Foreign Trade Policy in Iraq Since 2003: Reality and Advancement Possibilities[1]

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Date of Receiving:14th December 2022;
Date of Acceptance:25th January 2023;
Date of Publication: 28th February 2023

ABSTRACT

The research attempts to discuss the confusion in the Iraqi trade policy after 2003 and the lack of a clear vision for it, where this policy was based on the export of oil and the dominance of imports of a consumer nature, which resulted in a state of rotation in a vicious circle. Where the researcher believes that it is necessary to follow a policy that carries a kind of protection by activating a balanced trade policy in the customs tariff, which leads to reducing random imports on the one hand, and on the other hand not affecting the purchasing power of the Iraqi consumer, in addition to supporting the local economic sectors in which we have a kind. One of the types of competitive advantage, through the subsidy method, In order to be able to find a suitable situation for exporting the commodities of these sectors, thus achieving a balanced trade policy that would support the Iraqi economy.

Keywords: *Trade Policy; Iraqi Trade Policy; Potential for Advancement; External Sector.*

INTRODUCTION

Trade policy is an important, fundamental and influential factor in the economic path of any country. With the global openness of trade policy, it plays an important role as an important part of country's economy, due to the financial resources it generates for the country, where it is necessary to pay attention to this aspect by developing a strategy that works to encourage the orientation towards a market economy. As for Iraq after 2003, trade policy has become the main element in providing the needs of the internal market, although oil prices after 2003 have recorded very high record rates, but this did not have a tangible and positive impact on the Iraqi economy and the desired requirements for its advancement.

The Problem

The research problem arises about the ineffectiveness of the trade policy adopted in Iraq after 2003, where the weakness of customs administrative procedures and a decrease in the application of customs tariff systems and quantitative restrictions. Which opened the door wide for various industrial and agricultural commodities, and producers lost incentives to produce, in addition to that society has become encouraging with a culture of consumption.

Hypothesis

The research is based on the hypothesis that "Iraq's adoption of a well-thought-out trade policy based on scientific foundations, as well as carrying out reform operations and developing the General Authority of Customs and Border Crossings administratively and technically, will lead to the success of the trade policy necessary to meet the requirements of economic advancement."

Objectives: The research aims to shed light on the following issues:

1- Laying down the theoretical foundations related to trade policy.
2- Clarifying the reality of trade policy in Iraq after 2003.

[1] *How to cite the article:*
Alsaadi S.S., Hameed A.M., Foreign Trade Policy in Iraq Since 2003: Reality and Advancement Possibilities, IJLMSS, Jan-Mar 2023, Vol 7, Issue 1, 44-54

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3- Proposing a set of mechanisms to enhance trade policy.

Methodology

In order to achieve the objectives of the research and prove its hypothesis, the descriptive analytical method of data and studies related to the subject has been relied upon.

Importance

Trade policy is of importance to the economy in general and the Iraqi economy in particular, because of its effects on the economic aspects, in addition to the fact that this policy expresses the economic face of the country compared to the countries of the world. Also, success in pursuing an effective commercial policy has crucial results. As reaching cooperation agreements and success in reaping competitive advantages would create a position for Iraq in the global market, and thus increase the volume of exports of national commodities.

Structure

The research was prepared in a structure consisting of three sections, which are:

1. Theoretical and conceptual framework for trade policy, where this section deals with identifying the concept of trade policy, its objectives, and the doctrines of trade policy (the doctrine of trade protection policy, the doctrine of trade freedom policy, and the doctrine of the new protectionist policy).

2. Reality of trade policy in Iraq after 2003, where we will get acquainted with the trade policy in Iraq after 2003, and then analyze the trends in the development of the structure of foreign trade.

3. Mechanisms and opportunities for adopting effective trade policies in Iraq, This section deals with the most important mechanisms and opportunities available towards adopting effective trade policies for the Iraqi economy after 2003.

THEORETICAL AND CONCEPTUAL FRAMEWORK OF TRADE POLICY

Concept of Trade Policy:

Trade Policy expresses the country's economic and social orientation through its dealings with the outside world. Trade policy has been defined by many definitions, but they all have a common understanding, as it is defined as “a set of procedures and measures taken by a party or an official public institution or specialized in international trade affairs with the aim of taking care of the interests of the state or the country concerned in this regard towards the foreign parties with which it is exchanged” [(1)].

