollar
2000	107619	63.862	168.545
2005	400345	70.421811	5684.44
2010	486,81	74.733.230	6458.60
2015	408,21	79.370487	4990.90
2020	239074	85.329201	2746040
2023	368.968	89.2920171	5507053

Source: Prepared based on World Bank data set:-

<https://data.albankaldawll.org/country/iran-islamic-rep?view=chart>

### 3- Structure of Iran's GDP.

We address the structure of Iran's GDP as follows: -

#### A- Agriculture sector

The agricultural sector played an important and vital economic role in developing the urban and rural structure of the Iranian economy, which is an important point that has been questioned in recent years, especially after the jump in oil revenues<sup>(4)</sup>. Given the difficulties in the Iranian climate and terrain, there are no such huge agricultural areas except for the plain areas of the Caspian Sea. Also, the areas characterized by stability were scattered near water resources or where good natural conditions such as good soil or related to mountainous transportation routes were available. The area that can be cultivated is about (170) million acres out of the total area of Iran, which is about (412) million acres, and the percentage of the actual cultivated area is about (4) million acres, half of which is followed by dry farming, while rain-fed agriculture is concentrated in the western regions of Kurdistan, Kermanshah and Azerbaijan. As for irrigation agriculture, it is either through the canal system, which is an old system that depends primarily on canals that run from underground, but this system has been neglected in the recent period and reliance on modern irrigation methods from reservoirs has increased<sup>(5)</sup>. Agriculture in Iran plays a very important role as a platform for economic activities and a means of earning a living for a large part of the population. Therefore, it has always been the focus of policy makers and planners in the country to support the agricultural sector, in order to create job opportunities, flourish production in the previous and last industries, establish food security for the community, develop villages, preserve the structure of the rural population, prevent migration to the city, and preserve and sustain the environment<sup>(6)</sup>. Several factors must be available for the success of the agricultural production process, such as water, land, capital, labor force, technology, management, and modern agricultural mechanization. However, we find that one of the most important factors that can change the possibility of agricultural production in Iran is capital. Capital is considered insufficient in the Iranian economy and disproportionate to the rest of the factors. After the Islamic Revolution in Iran in 1979, things remained as they were in 1984. We find that the share of government investments in the industrial sector was twice the amount allocated to investment in the agricultural sector, meaning that the state was interested in industry and neglected the rest of the sectors in varying proportions. We also find that the agricultural sector in Iran faces many difficulties, including water scarcity and restrictions on the use of fertilizer. Chemicals and toxins used to kill agricultural pests due to their scarcity and the use of incorrect methods in production and the shortcomings in the state's agricultural policies, all of these factors have contributed to reducing the share of agricultural products as well as the decrease in farmers' income. We find in Iran that out of (65) million hectares, which is the total area of Iran's lands, we find that (10%) only of this area is suitable for agriculture and (33%) of the cultivated lands are irrigated by floods and (67%) are irrigated by rain<sup>(7)</sup>. According to the diversity of the climate, agricultural crops have diversified. Wheat was considered the main food, while barley and rice

<sup>(4)</sup> Farshad Momeni, Ahmeet Bakhsh Keshavarzi in the preservation of economic and social equivalence, Sakhtar Shehri and Rostai Iran, chapter of economics and expansion, Rosstein, Sal Shasham, Shamara 4, Bayyei, 2022, p. 19.

<sup>(5)</sup> Muhammad Abdul Ghani Saudi, Asia in the Character of the Continent and the Character of the Regions, Anglo-Egyptian Library, Cairo, 2003, p. 263.

<sup>(6)</sup> Imran Taher Rekandeh, Hamed Rafiei, and others, Journal of Economic Investigations and Expansion, Kishnavarzi, Iran, 47th edition, p. 601.

