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## The impact of trade cooperation between Iraq and Iran on Iraqi economic growth for the period 2008-2023

أثر التعاون التجاري بين العراق وإيران على النمو الاقتصادي العراقي للفترة ٢٠٠٨-٢٠٢٣

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## الملخص

تناولت هذه الدراسة أساسيات كل من التعاون التجاري والنمو الاقتصادي، بالإضافة إلى توضيح العلاقة بين الصادرات والواردات بين العراق وإيران للفترة (٢٠٠٨-٢٠٢٣) من جهة والنمو الاقتصادي في العراق من جهة أخرى، وذلك من خلال تحليل واقع متغيرات الدراسة اقتصادياً. وقد استخدم المنهج الوصفي لتحليل بيانات المتغيرات الاقتصادية الكلية المختارة. وقد أثبتت الدراسة أن التعاون التجاري بين العراق وإيران لم يكن متكافئاً، إذ يستورد العراق عشرة أضعاف ما يصدره إليها. كما أثبتت أن هيكل الناتج المحلي الإجمالي العراقي أحادي الجانب ومشوه وغير متوازن بسبب اعتماده شبه الكامل على عائدات بيع النفط الخام. وخرجت الدراسة بمجموعة من التوصيات، أهمها ضرورة قيام العراق باتخاذ خطوات تصحيحية لمعالجة عدم تكافؤ تجارته مع إيران، كفرض ضرائب على الواردات العراقية من إيران، ودعم الصناعة والزراعة، وضبط المنافذ الحدودية، وتفعيل قانون التعرفة الجمركية، وتنويع هيكل الصادرات العراقية وتقليل الاعتماد على واردات مبيعات النفط الخام، والعمل على زيادة صادرات المواد المصنعة وتقليل صادرات المواد الخام، بالإضافة إلى تقليل واردات السلع الغذائية والاستهلاكية وزيادة واردات السلع الاستثمارية.

الكلمات المفتاحية: "التعاون التجاري"، "النمو الاقتصادي"، "العراق"، "إيران"

## Abstract

This study addressed the basics of both trade cooperation and economic growth, in addition to clarifying the relationship between exports and imports between Iraq and Iran for the period (2008-2023) on the one hand and economic growth in Iraq on the other hand, through analyzing the reality of the study variables economically. A descriptive approach was used to analyze the data of the selected macroeconomic variables. The study proved that trade cooperation between Iraq and Iran was not equal, as Iraq imports ten times what it exports to it. It also proved that the structure of the Iraqi GDP is one-sided, distorted, and unbalanced due to its almost complete dependence on revenues from the sale of crude oil. The study came out with a set of recommendations, the most important of which is that Iraq must take corrective steps to address the inequality of its trade with Iran, such as imposing taxes on Iraqi imports from Iran, supporting industry and agriculture, controlling border crossings, activating the customs tariff law, diversifying the structure of Iraqi exports and reducing dependence on imports of crude oil sales, working to increase exports of manufactured materials and reduce exports of raw materials, in addition to reducing imports of food and consumer goods and growing imports of investment goods .

Keywords: "Trade Cooperation", "Economic Growth", "Iraq", "Iran."

## Introduction:

Trade cooperation is a criterion for countries to measure their development and balance, and it represents a fundamental indicator of their productive and competitive capacity in the international market as the window through which they look out to the outside world.

The trade cooperation index is linked to the potential available to countries and their ability to increase exports of manufactured goods and reduce imports of consumer goods, which is equivalent to reducing the export of raw materials, and the extent to which this is reflected in their hard currency balance and improves their trade balance, which in turn leads to strengthening their general budget.

Trade cooperation in Iraq has taken many directions and paths, subject to varying considerations as a result of the different circumstances surrounding it and the different timings and successive political stages, so the impact of foreign trade on economic growth and economic development in Iraq varied from one period to another, because this impact was dependent on these varying circumstances, but if we follow the indicators of international trade in Iraq, we will find that they have become of relative importance in economic and commercial analysis for goods and services (except oil) after 2003, especially trade relations with neighboring countries compared to other countries of the world.

After 2003, bilateral trade between Iraq and Iran grew remarkably, especially after it had been completely non-existent. This is logical as a result of the return of diplomatic relations between them after being cut off for two decades due to wars and the economic blockade imposed on Iraq in the last decade of the last century. Trade data between the two countries began to record high values, especially about Iraqi imports from Iran, most of which were food and consumer goods, while Iraq's exports to Iran remained declining and fluctuating due to the state of the Iraqi economy, which is almost completely dependent on crude oil, which Iran does not import because it is an oil-exporting country. Iraq has become an open market for Iran for various goods and commodities, even agricultural ones, as a result of the lack of discipline at border crossings, the failure to activate customs tariffs, and the failure of the authorities to take effective steps in the field of developing industry and agriculture, protecting them, and enhancing their competitiveness.

The importance of the study lies in showing the extent of success of trade openness between the two countries in raising the levels of economic growth in Iraq during the study period, in addition to identifying the nature of economic relations between the two countries, and analyzing the most important indicators of trade cooperation through descriptive analysis.

As for the problem of the study, the scale of trade cooperation is in favor of Iran, as it imports one commodity and exports dozens of commodities to Iraq, and therefore its effects do not appear positive on economic growth in Iraq.