It is also defined as a set of measures taken by the state within the scope of its reciprocal relationship with other countries; in order to achieve certain objectives [(2)].

There is another definition of trade policy that may be more comprehensive, so it is defined as “the choice of the state as a specific and specific destination in its commercial relations with the outside (freedom or protectionism), expressing that by issuing legislation or taking decisions and procedures that put it into practice” [(3)].

Accordingly, all definitions flow into the same content or close to it, but they may differ from the angle of view of them, as they can be “a set of means and procedures that differ from one country to another, according to the circumstances that surround that country, the conditions, the available capabilities, the needs, and many other factors, such as objectives.” What the state aims to achieve by following the commercial policy in question is the nature of the system and the degree of economic development [(4)].

Trade Policy Objectives:

These objectives can be divided into three major groups:

- **Economic Objectives:** which include the following [5]:

1- Protecting the emerging local industries from the competition of developed foreign commodities that threaten the survival of the local industry.

2- Achieving internal and external balance by protecting the national economy from external influences, for example deflation and imported inflation that directly affects the local economy.

3- Protecting the products of the national economy from dumping, which is defined as selling the commodity at a price lower than the local production cost price, or less than the price at which it is sold in the exporting country, or less than the internationally recognized price. This leads to the exit of local commodities from the market due to their inability to continue.

4- Encourage and develop commodity exports (industrial and agricultural) in order to increase their ability to compete with foreign commodities.

5- Expanding the role of the private sector in production so that it becomes the main engine for the comprehensive development process and maintaining and increasing employment.

- **Social Objectives:** include the following [6]:

1- Protecting the interests of some segments of society, such as farmers and producers that produce certain commodities that are essential and essential to the states' economy in terms of providing commodities and absorbing the largest possible amount of labor.

2- Redistributing the national income among the different classes of society. As this objective is considered one of the vital objectives of commercial policies in any field to achieve compatibility between social fabric.

- **Financial Objectives:** include the following [7]:

1- In order to increase the financial resources of the public treasury of the state through obtaining taxes and customs duties imposed on imported or manufactured goods to cover public expenditures.

2- Achieving balance in the balance of payments. This is done using certain procedures by controlling exchange rates and controlling the foreign currency.

- **Strategic Objectives:** include the following [8]:

1- Achieving food security: which is about enabling all individuals at all times to have physical and social access to adequate and safe food. Where it poses the greatest danger to the state in the absence of internal and external political stability, such as the outbreak of wars and economic crises.

2- Obtaining strategic shares in the global markets: by achieving the diversity of the parties to the foreign dealings of the countries of the world, not being limited to one country over another in order to increase the national income.

3- Decisions must be taken on the basis of the national interest in order to prepare appropriate trade policies for the national economy away from external influence, to distance the economic and political dependence of the state.

4- Promoting national and community affiliation in local consumption.

5- Preserving the national wealth of natural resources for future generations and not rapidly depleting them.

Doctrines of Foreign Trade Policies:

The history of economic thought refers to the history of trade to express trade policies that fall in two main directions: the first represents freedom of trade, and the second represents trade protection.

According to developments in the international economic arena, another type of trade policy can be added, which we can call the new protectionist policy [(9)].

- **Free Trade Policy:**

The first to call for the policy of free trade were the pioneers of classical thought, whether they were English or French, where they proceeded from the intellectual principle of seeking to achieve the interests of their countries without caring for the interests of other countries. The policy of commercial freedom is defined as "a set of procedures and measures aimed at transforming the foreign trade system into neutrality, meaning not leaving room for state interference in imports and exports by removing or easing tariff and non-tariff restrictions on the flow of international trade." [(10)]

The policy of commercial freedom can also be defined as "a set of rules, procedures and measures that work to remove or reduce direct or indirect restrictions, quantitative or non-quantitative, tariff or non-tariff; in order to contribute to the flow of international trade across state borders with the aim of achieving economic objectives specific" [(11)].

In this context, the policy of commercial freedom is to remove all restrictions and obstacles imposed on the movement of goods and services from one country to another, but this does not mean that this policy means that it is merely to open the door to trade between different countries for all goods and services that are produced in one country will flow to other countries. This depends on the type of commodities, whether they are commercial commodities or non-commercial commodities [(12)].