<sup>(7)</sup> Fadhel Abbas Jabbar Al-Muhammadawi, The Vital Field of the Iranian Economy and Its Implications on the Economies of the Arab Gulf States, PhD Thesis, Al-Mustansiriya University, Higher Institute of Political and International Studies, 2006, pp. 58-59.

are considered basic crops. As a result of the interest in opinion, rice production has increased due to the increase in the cultivated area. According to recent developments, many farmers have turned to raising animals as it is more profitable than growing grains due to the high price of milk. Beets also cover (50%) of the Iranian society's need for sugar. Rice and potato cultivation are widespread on the shores of the Caspian Sea, and cash crops such as cotton, tobacco, green tea, onions, and oil seeds. Dates, the number of palm trees is estimated at about (10) million palm trees spread across the south of the country, and their produce is directed to foreign markets, as is the case in Iraq (<sup>8</sup>).

#### **B- Industry sector**

The industrial sector was not in a better condition than the agricultural sector, as it was mainly linked to oil extraction and some assembly and food industries. In 1965, the total industries in the production structure were 36%, and the food industry accounted for 25% of the industrial structure. Despite this, the largest part of the population remained working in agriculture and then industry, and the percentage in 1965 was estimated at 49% and 26% respectively. However, a boom occurred in this sector after 1973, as various industrial projects were established in most villages and cities, as well as in residential neighborhoods that were considered modern and were built to accommodate employees and workers of industrial projects. The Shah's goal was to transform Iran into the largest industrial country among the countries of the world(<sup>9</sup>). In 1979, there was a change in the industrial policy, as it did not believe in the complete control of all economic activities by the religious establishment, as well as its lack of belief in the interference of foreign capital in the development of the national economy. This explains the expansion of the nationalization movement for many activities in the industrial sector. In addition, during the war period, many factories were converted for military purposes, and many of them were destroyed, such as steel and petrochemicals, in addition to internal and external problems and the shortage of material and human requirements for this sector. All of these led to instability in the industrial sector in the formation of the structure of the domestic product, and the reason is the result of the lack of a clear strategy for developing the national industry (<sup>10</sup>).

#### **C- Services sector**

The service sector in Iran achieved a growth rate of (5.8%) annually during the period of Table No. (5) and Figure (2), which was higher than the growth rate of the general GDP in Iran during the same period. Therefore, we find that the contribution of this sector to the GDP reached (886.024) billion in the year (2005) and increased by about (29.6%) in the year (2010) to reach (1525.196) billion Iranian riyals. During this period, the real estate sector and some craft services represented (35.5%) of the total share of the services sector in the GDP, while the trade sector achieved (29.6%), and the transportation and communications sector achieved (18.1%). The banking sector is also expected to witness development in the coming stage as a result of the privatization process carried out by the Iranian government (<sup>11</sup>). Looking at the composition of Iran's economic sectors, we find that the services sector controlled about (57.7%) of the gross domestic product in (2015) under the sanctions imposed on it (<sup>12</sup>). There was also a decrease of up to (51.7) in (2020) as a result of the effects of the (19-covid) pandemic, from the closure of many Iranian cities and provinces to prevent this virus, in addition to Western sanctions on the Iranian economy. However, the value of this sector began to rise during the year (2023). At the beginning of this year, this sector began to recover and provide services in an increasing manner through the percentage it achieved to the structure of the gross domestic product. This increase was the result of lifting some restrictions and bans imposed on Iran due to sanctions. Thus, the state was able to increase the provision of services and the Iranian economy was able to emerge from the state of recession that continued for several factors as a result of (19-covid), which led to the effects left by the pandemic from the closure of many Iranian provinces for prevention. Table No. (2) indicates the structure of Iran's gross domestic product.

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(<sup>8</sup>) Muhammad Abdul-Ghani Saudi, *Asia in the Character of the Continent and the Character of the Region*, 2014, p. 264.

(<sup>9</sup>) Abdul Qader Yassin, *The Stormy Transformation of Iran's Foreign Policy Between the Two Testaments*, Madbouly Library, 2006, p. 39.

(<sup>10</sup>) Journal of Arab Homeland Studies and Research, *The Role of the Main Sectors in the Iranian Economy and Its Future Prospects*, Al-Mustansiriya University - Center for Arab Homeland Studies and Research, Issue 12, pp. 119-120.

(<sup>11</sup>) Youssef Ibrahim Kamal, *The Impact of International Sanctions on the Iranian Economy*, Scientific Journal of Economics and Commerce, Ain Shams University, Faculty of Commerce, Issue 3, 2010, p. 19.