The study is based on the hypothesis that the prominent feature of the economic system is its division into two sectors with varying growth, and that growth is directed towards the advanced sector at the expense of the backward sector.

As for the aim of the study, it is to show the importance of trade cooperation as the optimal tool for allocating resources, and then analyze the relationship between trade cooperation and economic growth between Iraq and Iran.

### **Theoretical framework**

#### **1. Trade Cooperation**

Trade cooperation can be defined as all international trade transactions in their three forms represented by the transfer of goods, individuals, and capital that arise between individuals residing in different political units (Ahsan, 2020, 6). It is also known as the movement of goods and services and the transfer of capital between different countries of the world and what is related to this transfer across borders of possible commercial operations such as transportation, insurance, and other additional services (Al-Wadi et al., 2007, 329-330). It can also be defined as what takes place between countries through export and import operations where goods, services, and resources are transferred from one country to another according to specific administrative and financial procedures (Ali, 2021, 13).

The mission of commercial cooperation is to provide all the necessary services to satisfy the needs of individuals through several functions, the most important of which are, the function of buying and selling, which represents the essence of commercial cooperation, through which ownership of goods is transferred from sellers to buyers, either directly or through intermediaries, and the transportation function, transportation is one of the functions through which goods are transported from one place to another to create a spatial benefit, and through transportation, goods are distributed throughout the country by transporting them from their producer to their consumer, as well as the storage function, storage activity is considered one of the important branches of commercial cooperation, through which a balance is achieved between supply and demand, as long as the time of production of goods is not consistent with the time of their consumption, there must be a storage function, and in our era modern storage methods have developed and their number has increased to keep pace with the development that has occurred in production, and finally the financing function, all expenses required by commercial cooperation, such as paying commissions, purchase costs, transportation costs, storage costs, etc., cannot be done optimally without the financing function. This function is currently expanding through the proliferation of financial institutions such as banks, financial intermediaries that pool savings from individuals and lend them to investors (Ali, 2021, 13).

The reasons for the establishment of trade cooperation lie in the variation of production conditions. Some countries specialize in coffee production, so their focus

is on producing this commodity and exchanging it for some commodities that they do not produce domestically, such as oil and cotton, and low production costs, as the difference in the costs of producing goods and services between countries is an incentive for trade between them, especially between countries that are distinguished by advantages or economies of scale that lead to variations in the cost of producing a single unit, as well as variations in tastes and inclinations. If we believe that production conditions are similar in all countries, they may enter into trade with each other if the tastes of goods are different. There are other reasons, such as the difference in the level of technology the unequal distribution of production elements between countries, and the consolidation of cooperation in economic relations (Al-Wadi et al., 2007, 329-330).

The importance of trade cooperation emerged after World War II, and since the sixties in the era of barter, but not in absolute terms, and since the year and global trade has doubled every decade, while total world exports in 1938 amounted to about 1.24 billion dollars, but in 1948 world exports amounted to 53.7 billion dollars, while exports increased in 1958 to 95.4 billion dollars, and in 1970 exports amounted to 315.3 billion dollars and increased in 1980 to 2,012.7 billion dollars, which is considered a qualitative leap in this period, while in 1987 world exports amounted to 2480.4 billion dollars (Ali, 2021, 13), and the importance of trade cooperation for any country lies in the fact that trade cooperation leads to an increase in national income, and establishing relations with the countries dealing with it, which leads to an increase in the volume of cooperation with them, and an increase in profits by obtaining goods at a lower cost than if they were produced locally, and an increase in the number of outlets that are Through it, the surplus production is disposed of from the needs of the local market, which leads to the interconnection of the societies of countries with each other, the transfer of the necessary information and technology to create strong economies, and the reduction of distances and the elimination of borders by relying on political globalization to make the world a new and single village (Ahsan, 2020, 6).

Several fundamental factors can contribute to trade risks, including changes in exchange rates. Fluctuations in currency exchange rates can affect the value of goods and services traded between countries. For example, if a U.S.-based company exports goods to Japan and the yen appreciates against the U.S. dollar, the U.S. company will receive fewer dollars for its goods, resulting in lower revenues and profitability. Political instability. Political instability, such as civil unrest, terrorism, or changes in government, can disrupt trade and investment. Political instability can make it difficult for companies to operate in affected countries and can lead to supply chain disruptions, which can result in financial losses. Another reason that trade risk is regulatory changes. Changes in regulations, such as the introduction of new tariffs or trade restrictions, can significantly impact trade. These changes can make it harder for companies to access foreign markets or increase the costs of doing business in those markets. Finally, natural disasters, such as earthquakes, hurricanes, and floods, can disrupt supply chains, damage infrastructure, and affect transportation networks.

These disruptions can cause delays in the delivery of goods or increase transportation costs, leading to commercial risks (Ahsan, 2020, 6).