- **Protection Trade Policy:**

This policy expresses the state in which the state follows a policy of isolation and unilateralism. This policy was fully implemented by the commercial thinkers, due to the preferential advantages of the country implementing it at the time. Where this policy was of interest to the merchants, they imagined it to be the source of the states' wealth, which is measured by its precious metals represented in gold and silver. Therefore, they demanded that the state should intervene in the field of international trade, by restricting imports and opening the way for exports [(13)].

The policy of trade protection is also defined as "the government's efforts to protect local producers from international competition, by using the states' general authority to influence, in one way or another, the direction of its exchanges, by following a set of laws and legislation, and taking measures and implementing them with the aim of protecting it has goods or market from foreign competition" [(14)].

Thus, the trade protection policy is followed by a group of countries, where they impose taxes on imported goods that are similar to national products, or by closing local markets, or by permanently or temporarily preventing the entry of those goods by imposing protection for local products, especially for agricultural or industrial products [(15)].

The policy of protection is also defined in the government restricting freedom of trade with other countries by following some methods such as imposing customs duties on imports or setting a maximum limit on the share of imports during a certain period of time; in order to provide protection for local productive activities from competition with foreign products [(16)].

- **New protectionist policy:**

The new protectionist policy is defined as "a set of tools and standards that restrict the movement of world trade, affecting the movement of commodities and products between countries. [(17)]

There is another definition of this policy as "standards and measures based on a set of discriminatory measures against foreign companies or commercial interests of other countries" [(18)].

Therefore, the new protectionist policy is a set of measures that are unclear as to whether they are consistent with trade agreements or not, which play their role through their tools to divert global trade markets from their correct path in order to achieve the commercial interests of countries at the expense of other countries.

REALITY OF TRADE POLICY IN IRAQ AFTER 2003:

Brief about Trade Policy in Iraq after 2003:

Trade policy has taken a large part of global foreign trade, as it is an integral part of economic policy that is related to economic development programs (19).Therefore, the importance of foreign trade in the Iraqi economy appears by exchanging the surplus of locally produced commodities, especially crude oil, with commodities that the country needs. The foreign trade sector in Iraq was distinguished by a certain nature and characteristics that differ from those that distinguished it from other sectors of the economy that reflect its problems in this sector. We find appropriate solutions for it. Where Iraq adopted the policy of liberalizing foreign trade with the aim of giving local production the necessary competitiveness against imported commodities, in addition to Iraq's endeavor after 2003 to complete the procedures for joining the World Trade Organization (20).

Despite the need of the Iraqi economy for foreign trade to be active in order to advance its economy, its foreign trade suffers from a major structural imbalance, Which is represented by the domination of crude oil as a raw material on more than (95%) of its exports, which leads to the absence of commodity diversity for exports, in contrast to the fact that its imports constitute a wide spectrum of various consumer and investment commodities. Imbalance will stand in the way of achieving the targeted objectives of foreign trade in Iraq. This situation for Iraq represents the conditions of most developing countries, where the process of achieving economic development in these countries is represented in the fact that foreign trade is characterized by weak rates of trade exchange, and its great dependence on exporting raw materials, in addition to some agricultural products of developed countries at fluctuating prices that will affect the balance of their foreign trade (21).

Analysis of Trends in the Development of Foreign Trade Structure:

Foreign trade is a measure of the capacity of the national economy. As the analysis of foreign trade through a study of the development of levels of exports and imports, through the study and analysis of several quantitative indicators with economic evidence of the relative volume of trade development, and the level of its diversity, which gives the reality in which the trade policy of Iraq (22).