(<sup>12</sup>) Iranian Orbits Magazine \_ Arab Democratic Center, Berlin \_ Germany, Volume 2, Issue 5, 2019, p. 30.

**Table (2) Structure of Iran's GDP**

Years	Agriculture	Industry	Services	Total
2000	14	22,2	63,8	%100
2005	15,3	16,5	68,2	%100
2010	15,4	22,3	62,3	%100
2015	10,9	20,2	68,9	%100
2020	14	22	64	%100
2023	11,6	23,6	64,8	%100

Source: [https:// data, albank aldawli .org/ country /IR](https://data.albankaldawli.org/country/IR)

## **Second - The Turkish economy**

### **1- The nature of the economy**

Turkey's geographical location represents a natural capital and an important resource of national wealth, as it represents a real capital that a person, with his abilities and skills, can transform into an element of strength in the various relations between countries <sup>(13)</sup>. Since Turkey constitutes a land bridge linking the continents of Asia and Europe, this makes it control the Dardanelles Strait and the Bosphorus Strait, which are the only two outlets to the Mediterranean Sea from the south, in addition to its long coastlines overlooking the Aegean and Marmara Seas, it is the link between the three richest regions in the world (Eurasia), (the Caucasus) and the Middle East <sup>(14)</sup>. This distinguished location facilitates the attraction of capital and businessmen to trade their money in it, as well as making it easy to reach (55) countries of the world <sup>(15)</sup>. Turkey is characterized by its wide social, ethnic, demographic and religious diversity, in addition to its diverse exports of industrial, agricultural and food goods, which are among the most important sources of national income in Turkey, in addition to the important industries it owns, such as textiles, carpets, beverages, electrical appliances, cars, food and chemicals, in addition to the mineral wealth available in it, such as coal, vegetable coal, iron, copper, silver and zinc. It is also the largest producer of chromium in the world, and it also has important crops such as tobacco, cotton, tea, citrus fruits, grapes, vegetables and olives. It is one of the largest producers of hazelnuts in the world <sup>(16)</sup>. The Turkish economy was characterized during the sixties and seventies of the last century by its internal orientation, which is in contrast to the eighties of the previous century, as Turkey followed a policy of external openness, as the Turkish government adopted an integrated program for stability and structural change in cooperation with the International Monetary Fund and adopted a monetary policy aimed at encouraging local savings and opening the way for real interest rates to keep pace with inflation rates. As for financial policies, they adopted an income tax for individuals and companies of about 50%), in addition to On changing the indirect tax structure and adopting liberal trade policies from customs restrictions and allowing the value of the Turkish lira to decline by (33%), which led to an increase in the share of exports in the gross national product from (5.2%) in (1980) to (15%) in 1985. In conjunction with the increase in exports, the Turkish economy witnessed an increase in the growth rate of the real gross domestic product from (0.8%) in 1981 to about (9.3%) in (1990) compared to the global growth rate of (3.5%) for the same year <sup>(17)</sup>.

### **2- The size of the GDP**

The GDP witnessed a significant development in Turkey after the year (2000), which was reflected in the per capita income from the GDP. It witnessed a gradual increase parallel to the development in the GDP and the increase in the population and the amount of per capita income through that GDP. It is noted in Table No. (8) that the GDP in Turkey witnessed a significant gradual increase for a period after the year 2000. After the size of the GDP was (147.63) million dollars in the year (2000), it rose to reach (506.314) million dollars in the year (2005), thus achieving an increase in the level of per capita income within four years (60.9). This increase continued until the year (2010) to

<sup>(13)</sup> Muhammad Taha Badawi, Introduction to International Relations, Dar Al Nahda Al Arabiya for Printing and Publishing, Beirut 1972, p. 107.

<sup>(14)</sup> Luqman Omar Muhammad Mahmoud, Turkey in the Contemporary American Strategy: A Study of the Development of Turkish-American Relations after the Cold War 1991-2007, Damascus, Syria, Dar Al-Rida Publishing House, 2003, p. 15.

<sup>(15)</sup> Abdul Muttalib Abdul Hamid, Contemporary Development Models, Alexandria, University House, 2013, p. 190.

<sup>(16)</sup> Abdul Muttalib Abdul Hamid, Contemporary Development Models, Alexandria, University House, 2013, p. 190.