## 2. concept economic growth.

There is no specific definition of economic growth, due to the multiplicity of concepts and the difference of thinkers. However, what is agreed upon is the association of all these concepts with economic indicators that change continuously, such as gross domestic product, population, inflation rate, and per capita share of the product. It is defined as “a quantitative phenomenon, represented by the continuous increase in the per capita share of the real national product.” The average per capita share of real income is the real national income divided by the population, while real income is the ratio between monetary income and the general price level (Marc, 1990: 44). It is also defined as “a continuous increase in the total domestic product or the total national product, which achieves an increase in the average per capita share of the real national income” (Ajamiya, 2004: 73), and economic growth is that rate of growth. Gross domestic product, which indicates the speed at which the total real production of goods and services in an economy increases (Khader, 2012, 258), and also indicates the increase in the quantity of the product relative to the units of inputs, and it is the increase in the real production of society during a certain period or several periods, and growth occurs in a natural and unintended manner to meet the increasing desires and needs resulting from the increase in demand for them in society, and it also occurs as a result of the intended economic development to create growth in the industrial sector and develop it (Al-Tamimi, 1985, 15).

The importance of economic growth lies in many aspects, including generating a productive stream of goods and services sufficient to meet the needs and desires of population growth, as it is a state of the utmost necessity for sustaining life in your society. Also, achieving good rates of growth results in the possibility of fair distribution of benefits, as the relationship is direct between increased production and the formation of wealth, as a precondition for the possibility of distribution, and thus achieving a better life (Al-Bustani, 2009, 96).

Economists' views differ in identifying the sources of economic growth. Most studies indicate that the sources of growth, or as they are sometimes called, the factors of economic growth, can be limited to human resources, as the human element is of great importance in the process of economic growth, as people are the most important tool of development, its goal, and its most important means. Achieving high growth rates includes raising the standard of living of citizens in general, and the possibility of achieving this depends on the marginal efficiency of the labor element and the degree of its interaction with the rest of the other productive elements that make up the production process, such as fixed capital (machines, equipment), raw materials and modern technology, as providing labor alone is not sufficient, so it is necessary to provide skill in work through training and continuous education to make it able to contribute more to the production process (Al-Douri, 2016, 50). Natural resources are

the second most important factor in the production process and include land, wildlife, forests, minerals, water, and energy sources available to society, including oil and gas. Some countries, such as Western Europe and North America, have grown primarily based on their abundant natural resource base, with a production of oil, gas, agricultural products, fisheries, and forests. The North American regions are considered the world's largest grain exporting regions. The distribution of natural resources varies in the countries of the world. We find that certain countries are characterized by a stock of minerals such as copper, iron, and precious stones, while we find other parts of the world containing wealth in oil, natural gas, and coal. Most coastal countries adjacent to the seas are characterized by an abundance of fish wealth and other resources in the seas, and other parts are characterized by an abundance of forests. Thus, natural resources are considered one of the most important components and drivers of economic growth. (Samuelson & William, 2010, 503). The third source is capital, and capital means all financial and non-financial assets. Capital also includes, on the other hand, buildings used to store manufactured goods and others. Capital is of great importance in moving the wheel of production, given the high productivity achieved in work as a result of workers using machines. It is expected that when there are unexploited investment opportunities, production capacity can be increased by increasing the size of the capital stock. On this basis, it can be said that the greater the worker's share of capital equipment, the greater the growth rates in the economy, reflecting the technical improvements that occur in production and lead to improved productivity (Ibrahim, 2010, 378). Scientific and technological progress has a major and prominent role in the process of economic growth, as advanced technology improves production methods and increases the quantity produced, which leads to reducing the severity of the economic problem, by enabling society to produce more goods based on available resources. A vital example of this is the new technology related to computers and communications. The development of cell phones and the Internet has contributed to increasing the ability to communicate and promote products, which has enhanced production and improved market efficiency. Progress in the field of biotechnology has also led to important agricultural and medical discoveries. The sum of these technological developments is so important that they may contribute to higher growth rates than the natural rate (McConnell & Brue, 2008, 15). It is clear from the above that the growth factors constitute the elements of production as a whole. The change in these elements leads to an increase in production capabilities, which is usually called growth. In the long term, economic growth is either the result of an increase in these factors, or it results from intangible changes such as an improvement in the production technique that is positively reflected in productivity (Pugel, 2012, 121).

### **3. The relationship between trade cooperation and economic growth**

**1.3 The role of exports in economic growth:** Economist Adam Smith explained that exports are important because they are the most important successful way to increase the size of markets, and thus lead to an increase in national income, which in turn leads to an increase in the rate of capital accumulation and an increase in the rate of

economic growth in the country, and exports provide an opportunity to raise production efficiency and increase the level of international specialization in exports of produced goods (Hamadi, 2005, 4). The relationship between exports and economic growth has attracted great attention among economic researchers in developing countries, and they talked about the role of exports in economic growth, and many studies have shown that exports are the main driver for enhancing economic growth by increasing the returns on production elements and providing room for investment, to increase the level of savings and income, and as a result it will lead to sectoral growth (Vaedari, 2015, 262)).