Table (1): Structure of Foreign Trade in Iraq for the period (2003 - 2021)

(Million dinars)

Years	Gross Domestic Product at Current Prices (GDP)	Exports of Goods and Services (X)	Imports of Goods and Services (M)	Trade Balance	Annual Growth of Exports (%)	Annual Growth of Imports (%)	Ratio of Exports to GDP (%)	Ratio of Imports to GDP (%)	Ratio (Exports + Imports) to GDP (%)
	1	2	3	2-3= 4	5	6	{2/1}*100=7	{3/1}*100=8	[{2+3}/1]*100=9
2003	29585788.6	22897246.2	22734254.4	162991.8	–	–	77.4	76.8	154.2
2004	53235358.7	29956020.0	34050969.0	(4094949.0)	30.8	49.8	56.3	64.0	120.3
2005	73533598.6	39963945.0	45145710.0	(5181765.0)	33.4	32.6	54.3	61.4	115.7
2006	95587954.8	48780390.6	36914707.8	11865682.8	22.1	(18.2)	51.0	38.6	89.6
2007	111455813.4	51158039.1	31422753.0	19735286.1	4.9	(14.9)	45.9	28.2	74.1
2008	157026061.6	79028558.7	48249768.6	30778790.1	54.5	53.6	50.3	30.7	81.0
2009	130643200.4	51473565.0	51326145.0	147420.0	(34.9)	6.4	39.4	39.3	78.7
2010	162064565.5	63880713.0	55232658.0	8648055.0	24.1	7.6	39.4	34.1	73.5
2011	217327107.4	96531318.0	60316542.0	36214776.0	51.1	9.2	44.4	27.8	72.2
2012	254225490.7	113151788.2	73980251.4	39171536.8	17.2	22.7	44.5	29.1	73.6
2013	273587529.2	108514489.6	75910914.0	32603575.6	(4.1)	2.6	39.7	27.7	67.4
2014	266332655.5	103714534.0	80008354.8	23706179.2	(4.4)	5.4	38.9	30.0	68.9
2015	194680917.8	67192475.7	68289455.7	(1096980.0)	(35.2)	(14.6)	34.5	35.1	69.6
2016	196924141.7	55352469.0	52145112.0	3207357.0	(17.6)	(23.6)	28.1	26.5	54.6

2017	**225722375.5**	**75180282.6**	**57333501.0**	**17846781.6**	**35.8**	**9.9**	**33.3**	**25.4**	**58.7**
2018	**251064479.9**	**109726005.6**	**67227432.0**	**42498573.6**	**46.0**	**17.3**	**43.7**	**26.8**	**26.8**
2019	**224570332.3**	**240258760.2**	**58902015.0**	**21184237.4**	**21.4**	**1.2**	**35.0**	**26.3**	**46.1**
2020	**243785729.2**	**141165048.4**	**61154316.0**	**27176530.8**	**34.4**	**9.4**	**37.3**	**26.2**	**43.9**
2021	**239806847.1**	**491149814.2**	**62427921.0**	**30286447.3**	**33.9**	**9.3**	**38.7**	**26.4**	**38.9**

Source: *Ministry of Planning, Central Statistical Organization, Directorate of National Accounts, different years.*
- Columns (4, 5, 6, 7, 8, 9) were extracted by the researcher based on the data of the same table.
- Numbers in brackets indicate that the values are negative.

We note from Table (1) that the trade balance fluctuated between surplus and deficit, in 2003, the trade balance recorded a surplus of (162991.8) million dinars, then this surplus turned into a deficit in 2004, amounting to (4094949.0) million dinars, and in 2005 it amounted to (5181765) million dinars. The reason for this deficit is the initiation of the process of transforming economic policies from a planned economy to a market economy, and the accompanying economic openness in addition to the procedures for canceling protection, the quota system and licenses, and replacing them with customs tariff fees represented by the Iraq reconstruction fee amounting to (5%) of the value of imports, except for foodstuffs, and medicines according to the legislation of the Coalition Authority No. (38) Of (2003). All of these measures led to the uncontrolled import by the private sector of cheap and low-cost foreign goods that were blocked from the market before 2003, due to the economic blockade on the country. This means that the deficit in the trade balance contributed to enhancing the distortion suffered by Iraqi economy generated by the superiority of the domestic demand rates for individuals over local production, so that this demand is secured through imports from other countries. After that, the deficit in the trade balance turned into a positive surplus during the period (2006-2014), as exports recorded an increase resulting from the increase in oil exports due to the increase in the price of a barrel of crude oil from (54) to (102) dollars per barrel. In 2015, the trade balance recorded a deficit amounting to about (1096980.0) million dinars, the reason for this was the crisis of low global oil prices in mid-2014, which was reflected in the value of domestic oil exports. While the balance achieved a slight surplus in 2016 amounting to (3207357.0) million dinars, the surplus in the balance continued to be achieved in 2017 amounting to (17846781.6) million dinars, and it also recorded a surplus in 2018 that amounted to (42498573.6) million dinars. This increase in the trade balance is due to the increase in the price of crude oil, while the trade surplus for the year 2021 amounted to (3286447.3).