<sup>(17)</sup> [http:// I.M .F , monetary fund , Datasets Turkey , 2019](http://I.M.F,monetaryfund,DatasetsTurkey,2019)

achieve a GDP of (776.99) when the population increased to reach 72.3. In the year (2015), the GDP reached (864.32 billion dollars) after this period witnessed a clear development in the size of the GDP. During the period that followed, i.e., upon reaching the year (2020), the GDP began to recover in 2023. Official statistical data in Turkey showed unexpected growth during 2023, with a rate of (3.8%), as well as a GDP valued at (271.5) billion dollars over the previous year, recording an increase of (0.7%) over the same period of the previous year, as the GDP in Turkey reached (1,154.60) trillion US dollars. Thus, the increase in the population may be followed by an increase in per capita income. As for the GDP in Turkey, it has achieved continuous leaps during the last decade, as the data related to the GDP of the Turkish economy show a state of growth without decline, despite the many economic problems and crises, whether local or global, which negatively affected the wheel of economic growth, which indicates the extent of the flexibility of the Turkish economy and its ability to overcome crises and overcome them with the least possible losses, in addition to recovering quickly from the effects of those negative crises<sup>18</sup> ( )Table No. (3) To the size of the gross domestic product and per capita income in Türkiye.

**Table (3) Size of GDP and per capita income for the period (2000-2023) in Türkiye.**

The years	GDP size	Population (milyun nasama)	Per capita income (GDP)
2000	147.6	68.3	2918.20
2005	506.31	69.5	7456.30
2010	776.99	72.3	10742.80
2015	864.32	78.2	11556.30
2020	719.95	84.3	18536.40
2023	1.154.600	86.5	25627.20

Source: GDP.MKTP.CD , [http:// data , albank aldawli , org](http://data.albankaldawli.org).

### **GDP structure in Türkiye**

#### **A- Agricultural sector:**

Turkey is one of the first countries in the fields of agriculture and food industries due to its favorable climate and vast lands, in addition to abundant water resources. This sector is of great importance as it is the food source for the population, in addition to exporting the rest of it and obtaining foreign currency through it<sup>(19)</sup>. Among the important reasons that call for development and advancement in this sector is Turkey providing great opportunities for investment in the basic sectors as well as the secondary agricultural sectors such as fruits, dairy products, and vegetable canning, in addition to fish farming and supporting livestock<sup>(20)</sup>. This sector also employs a number of people, as it employs about (7.1%) of the total workforce, as the percentage of the GDP rose to (57.2) billion US dollars in (2014), as Turkey is the seventh largest country in the world in agricultural production. Among these crops that it is famous for growing and producing are figs, hazelnuts, raisins, dried apricots, honey production and milk, as its production reached (18.6) million tons in (2015), (36.6) million tons of grains and (17.5) million tons of Fruits (28.5) million tons of vegetables and (2 million tons) of poultry (1.1 million tons) of red meat, as for plants, their percentage constituted about (11,000) million species, while the total number of plant species was (11,500) in Europe. This abundant production enabled Turkey to maintain a positive trade balance due to its geographical location and being the largest exporter of agricultural products in Europe and the Middle East and North Africa region<sup>(21)</sup>. Table No. (7) and Figure (4) indicate that the percentage of the agricultural sector's contribution to the gross domestic product in 2005 amounted to 55.9, which is the highest percentage formed by the agricultural sector's contribution. This percentage continued to decline gradually until it reached its lowest percentage in (2010), when it reached (9.0). Then, after that, there was a change in the percentage of the gross domestic product, where the percentage in 2015 reached (2.7), and this percentage remained the same during the year (2020), when it reached (14.6%), where there was an increase in 2020, and this increase is due to the development of its economy through activating tax policies, supporting vital sectors, and developing investment policies. With this approach, there was a double increase in 2023 in the gross domestic product (15.7%), contributing to the structure of the domestic product as a result of the interest in this sector in recent years and the increasing reliance on agriculture.