Exports play a major role in increasing foreign exchange, which contributes to reducing the balance of payments deficit, in addition to providing job opportunities, and the desire to increase export growth and compete in the foreign market is one of the basic demands of countries' economic policies. In addition, observing the increase in exports helps in knowing and evaluating the importance of foreign trade and its impact on economic growth. This has been addressed by many economists, including (Kavoussi), who noted the existence of a strong positive relationship between exports and economic growth. Therefore, exports must be strengthened as they help increase productivity and then economic growth (Jubail, 2017, 579). Through the theory of economic growth proposed by the classical school, there is a strong positive relationship between economic growth and the volume of exports, because it is clear that the increase in exports will lead to developing the level of productivity and improving productive skills at the general level of the export sector and finally returning resources to recycling that deteriorate ineffective sectors and converting them into sectors where production efficiency is high. Here the importance of exports appears as a means of driving the wheel of economic growth (Al-Abdali, 2005, 8). From another perspective, economist (Myrdal) noted that foreign trade cannot perform tasks that affect economic growth, especially in developing countries. This is due to the control of capitalist countries over international economic relations and their practice of exploiting and plundering the resources of these countries creating wide competition and expanding their influence in those regions to control the economies of those countries. As for (Nurkse), he noted that foreign trade is a means of expanding economic growth and a tool for dividing resources. His question appears from the contribution of foreign trade in forming a developmental role in developing countries, due to the obstacles facing their exports that are in the markets of developed countries (Abu Eida, 2013, 352). Therefore, the prevailing trend in developing countries is to lead exports that adopt a policy of economic growth that helps in obtaining a larger mark to sell products, which means providing more opportunities for local manufacturers to control economies of scale (Vijayasri, 2013, 116).

**2.3 The role of imports in economic growth:** The relationship between economic growth and imports tends to be more complex than the relationship between exports and economic growth. This complexity is due to the economic and non-economic factors that determine the demand for imports. These factors include external



economic conditions, local economic conditions, exchange rates, labor, production costs, and political factors. The main factors, represented by real income, greatly affect imports. An increase in real income that supports consumption leads to an increase in economic activity, which in turn leads to an increase in revenues (Ugur, 2008, 55). It has been shown through economic growth models that capital accumulation is one of the main means of forming economic growth, and that developing countries are limited in their ability to form capital accumulation due to the lack of local savings, and as a result of the incomplete production structure, capital accumulation will remain dependent on imported capital goods, but the ability of these countries to import is in hard currencies that are considered export revenues, so export growth is supposed to be at levels that make imports grow sufficiently to obtain desired growth rates. Thus, we notice that the higher the export growth, the higher levels of growth we will obtain (Al-Fatlawi and Shaker, 2016, 3). Imports have a dual effect. There are cases in which they are a necessary source of economic growth, especially when they include technical devices and equipment that play a role in developing production and increasing investments. In the other case, imports are considered the main reason for the exit of the local currency, which leads to a weakening of the trade balance and thus to economic growth. (Bakari, Mabrouki, 2017, 68). Obtaining intermediate investment goods at simple prices when compared to the cost of producing them locally, will lead to an increase in the growth rate according to the principle of comparative advantage, but the increase in total imports creates a restriction in growth depending on what is obtained from imports, and this will lead to creating problems in countries that cannot provide hard currencies necessary to keep pace with imports, and this will increase the fragility of the economy (Gerni and Athers, 2013, 19). The trade openness policy reduces import prices by reducing customs taxes, so the increase in these prices will affect consumers of these imports, and this effect is in the form of hidden taxes if they are related to intermediate consumption or final consumption, so the trade openness policy directly affects consumption, which in turn indirectly affects income, and this effect is through the multiplier, and increasing income leads to increased economic growth (Saadoun, 2020, 105).

It is clear from the above that exports have a positive role by disposing of the surplus that exceeds local needs, and in return, hard currencies will be obtained that are used to import raw materials and technology necessary to develop production capabilities and increase the competitiveness of local goods in foreign markets. This contributes to increasing investment and local production and thus will be reflected in individuals by increasing their income and developing all areas of life, reaching economic prosperity, which is the main goal of all economic systems. As for imports, they have an impact on economic growth from two sides. The first side has a positive impact on economic growth, as capital goods have a role in expanding production capabilities and keeping pace with development in the world and benefiting from it in supporting the country's development process, especially if the imported goods are investment goods. As for the second side, its impact is negative on economic growth, and this

concerns the large import of consumer goods that are without returns, as their role is to meet the need for local demand from foreign markets only.

### **Developments in trade cooperation between (Iraq and Iran) for the period (2008-2023)**

Trade cooperation between Iran and Iraq refers to a unilateral relationship between the two countries, and part of these unilateral economic relations is natural as a result of Iraq's consumer economy. Accordingly, it is impossible to achieve a balance in the trade balance in relations between the two parties, at least in the short or medium term. With the presence of more than 1,450 km of common borders between the two countries, Iraq has a special position in Iran's foreign policy. With the US invasion of Iraq in 2003, Iran's trade relations with Iraq expanded after they were almost non-existent due to the war and the severance of relations between the two countries. Due to the international sanctions imposed on Iran in the last ten years, Iraq has become the second-largest export destination for Iran, for non-oil goods and services. This section shows the developments in these trade relations between the two countries as follows:

#### **1. Developments in the total and inter-Iraqi exports:**

Iraq's imports from Iran represent all goods and services imported to Iraq by Iran, i.e. they are Iran's exports to Iraq. Our analysis has dealt with the total exports of Iraq and Iran and Iran's exports to Iraq, to make a comparison between the total exports of Iraq and Iran, which were analyzed in the previous two sections, in addition to measuring the relative importance of Iran's exports to Iraq from its total exports. Table (1) shows the developments in the time series of Iran's exports to Iraq during the period (2008-2023), which represents (Iraq's imports from Iran), and we note that they were generally increasing during the period (2008-2022), as after being in 2008 at (918 million dollars), it became in 2022 at (9346 million dollars), with some very slight differences noted in 2010, as well as the slight differences that occurred during the period (2015-2020), in which the time series of Iran's exports to Iraq is almost stable with an average of (\$6270 million), while during the year 2023, the time series recorded a noticeable deterioration due to the repercussions of the spread of the Coronavirus referred to in our analysis of total exports, to become (\$4978 million), and to observe these developments accurately, see Figure (1). Through the same table, we notice the time series of the relative importance of Iran's exports to Iraq during the period (2008-2023), and we notice its variation up and down throughout the study period, and that the range between its highest value recorded in 2022 at (0.14) and its lowest value in 2008 at (0.01) was relatively large at (0.13), which calls for us to study these developments accurately, as after calculating the relative importance rate for the entire study period, it was found that it was much less than the average range value, as it was (0.06), which means that the relative importance during the first half of the study period (2008-2015) was low and its average was (0.03), while during the second half (2016-2023) the relative importance was high compared to the rate of the first half at (0.08), and this is one of the important results

reached by the study, and it indicates that inter-trade between Iraq and Iran has developed significantly during the period (2013-2020) This is regarding the increasing relative importance of Iran's exports to Iraq, and despite Iran's decreasing exports to the countries of the world during the period (2016-2020) due to international economic sanctions, as well as the relative stability in the value of its exports to Iraq, the relative importance rates of its exports to Iraq from its total exports were increasing at high rates (see Figure (2)).

When comparing the developments in the time series of total exports of both Iraq and Iran to the countries of the world and accurately during the period (2008-2023), we notice the relative similarity of the up and down in the time trend for both series throughout the study period.

It is worth noting that total Iranian exports were greater than total Iraqi exports during the study period, except for their almost similarity in 2018, but we notice that total Iraqi exports in 2019 and 2020 were greater than total Iranian exports, with a significant decrease in the value of the two series (see Figure (1)). We note that the time series of the relative importance of Iranian exports to Iraq from its total exports varied, despite the almost continuous increase in the value of exports (see Figure (3)).

**Table (1): Developments in total and inter-Iraqi exports (Iraq's imports from (Iran) for the period (2008-2023**

Years	Iran's exports to Iraq (million dollars) (3)	Iran's exports to the world (million dollars) ((2)	Iraq's exports to the world (million dollars) ((1)	Relative importance of Iran's exports to Iraq / Iran's exports to the world (٢) / (٣)
٢٠٠٨	918	68685	27149	0.01
٢٠٠٩	1809	79541	33242	0.02
٢٠١٠	1842	100918	40776	0.02
٢٠١١	2762	109587	66239	0.03
٢٠١٢	4560	94570	43993	0.05
٢٠١٣	4539	118779	54599	0.04
201٤	5179	148867	82505	0.03
201٥	6337	144500	97029	0.04
201٦	6028	123735	93066	0.05
201٧	6485	100128	88949	0.06
201٨	6214	76002	57561	0.08
201٩	6131	93645	46830	0.07

20۲۰	6425	111079	63497	0.06
20۲۱	8961	97810	92772	0.09
20۲۲	9346	65250	88903	0.14
202۳	4978	46323	53693	0.12

Source: The researcher's work based on:

1. Column (1): World Bank data published on the bank's website

<https://data.albankaldawli.org/indicator/NE.EXP.GNFS.CD>

2. Columns (2) and (3): Trade statistics data for international business development published on the Trade Map website

[https://www.trademap.org/Country\\_SelServiceCountry\\_TS.aspx](https://www.trademap.org/Country_SelServiceCountry_TS.aspx)

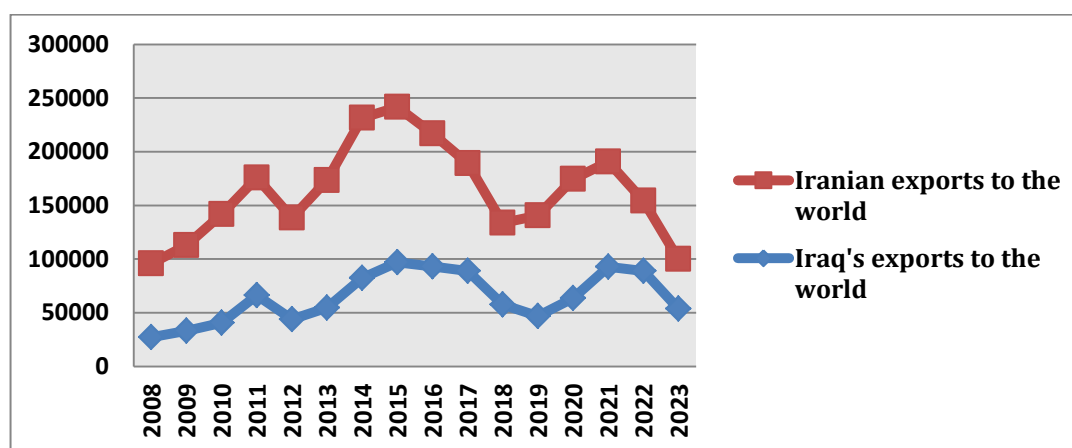


Figure (1): Developments in the total exports of Iraq and Iran to the countries of the world for the period (2008-2023)

Source: Researcher's work based on data from Table (1)