In order to define the trends of foreign trade more clearly, the economic exposure index was relied upon, which is calculated through the following equation:

$$\text{Economic Exposure} = \frac{(\text{Exports} + \text{Imports})}{\text{GDP}} \times 100$$

This indicator shows the importance of foreign trade to the gross domestic product of a country's economy. The higher the value of this indicator, the more influential the economy will be in its foreign trade. Also, this indicator shows the extent of economic openness to the global market through foreign trade, where if the degree of exposure exceeds (50%), the country's economy is in a state of economic exposure to the outside world [(23)].

This indicator overlaps with two other indicators [(24)]:

- **Economic Dependence on Imports:** It is calculated by the following equation:

$$\text{Economic Dependence on Imports} = \frac{\text{Imports}}{\text{GDP}} \times 100$$

Whereas, if the percentage ranges between (12%-20%), then the country is in a state of balance in its foreign trade, but if the percentage exceeds (20%), then this indicates the commercial dependence of the local economy on the global economy.

- **Economic Dependence on Exports:** It is calculated by the following equation:

$$\text{Economic Dependence on Exports} = \frac{\text{Exports}}{\text{GDP}} \times 100$$

If the index value is high, this indicates that the country has allocated a large part of its production for export purposes. It also refers to the country's integration into the global community, and the establishment of economic relations with other countries, but if the value of the indicator is low, then this indicates a low degree of economic growth (25).

Returning to Table (1), we note that the ratio of imports to GDP over the period of the study has exceeded (20%), which is a negative indicator of the trade balance. While the ratio of exports to GDP was relatively good, the largest percentage resulted from the export of crude oil. While the degree of economic exposure exceeded (50%) for all years of study, this indicates that the Iraqi economy is economically exposed to the outside, as it depends on the outside world in its imports in order to cover the local demand for various commodities, due to the weakness of the local production base towards Maximizing and diversifying exports; in return for reducing imports and reducing their diversity. As an inevitable result of mismanagement of the trade policy file, and that commercial dependency has made Iraq a fragile economy exposed to external economic shocks and crises.

MECHANISMS AND OPPORTUNITIES FOR ADOPTING EFFECTIVE TRADE POLICIES IN IRAQ:

The liberalization of foreign trade provides an opportunity for developing countries, including Iraq, to access foreign markets after suffering for many years from the narrowness of their domestic markets, which provides them with optimal utilization of natural resources and achieving savings in production by taking advantage of the advantages of production, as well as expanding productive industries that enjoy comparative advantages. Competitive capabilities with available resources and stimulating the private sector. In addition, allowing foreign investments as a first step towards economic reform and foreign trade reform. The trade policy in Iraq after 2003 was characterized by its lack of clarity, as it relied on oil exports in exchange for large imports of a consumer nature in light of the sudden openness that prevailed in Iraq, leading to the emergence of many negative effects, in addition to complications at all levels and the economic conditions of the country. In order to extricate Iraq from this situation, it requires a strategy that puts the economy on the right path of economic reform.

Requirements for Reforming Trade Policy in Iraq:

One of the consequences of liberalization and the orientation towards a market economy, which means adopting private property as a trend towards privatization, as it results in freedom of decision making and ownership, as well as freedom of choice for producers and consumers, and then economic reform, which aims to raise production capacity and increase the degree of flexibility of the economy, which will reflect positively on the economy and avoid Internal and external economic crises by strengthening competitive capabilities. The reform takes place starting with the trade policy as the basis that controls the economic activity of the foreign sector, work to correct the price mechanism, reduce subsidies as much as possible, and reform the labor market, in addition to making amendments and reforms to the financial and banking system, as well as paving the way for the private sector to work in this field. In addition to paving the way for foreign banks, Iraq also pursued a wide-ranging policy of openness towards the outside world through its endeavor to establish an economic base that operates according to market mechanisms aimed at improving Iraq's foreign trade after the abolition of economic sanctions, which led to the marginalization of Iraq in the global economic system, causing in depriving him of progress, investment opportunities and the use of technology to enhance productivity and competitiveness, which made him suffer from the legacy of his isolation from the world. The policy adopted is not sufficient to put it on the right track to compete with the rest of the countries, where trade liberalization is a positive step in order to promote local investment as a result of the increase in oil revenues and its high prices, to be reflected positively on the volume of domestic investment that depends on export revenues, but in the context of Iraq's liberation of its long-term trade policy, it faces an important choice between canceling customs tariffs and granting an optimal tariff that can support the objectives of public policy in a broader way, as within the framework of support for accelerating the process of joining the World Trade Organization, the competent authorities have called for more information related to Internal support and subsidies for the agricultural sector, pricing policies, import licenses, investment and customs laws (26).

Export Policies in Iraq:

Export policies in Iraq require securing markets for traditional exports such as raw materials and some foodstuffs in order to raise the competitive capabilities of various Iraqi products, increase demand for them and provide them in a better way through the application of all means and bilateral trade agreements, in order to reduce the gap between exports and imports as much as possible without creating trends, Inflation or the effect on the economic balance (27), where exports are of great importance as a cornerstone in the process of growth and advancement of the Iraqi economy. Among the most important factors for the success of the export process are (28):

1- **The ready resources available for the export process:** which are related to the local resources or the resources of the exporting institutions, such as the ability to prepare studies and research related to the market and access to appropriate information, in addition to the necessity of having human resources and choosing qualified and trained.

2- **Methods and methodology of marketing in the Iraqi economy:** In the sense of studying the market conditions, access to information, correct analyzes and conclusions and the extent of the existence and use of distribution channels in foreign markets.

3- **Commitment of the department supervising the export:** This matter relates to the institution's ability to plan, develop strategies and plans, and implement them according to quality standards, in addition to subjecting them to control, review, and supervision, in the sense of setting special goals and objectives that are interrelated and related to the export process.

4- **Commodity quality requirements:** meaning the standard specifications enjoyed by the commodities subject to export, as they are controlled through the quality of their quality, prices, and the quantity of services provided before and after the sale.

5- **Preferential tax treatment:** where public companies in the country and certain regions can benefit from tax cuts on income and sales, in addition to the capital tax, and other direct and indirect taxes.

Customs Exclusions on Imports (Raw Materials, Capital Goods):

The abolition of quantitative restrictions and customs tariffs on imports of raw materials, primary materials, machinery and equipment will lead to a reduction in the cost of investment and the creation of new investment opportunities, as following this policy leads to the development and encouragement of the Iraqi local private sector to produce. Reducing customs taxes on intermediate inputs affects investment through two main channels [(29)]:

First Channel: Real Income Channel or Wealth Channel: where reducing customs taxes on imports for intermediate inputs and raw materials works to reduce the cost of these commodities, and then increase the profit rates for existing production projects with import content for their intermediate inputs, in addition to the possibility of creating new investment opportunities, and increasing The flow of imported inputs increases production efficiency by increasing the efficiency of mixing production inputs in some sectors, especially those concentrated on imported intermediate inputs. Thus, real income increases, so investment increases.

Second Channel: Savings Channel: the decrease in the cost of intermediate inputs may lead to a decrease in the relative prices of local final products to make them more competitive with their imported counterparts, and it also encourages more investment in order to increase production on the one hand, and on the other hand, the decrease in relative prices works to increase Real income and increase savings and then investment.

Foreign Exchange Rate Policy and Exchange Control:

Trade policy is linked to monetary policy through the influence of the latter on the former through the foreign exchange rate, as it leads to a state of balance at home and removes the risk of external crises whose impact is transmitted through imported consumer and productive goods. The foreign exchange rate of any country is that rate at which the central bank is willing to exchange its local currency for the currencies of other countries in the foreign exchange markets is often determined in US dollars. After 2003, the Central Bank of Iraq was able to achieve stability in the foreign exchange rate in the local market, although there are changes, except minor changes for 2012 due to the economic and political conditions that were reflected in the exchange rate, as the demand for the dollar increased for various purposes, including speculation; to lead to raising the foreign exchange rate in the parallel market from (1196) to (1233) dinars per dollar, as this corresponds to a decrease in the value of the Iraqi dinar. Despite the action of the Central Bank, which was able to reduce the price to (1166) dinars per dollar for the same year through the foreign currency auction in order to restore support for economic activity and achieve stability. The policy of the Central Bank of Iraq for subsequent years continued to adopt the same approach.