#### **B- Industrial sector**

<sup>(18)</sup> [https:// www . imtilak . net . article](https://www.imtilak.net/article)

<sup>(19)</sup> Salem Tawfiq Al-Najfi, Marwan Abdul-Malik Dhnoon, Crop Structure and its Impact on Agricultural Exports in Turkey, 1969-1989, Synthetic Studies, Issue 4, Center for Synthetic Studies, University of Mosul, 1993, p. 143

<sup>(20)</sup> ) Investment support and promotion agency of turkey : [www . invest . GOV . tr](http://www.invest.gov.tr) .Food and agriculture in turkey , march 2014.

<sup>(21)</sup> )Investment Sport at Parmet Sexual Af Turkish: Woo. Invest. Goof. Tr. Th Comsls Andster. N. Turkish



The industrial sector has gone through many transformations in the industrialization movements if strategies were adopted that took over the industrial development in the first place, in addition to adopting the agricultural sector as a supporting factor alongside this sector. Among the most prominent and important industries are: - the automobile industry, the manufacturing industry, the chemical industry, and the machinery and equipment industry <sup>(22)</sup> from Table No. (7) and Chart (4), it is clear that the contribution of the industrial sector to the gross domestic product reached (34.5) in the year (2000), in addition to the fact that this percentage is large compared to the percentage of the agricultural sector, but this percentage also began to decline at similar rates until it reached its lowest value in 2010, where it reached (25.9%), to return again in the year (2015), and that this percentage began to vary between decline and increase until it reached its highest percentage in the year (2023), where it reached (21.6%). Therefore, the industry in Turkey constitutes the most important sectors that depend on it to form the gross domestic product.

### C- Services sector

Turkey is one of the leading countries exporting its services in terms of construction and building, as it ranks third in terms of performance in the world and is among the top ten countries exporting services in the field of personal service contracts and contracts <sup>(23)</sup>. It became clear to us from the data in the previous table that the largest share of the gross domestic product is in favor of the services sector, as it reached (55.7%) in the year (2000), and during the following years, this percentage rose to its highest contribution in the year (2010), as it reached (60.5%), thus achieving a higher percentage than previous years. In the year (2015), the services sector decreased slightly from the year (2010) and reached (53.5%) to rise again in the year (2020) and reached (59.9). The services sector witnessed growth in the gross domestic product in the year 2023, as it witnessed an important shift in the increase in the percentage from previous years, as its percentage in that year reached (62.7%). Thus, the services sector is one of the important sectors on which the state builds the requirements of life and advances the economic reality by paying attention to this vital joint of the state, as the data in the following table shows the structure

**Table (4) Structure of Turkey's GDP for selected years (in US dollars)**

The years	Services	Industry	Agriculture	Total
2000	9.8	34.5	55.7	%100
2005	18.2	25.9	55.9	%100
2010	9.0	15.0	60.5	%100
2015	12.7	26.8	53.5	%100
2020	14.6	25.5	59.9	%100
2023	15.7	21.6	62.7	%100

Source: Prepared with attribution to:-

World Bank Database - On the website: World Bank Database Search (bing.com).

## Section Two: Foreign trade between Iran and Turkey with Iraq

### First: Iran's foreign trade with Iraq

#### 1\_ The volume of Iran's foreign trade with Iraq

Iraq shares with Iran a group of border crossings between the two countries such as (Al-Shaib, Al-Shalamchah, Zar Batiya, Al-Mundhiriya, Mandali) in addition to the (Haj Omran and Balshamagh) crossings. These crossings witness a wide movement of trade exchange activity between the two countries, as well as the entry and exit of visitors from both countries, whether for recreational tourism or to visit the holy shrines, in addition to the presence of air transport activity that contributes to the transfer of goods and services between the two countries (1). The movement of trade exchange, in its two parts, imports and exports, witnessed a great development after the year (2003). Table No. (18) indicates that the total Iraqi non-oil commodity exports to Iran amounted to (355.862) million dollars, compared to Iraqi imports that amounted to (2687,598) million dollars, or approximately (20.687) billion dollars, with a trade deficit of (20652,011- million dollars, or approximately (20.652) billion dollars. Despite the growth in the level of trade exchange between the two countries, the volume of trade exchange between Iran and Iraq shows that the volume of Iranian imports from Iraq during the years (2019-2021) was not very large, and the reason for this is clear, given

<sup>(22)</sup> Rawaa Zaki Al-Tawil, Wasal Najib Al-Azzawi, Public Policy in Turkey: The Economic Pillar, Strategic Studies Series, Issue (30), Center for International Studies, University of Baghdad, p. 21.