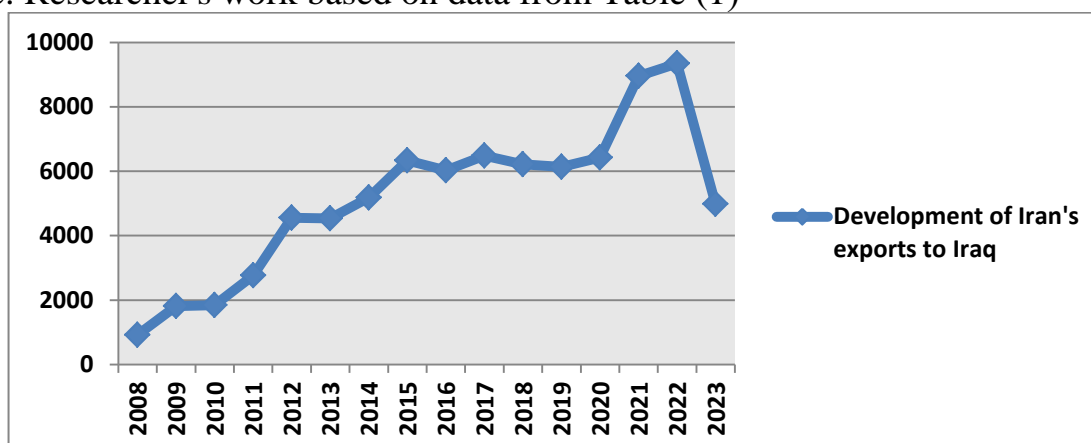


Figure (2) Developments in Iran's exports to Iraq for the period (2008-2023)

Source: Researcher's work based on data from Table (1)

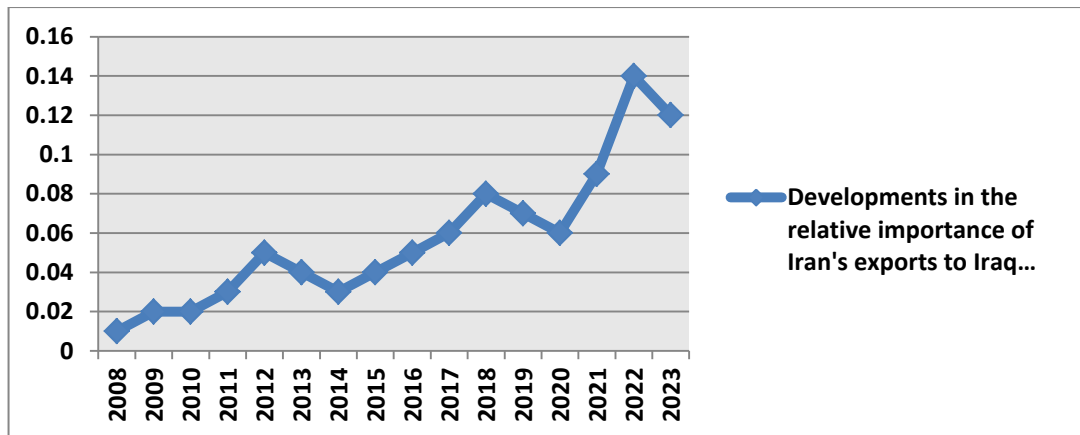


Figure (3): Developments in the relative importance of Iran's exports to Iraq out of its total exports

Source: Researcher's work based on data from Table (1)

## 2. Developments in total and inter-Iraqi imports (Iraqi exports to Iran):

Iraqi exports to Iran represent all goods imported to Iran by Iraq, i.e. they are Iran's imports from Iraq. Our analysis of this cooperation has addressed total Iraqi and Iranian imports to measure the relative importance of Iran's imports from Iraq out of its total imports.

Table (2) shows the developments in the time series of Iran's imports from Iraq during the period (2008-2023), which represents (Iraq's exports to Iran), and we note that it was characterized by extreme variation, and recorded large leaps, and after each leap it decreased continuously for several years, as after it was at its lowest level in 2008 at (\$3 million) and rose by a small percentage to become (\$7 million) in 2009, while in 2010 it recorded a large leap to become (\$92 million) due to the significant growth in trade in edible materials of animal origin, lead, copper and aluminum, then we note its continuous decrease for the period (2011-2013) to become (\$46 million) in 2013, and in 2014 the time series recorded a large leap for the second time to become (\$124 million) due to its purchase of used iron materials (scrap) and piled up in Iraq after implementing the system The scrapping of old cars in addition to their imports in addition to the growth of its imports of plastics, mineral fuels and aluminum, then the time series recorded a continuous decline during the period (2015-2018) to become in 2018 (\$50 million), while during the years 2019 and 2020, the time series of Iran's imports from Iraq recorded a continuous increase over its value in 2018 by (\$64 million) and (\$77 million) respectively, due to the significant growth in trade in machinery, devices, electrical equipment and their parts, audio recording and broadcasting devices, and audio and video recording and broadcasting devices. During the year 2021, the time series recorded a decline to become (\$59 million), while during the years 2022 and 2023 it became (\$61 million) and (\$123 million) respectively, and this is the third and highest jump during the study period, which it recorded in 2023 despite the repercussions of the spread of the Corona virus, and the reason for this jump is Iran's By importing paper waste and rubber products in large quantities (see Figure (5)).