There are three ways for the Iraqi economy to maintain the foreign exchange rate (30):

1- Covering the growing demand by using their foreign exchange reserves.

2- Reducing the growing demand for foreign currency by applying commercial tax policies and measures that are formulated to reduce the volume of demand for imports.

3- Interfering in the foreign exchange market by rationalizing the limited supply of foreign exchange that exists to meet the demands of customers, which is known as foreign exchange control widely used by third world countries in order to maintain the state's reserves of foreign exchange at the prevailing official exchange rate, especially in In times of crisis, with the aim of mitigating fluctuations in the markets, the state resorts to adopting a multiple exchange rate to direct trade policy in a direction that benefits certain purposes.

The foreign exchange rate helps maintain the external competitiveness of countries, and the balance of payments improves by reducing the deficit in the current account. This is done by dividing commodities into two parts (31):

A- Tradable goods: which are goods and services that can be exchanged between two countries, as they represent actual exports of locally produced and consumed goods, which can be exported, and imported goods that are produced locally as alternatives to import.

B- Goods cannot be commercially exchanged: that it difficult to exchange them because their prices are determined by local supply and demand.

CONCLUSIONS AND RECOMMENDATIONS:

Conclusions:

1- The concept of trade policy is related to many aspects, foremost of which is the issuance of legislation or taking decisions and procedures that are consistent with the type or objective of that policy in its historical or political frameworks or as an economic tool.

2- Despite the increase in Iraqi exports during the period after 2003, the trade balance was facing a permanent deficit due to the huge imports of food, consumer and other items to meet the local need for commodities.

3- Because of the development of events in Iraq after 2003, we notice that there are great pressures on the economic sectors, and their weak competitiveness in the face of imported products.

4- Reducing or eliminating customs tariffs resulting from foreign trade liberalization agreements have negative effects on developing countries, including Iraq, as customs revenues for various developing countries constitute a large part of their total revenues, for this reason these countries may resort to compensating for their losses by imposing new taxes.

5- Iraq needs efficiency in the use of economic resources, and directing attention to the infrastructure to be a solid base for building a sound economy.

6- Iraq cannot adopt the policy of free trade unless it achieves progress in its economic sectors (agriculture, industry, and services). Through the experiences of countries, such as Turkey and Malaysia, could not achieve development and develop their exports without developing the agricultural sector, then industrializing in its various fields, by relying on technological development using modern mechanization, including the orientation towards a market economy.

Recommendations:

1- Reforming the trade policy followed in Iraq towards applying a kind of protectionist policy, by activating customs tariff policies whereby the quantities of imported goods and services can be controlled randomly and limited. This is done by applying a selective protectionist policy to certain sectors for specific periods, on the condition that the purchasing power of the Iraqi consumer is not affected, in addition to providing support to the local economic sectors that enjoy a comparative advantage that makes them suitable for competition. For example, the strategic industries are characterized by forward and backward links that help them cover the local need and then the ability to export.

2- The Iraqi economy is in great need to develop a comprehensive economic strategy, including a strategy for trade policy, in order to influence the economic situation where unfair competition with commodity and service products flowing to Iraq through open borders with the outside world, with the presence of economic sectors that are semi-idled or unable to competition generated an unprecedented dumping in all aspects of commodity supply in Iraq. This prevents the remaining productive potential, especially agricultural ones, from achieving marginal production that cannot withstand competition or from developing its products.

3- Taking procedures that reduce the size of economic exposure in Iraq, the most important of which is resorting to diversifying exports and increasing their contribution to foreign trade.

4- Following a national program with the aim of raising productivity and improving quality in order to increase exports in quantity and quality, and raise the competitiveness of the local product at home and abroad, as well as protecting the local product against imports by protecting emerging industries. Work to follow up the dumping policies that the local market is exposed to and take preventive measures and measures.

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