<sup>(23)</sup> Türkiye and the World, 2010-2020 The emergence of a new actor on the global scene, book by the Turkish Embassy, Cairo, 1999, p. 75.

that Iraq's main exports are related to oil and its derivatives and products, and Iran cannot practically be able to import from this country like China, Turkey and other Iraqi partners. Statistics indicate that Iran's imports from Iraq in (2019) amounted to (131,625) million dollars, and in (2020) they amounted to (133,726) million dollars, and in (2021) Iranian imports from Iraq rose to (226,527) million dollars, while Iraq's exports to Iran were low and amounted to (2,55671) in (2019). In (2020), Iraqi exports to Iran are almost low due to (covid \_ 19) and the closures that It happened that Iraqi exports to Iran amounted to about (0.22923) and there was an increase in Iraqi exports, which amounted in (2021) to (0.325633) million dollars. Thus, the trade balance may constitute a deficit on the Iraqi side, unlike the Iranian side, which is the biggest beneficiary<sup>(24)</sup>. As Table No. (5) indicates that there is foreign trade between Iraq and Iran.

**Table (5) Volume of foreign trade between Iraq and Iran**

(\$1 million)

The years	Exports	Imports	Trade balance
2004	6.184	10.112605	-10642.1
2005	8.563	1421.11	-102.149
2006	6.193	1864.427	-046.427
2007	3.2605	3639.470	-3621.2
2008	3.92235	552.741	-2.34903
2009	1.106	2466.77	-15.7115
2010	6.218	572.146	-514.574
2011	5.92184	966.7252	966.133-
2012	1.2016	504.2739	-504.262
2013	2.6622	623.9563	701.9-
2014	1.73109	589.4375	589.264-
2015	1.61764	214.6078	2146.62-
2016	3.36134	1872.302	1871.97-
2017	7.12605	8713.004	8712.29-
2018	2.1848	4047.348	4074.33-
2019	2.556	131.625	131.313-
2020	2.2923	133.726	133.311-
2021	3.25633	226527	226.214_

Sources: Prepared based on: -

- Central Agency for Statistics and Information Technology, Miscellaneous Statistical Collection for the Period (2004\_2021)
- Ministry of Planning, Central Agency for Statistics, Foreign Trade Statistics, Miscellaneous Annual Reports for the Period (2004\_2021).

It is worth noting that the value of the ongoing deficit in the Iraqi trade balance reflects the superiority of the value of Iraqi imports over the value of Iraqi exports to Iran, which means that the Iraqi economy relies heavily on Iran for imports to meet the growing local demand, benefiting from the advantage of geographical proximity reflected in the low transportation costs between the two countries, which leads to positive effects represented in the low prices of goods and services heading to and from the two countries. It is worth noting that the data included in the previous table showed the nature of the trade relationship between the two countries, which is witnessing unbalanced levels of trade exchange, as Iranian goods constitute a large percentage compared to Iraqi goods, which witnessed only a very low level towards Iran, which made the trade relationship tend towards commercial dependency.

## 2- Structure of Iran's foreign trade with Iraq for the year (2022).

The economic problem, or what economists call the problem of (relative scarcity), is the main motive for establishing foreign trade between different countries. It has become a given today that no country, regardless of its economic and political system, is able to follow a policy of complete self-sufficiency for a long period of time, because that means that the country will be forced to produce all its needs, and this is not possible because its capabilities and economic resources do not allow it to do so. No matter how much a country tends to achieve this policy, it cannot live in isolation from other countries. Since countries, like individuals, cannot produce all the goods they need, need requires that they specialize in producing the goods that qualify them and their natural and economic resources to produce them, then exchange them for products from other countries that cannot be produced within their borders or can be produced but at a higher cost, in which case importing from abroad is preferable<sup>(25)</sup>. As for the structure of Iraq's

<sup>(24)</sup> Al-Assar, Rashad and others, (2000) Foreign Trade, First Edition, Al-Maisarah House for Publishing, Distribution and Printing, Jordan.