When comparing the developments in the time series of total imports of both Iraq and Iran to the countries of the world in an accurate manner during the period (2008-2023), we notice that the relationship between them was directly proportional during the period (2008-2014), as well as during the years 2017, 2020 and 2023, but it was inverse during the periods (2015-2017) and (2020-2022) as well as during the year 2018. It is worth noting that total Iranian imports during the study period were greater than total Iraqi imports, and it becomes clear to us that the year 2015 was a turning point for total Iranian imports, as we notice a significant decline in the time series of total Iranian imports since 2015 and its continuous variation until the year 2023, due to the sanctions that were tightened on Iran at the end of 2014. When comparing this trend with the time course of the Iraqi import series, we will conclude that Iraq, had its total import series not been affected by the events of June 9, In 2017 and its repercussions during the period (2017-2019), total Iraqi imports would have been higher than total Iranian imports for the period (2017-2023), and evidence of this is the time course in the value of the two series (2020-20122), which shows that had it not been for the severe impact of the spread of the Corona virus on total Iraqi imports, the year 2023 would have been a turning point between the two series, and this confirms that the US Senate and House of Representatives' approval of the comprehensive law on sanctions, accountability and divestment from Iran in 2015 had a significant impact on reducing Iran's foreign trade (see Figure (4)), and we note that the time series of the relative importance of Iran's imports from Iraq varied up and down throughout the study period, and we note that its time course is similar to a large extent to the time course of the time series of Iran's imports from Iraq, as its highest percentage was in 2023 at (0.0024) and its lowest percentage was in the years 2004 and 2008, with a rate of (0.0001), and its average for the entire period was (0.0007%)

Table (2): Developments in total and inter-Iranian imports (Iran's imports from Iraq) for the period (2008-2023)

<b>Years</b>	<b>Iran's imports from Iraq (million dollars) ((3</b>	<b>Iran's imports from the world (million dollars) ((2</b>	<b>Iraq's imports from the world (million dollars) ((1</b>	<b>Relative importance of Iran's imports from Iraq / Iran's imports from the world ((3) / (2</b>
٢٠٠٨	3	54,597	30,670	0.0001
٢٠٠٩	7	62,043	25,156	0.0001
٢٠١٠	92	73,628	25,046	0.0012
٢٠١١	67	89,280	40,441	0.0007
٢٠١٢	63	87,394	43,867	0.0007
٢٠١٣	46	94,299	47,207	0.0004

201٤	124	101,973	51,553	0.0012
201٥	83	139,202	63,439	0.0005
201٦	70	107,937	65,104	0.0006
201٧	61	92,870	68,618	0.0007
201٨	50	74,195	58,500	0.0007
201٩	64	86,984	44,116	0.0007
20٢٠	77	106,163	48,424	0.0007
20٢١	59	93,672	56,840	0.0006
20٢٢	61	79,815	72,283	0.0008
202٣	134	58,046	48,150	0.0023

Source: The researcher's work based on:

1. Column (1): World Bank data published on the bank's website (<https://data.albankaldawli.org/indicator/NE.EXP.GNFS.CD>)
2. Columns (2) and (3): Trade statistics data for international business development published on the Trade Map website ([https://www.trademap.org/Country\\_SelServiceCountry\\_TS.aspx](https://www.trademap.org/Country_SelServiceCountry_TS.aspx))

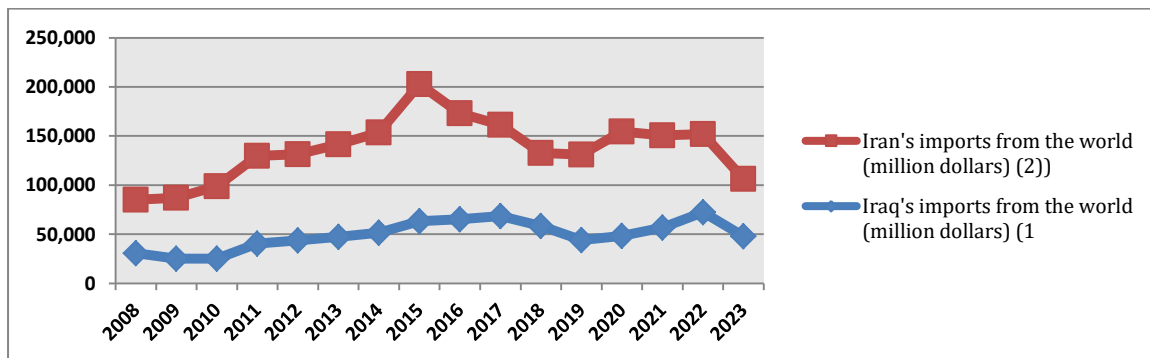


Figure (4): Total imports of Iraq and Iran to the countries of the world for the period (2005-2020)

Source: Researcher's work based on data from Table (2)