<sup>(25)</sup> Al-Assar, Rashad and others, (2000) Foreign Trade, First Edition, Al-Maisarah House for Publishing, Distribution and Printing, Jordan.



foreign trade with Iran, with the beginning of the reconstruction of Iraq and the formation of local production and their needs for industrial equipment, industrial machinery, electrical equipment, and building materials, as well as basic consumer goods such as food, pharmaceuticals, textile industries, and other required goods, they need to: Reconsidering and paying attention to the export of Iranian goods to Iraq based on the database of the International Trade Center. Table No. (6) shows the structure of Iranian exports to Iraq.

**Table (6) Structure of Iranian exports to Iraq**

The commodity	Size	Percentage
Agricultural materials	35.753.739	%8.4
Industrial materials	129.941.235	%43.5
Alcoholic materials	2.135.220	%2.9
Machinery and equipment	254.327.216	%15.8
Organic chemicals	21.235.250	%6.7
Pharmaceutical products	16.229.612	%6.4
Rubber and articles	1.827.233	%1.8
Carpets and floor coverings of textile materials	2.767.690	%3.4
Glass and articles thereof	95.440.212	%9.9
Mineral fuels and mineral oils	1.561.125	%1.3
Total	556.535.323	%100

The source was prepared based on:

Republic of Iraq, Ministry of Planning, Central Statistical Organization, Directorate of Trade Statistics.

## **Second - Turkey's foreign trade with Iraq**

### **1-The volume of foreign trade between Türkiye and Iraq**

Iraq is an important and vital market that Turkey has been able to open up to and export its surplus diverse products to. Iraq is of economic importance to Turkey because it is a source of oil wealth, in addition to the geographical proximity between them, which reflects a positive and stimulating indicator for trade relations between them. After the year (2003), Iraq became open with neighboring countries, and Turkey is one of Iraq's most important trade partners in meeting the needs of the local market. In this regard, the nature of the trade relationship between the two countries will be shown <sup>(26)</sup> and Table (18). It shows the foreign trade and trade balance between Iraq and Turkey for the period (2004-2021). The data in the previous table indicate that the total Iraqi exports to the Turkish trading partner amounted to (184,109) million dollars, compared to Iraqi imports that amounted to (22849,527) million dollars, or approximately (22,849) billion dollars, with a trade deficit of (22665,417-) million dollars, or approximately (22,665) billion dollars during the period (2004-2021). It is worth noting that the highest deficit in the trade balance with Turkey was in the year (2005) by (9735,379-) million dollars, as well as for the year (2015) by (8354,063-) million dollars, while the lowest value of the deficit in the trade balance with Turkey was in the year (2007) by (20117-) million dollars, while the other years varied up and down according to what The data in the previous table previously reflected the chronic deficit in the Iraqi trade balance with Turkey for the period between (2004-2021), through the growth of Iraqi imports more than exports, which led to a decrease in Iraqi exports in the year (2019) as well as imports as a result of the restrictions imposed due to the repercussions of (covid-19), as Turkish exports to Iraq amounted to (22.49.97) million dollars and Turkish imports from Iraq amounted to (121.861) million dollars, i.e. a deficit rate of (2129.68-). As a result of the closure that occurred in the year (2020), trade exchange decreased, as Turkey's exports to Iraq in this year amounted to (20409.67) million dollars, while Turkey's imports from Iraq also decreased to (120.21) million dollars and the deficit amounted to about (1829.229-). After that, as a result of lifting restrictions on foreign trade, Turkish exports rose to (2,223.445) million dollars during the year (2021). From the above, The trade gap, which is in favor of the Turkish country during the research period, and this gap is the result of the weakness of the production base of Iraq in light of the increasing local demand, which contributed to the increase in imports at the expense of exports, which are limited to oil exports. This confirms the existence of an unbalanced trade relationship in favor of the Turkish partner, as indicated by Table No. (7), which shows the volume of Turkey's foreign trade with Iraq.