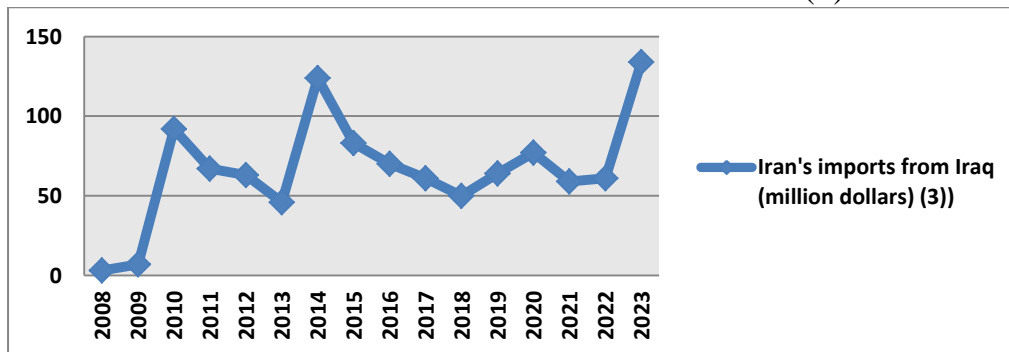


Figure (5): Iran's imports from Iraq for the period (2005-2020)

Source: Researcher's work based on data from Table (2)

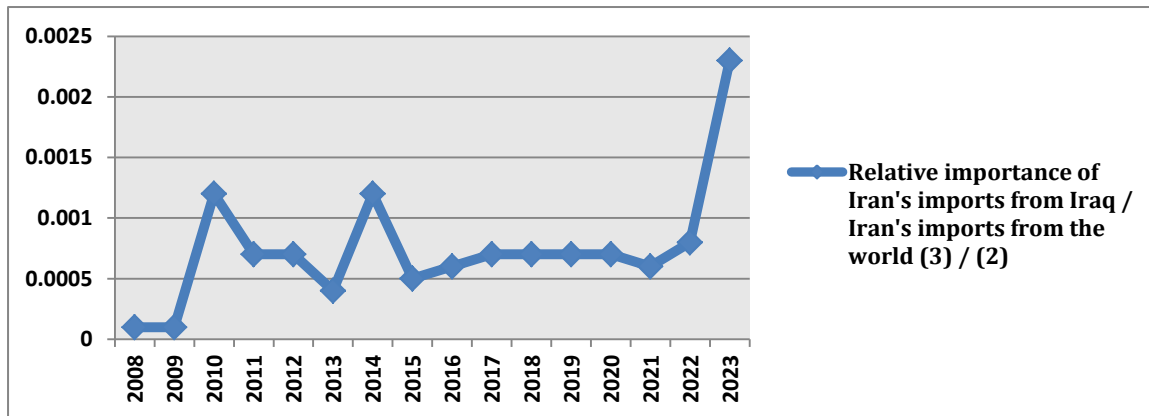


Figure (6): Developments in the relative importance of Iran's imports from Iraq out of its total imports

Source: Researcher's work based on data from Table (2)

The researcher believes, through the above data, that trade cooperation between Iraq and Iran is unequal (unilateral), as Iraq imports from Iran ten times what Iran imports from it, as the average percentage of Iraq's exports to Iran (Iran's imports from Iraq) for the entire period amounted to a value equal to one ten thousandth and (0.0007), while the average percentage of Iraq's imports from Iran (Iran's exports to Iraq) for the entire period amounted to a value equal to one hundredth and (0.06), due to the consumer pattern of the Iraqi economy, and that Iraq can impose large taxes on goods imported from Iran in order to reduce Iraqi imports from it and in return work to reduce taxes on goods exported to Iran, in order to mitigate the severity of the disparity in the values of trade cooperation between the two countries, and we note that with the tightening of economic sanctions on Iran, its trade activity with Iraq has grown significantly, and it is necessary to analyze the nature of the goods that Iraq imports from Iran and try to produce them domestically, and the government must support those industries through its financial policy and grant them production subsidies in the long term. Short in order to reduce its import, whether from Iran or from any other country.

## Conclusions

1. The study showed significant differences between the Iraqi economy compared to the Iranian economy, especially in terms of the importance of its sectors' participation in the structure of the gross domestic product, in addition to achieving self-sufficiency in food commodities, and the development of its export industries despite its limited financial capabilities. However, its trade policy is considered successful because it is limited to importing oil as a basic material to support its sectors.
2. The added value of foreign trade tends to be against Iraq, as its imports did not bring about any development in the fields of industry, agriculture, research, and development. On the contrary, the impact was negative on the remaining industry and



agriculture, and its ability to compete with imports declined in light of the clear bias towards replacing imports with local products.

3. Flooding the market through excessive import operations, which entails qualitative losses in terms of the quality of these imports, in addition to the side effects on public health, as most of these imports are food consumer goods that are not subject to health control controls.

4. Future losses Iraq can be considered one of the countries that will remain for the longest possible time an importer of consumer, construction and industrial needs in light of the illusion of trade openness and the lack of optimal use of its economic resources, which deepens the shortcomings of its sectors.

### **Recommendations:**

The study recommends the following recommendations:

1. Iraq should take corrective steps to address the inequality of its trade with Iran, the most important of which are, imposing taxes on Iraqi imports from Iran, supporting industry and agriculture, controlling border crossings and activating the customs tariff law.
2. Diversifying the structure of Iraqi exports and reducing dependence on revenues from the sale of crude oil, to reduce the impact of global financial crises that have negatively affected its selling prices.
3. Working to increase exports of manufactured materials and reduce exports of raw materials, in addition to reducing imports of food and consumer goods and increasing imports of investment goods.
4. Working to increase the percentage of contribution of distribution and service activities to address the distortion of the structure of the gross domestic product.
5. Conducting future studies and research related to the classification of goods imported from Iran and neighboring countries, and providing recommendations for their local production and preventing their import in the future.

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