<sup>(26)</sup> Abdulrahman Ali Abdulrahman - Zahir Abdulzahra, A geographical analysis of the Iraqi-Turkish economic relations after the year (2003) See: <http://proceedings.sriweb.org/akn/inde>

**Table (7) Foreign trade between Iraq and Turkey (billion dollars)**

The years	Exports	Imports	Trade balance
2004	0.563	2.224.4	-2.21782
2005	0.003	97.35.382	-9735.38
2006	1.068	4.503.849	-450.374
2007	2.9403	2.410.924	-2.11689
2008	1.063529	8.446218	-7.38269
2009	9.623529	6.347.790	-63.8544
2010	36.17185	6.57087	-59.5362
2011	44.7258	11.803	-730.5246
2012	61.59109	13.7262	-75.6711
2013	12.73782	1.6041	-147.677
2014	17.39739	11.4500	-97.1034
2015	0	8354.064	-8354.06
2016	0.007563	116.2597	-116252
2017	0	1636,559	-1636.56
2018	0,477311	1884,182	-1883.7
219	121,816	22049,97	-2129.68
2020	120,621	20409.67	-1829.229
2021	109,867	248.296	-224.163

Sources: Prepared based on: -

\_ Central Agency for Statistics and Information Technology, Annual Miscellaneous Statistical Collection, Foreign Trade Statistics for the period (2004-2021)

\_ Ministry of Planning, Central Agency for Statistics, Foreign Trade, Annual Miscellaneous Estimates for the period (2004-2021).

## **2- The structure of Turkey's foreign trade with Iraq for the year (2022).**

Official statistics during the year (2022) showed that Iraq topped the list of countries importing the most from Turkey in the Middle East and the Arabian Gulf region. Iraq also came among the top five countries in the world on the list of countries importing the most Turkish products for local consumption, in addition to agricultural products, grains and food. The country also imports electrical appliances, cars, and chemicals, mainly from Turkey. Turkish products are exported to Iraq through the ports and land routes located on the Iraqi-Turkish border through container transport trucks, as trade is active on the borders between the two countries. Table No. (8) shows the structure of Turkey's foreign trade with Iraq for the year (2022).

**Table (8) Structure of Turkey's foreign trade with Iraq for the year (2022)**

The commodity	Size: Billion Dollars	Percentage
Machinery, electrical appliances and equipment and parts thereof	5.147.429	%43.5
Plastic	1.561	%8.5
Iron or steel articles	3.861	%9.8
Ceramic products	0.324	%1.9
Steel	0.619	%6.4
Machinery and mechanical appliances	0.284	%1.8
Fruits and nuts	0.524	%3.8
Dairy products	0.445	%2.4
Edible vegetables	0.566	%6.3
Various articles of common metals	0.29.221	%15.8
Total	1.161.221	%100

**Source: Prepared based on: -**

**Republic of Iraq, Ministry of Planning, Central Statistical Organization, Directorate of Trade**

**Statistics .**

### **Conclusions:-**

- 1- The nature of the economies of both Iran and Turkey reflects a diversity in the structure of the gross domestic product, which enabled them to improve the per capita income rate.
- 2- The relative importance of the contribution of the productive service sectors to the economies of both Iran and Turkey has increased, as the percentage of that contribution exceeds more than 60%.
- 3- Iraq shares many borders with Iran and Turkey, which has contributed to the creation of many official and unofficial border outlets for the easy passage of consumer and production goods to various Iraqi markets.
- 4- Iraq has been experiencing a continuous trade deficit during the period (2004-2023) as a result of the Iraqi economy's lack of economic diversification.

### **Recommendations:-**

1. Iraq should work hard to diversify its economy instead of relying on crude oil exports, which constitute about 90% of its total exports.
2. Iraq's trade deficit with Iran is due to the increase in the latter's exports due to its low prices and suitability for the Iraqi market, compared to the weakness of Iraq's exports to Iran, considering the latter an oil country and does not need Iraqi oil.
3. Turkey achieves a continuous trade surplus with Iraq due to Iraq's need for Turkish production goods that are characterized by good quality and type. However, Iraq's oil exports to Turkey do not achieve a balance in their trade relations.
4. Work to conclude trade and economic agreements with Iran and Turkey to regulate border crossings and prevent the phenomenon of commercial dumping that existed in Iraq after 2003 as a result of random imports from neighboring non-Arab countries through unofficial crossings.

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