



The role of exports and imports in promoting sustainable economic development in Iraq after 2004

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ABSTRACT

The Iraqi economy witnessed an openness after 2004, and this would place the responsibility on local production to keep pace with international economic developments, and mobilize the energies of the economy towards increasing production and achieving economic surplus, by supporting exports, and to develop a platform that determines its imports from the inputs of the production process in line with local capabilities. On the other hand, to provide these materials and maintain competitiveness. But what happened after 2004 was random steps without proper economic planning, which led to a distortion of the process of economic openness, which caused the Iraqi economy to lose its economic resources and production capacities. The research assumes that exports and imports can be harnessed to serve sustainable economic development plans and to achieve an economic surplus when there is a real will on the part of decision makers to build their economy and face its problems. The research concluded weak economic indicators related to the activity of exports and imports, and the predominance of the rentier economy. Iraq has lost its economic resources and the inability to implement sustainable economic development plans. The research recommended that the decision-makers' will is important in overcoming the difficulties and obstacles that stand behind the distortion of the structure of the Iraqi economy, and not benefiting from exports and imports in mobilizing the capabilities of the local economy.

Keywords:

exports of goods and services, imports of goods and services, gross domestic product, sustainable economic development.

Introduction

Exports of goods and services are a channel that generates funding for local economic activities, and an incentive for businessmen and investors to increase their investments and local production and strengthen production bases. In order to serve sustainable economic development and achieve an appropriate business environment that supports economic activities and their productive links, as well as

the economic surplus, which is the fuel that drives the wheel of local production and its branches throughout the country.

Imports are no less important than exports in terms of their economic importance, as they are the raw materials that facilitate business access and production development, and through the import of goods and services, imbalances in macroeconomic are absorbed when an excess of domestic demand or

production shortfalls occur. Therefore, the trade policy is the axis that bridges the relationship between income and abroad, and it is the regulatory framework between the trading partners because of the bilateral agreements and arrangements that it contains that insist on international cooperation and enhance joint action towards the formation of joint commercial organizations, arrangements or areas. *Research problem*: The deterioration of the macroeconomic environment, as unequal trade relations in favor of the outside, which caused wastage of economic resources, weak local production and a decline in exports with oil, which is a raw material that is not manufactured and does not include an added value that can promote sustainable economic development. *research importance*: Exports can give hope for an improvement in the arts of local production and the business environment, which would support the capabilities of the local economy towards optimal allocation and economic efficiency. Placing imports in a strategic balance based on equal trade relations and reciprocity is the mechanism through which to reduce the economic damage that occurred as a result of opening the borders without real controls. *Research Hypothesis*: Exports and imports can be directed to serve sustainable economic development plans and achieve an economic surplus when there is a real will on the part of decision makers to build their economy and face its problems. *search objective*:

- 1- Analyzing the ratio of exports to output.
- 2- Analyzing the ratio of imports to output
- 3- Evolution of export and import price indices.
- 4- The extent to which exports and imports contribute to sustainable economic development.

Research Methodology: The descriptive and inferential approach was adopted by adopting total indicators to show the relationship of the research variables and based on references, books, periodicals and related reports.

Theoretical framework for exports and imports

Exports and imports represent an important part of the trade balance of any country, and they are the main artery that drives foreign trade and trade exchange between the countries of the world, whether developed or developing ones. It is obtained from exports or from the various benefits derived from imports. Exports represent (goods and services produced within a country that are purchased by foreign countries and sent by land, air, sea or via e-mail)¹.

It can be defined as (a process by which the economic surplus achieved by a country is sent to external countries that suffer from low levels of production and represents a means to achieve the economic well-being of the mutual countries)². It is also known as (commercial operations carried out by local production centers for the purpose of selling goods and services and marketing them to foreign countries)³.

The importance of exports can be summarized as follows⁴:

- 1- Achieving sustainable economic growth, as one of the objectives of the economic policies of any country is to achieve a high and sustainable growth rate through the development and development of exports through the achieved positive returns that help attract foreign investments to achieve sustainable economic development.
- 2- The development of export industries achieves many benefits for the state and society, including providing state revenues, improving the trade balance, reducing the deficit in the public budget and improving the standard of living, as well as providing important resources for investments.
- 3- The growth of exports leads to the promotion and construction of various factories, which leads to the expansion and development of the industrial base using clean energy, the employment of local labor, the elimination of unemployment, the improvement of price levels, and the reduction of inflation rates in order to achieve sustainable development.

4- Through export, local products are sold in world markets and benefit from the economies of scale achieved in the marketing process. Products with seasonal uses can be sold in global markets and achieve high profits.

The determinants of export⁵:

1- Production capacity and volume: If the production capacity is weak and the volume of production is small, export levels decrease, and vice versa, the higher the volume of production, and the production factors are employed and access to comprehensive utilization increases, the growth of exports increases.

2- The volume of global demand: as the volume of global demand for local products increases, the volume of exports increases and grows dramatically to reach sustainable growth.

3- Competitiveness: If the ability of local products to compete with foreign goods is weak, the volume of exports decreases, and vice versa, whenever there is a competitive advantage and ability to compete with foreign goods, the volume of exports increases. Or through low costs in the manufacture of the exported commodity.

Imports are defined (goods and services that were produced in the countries of the outside world and that are consumed inside the country, as their increase leads to a decrease in the demand for locally produced goods and services)⁶. It is defined as (the total goods and services that the state brings from foreign countries)⁷. It is also defined as (a process by which products are transported from foreign countries to within the country)⁸.

Advantages and disadvantages of imports:

Imports have important benefits and positives for the importing country, as any resource produced in the countries of the world is available locally thanks to imports, which helps to increase preferences and provide options for various commodities, as well as meet the country's needs of various types of goods and services. Because no matter how much the country produces goods locally, it remains in need of other countries, to meet its requirements, and some countries benefit, by importing some goods whose production cost

is less than their cost externally. If it produced them locally, for example, Britain would import some delicate goods from Switzerland because of the low cost of production there, although Britain can produce them locally⁹.

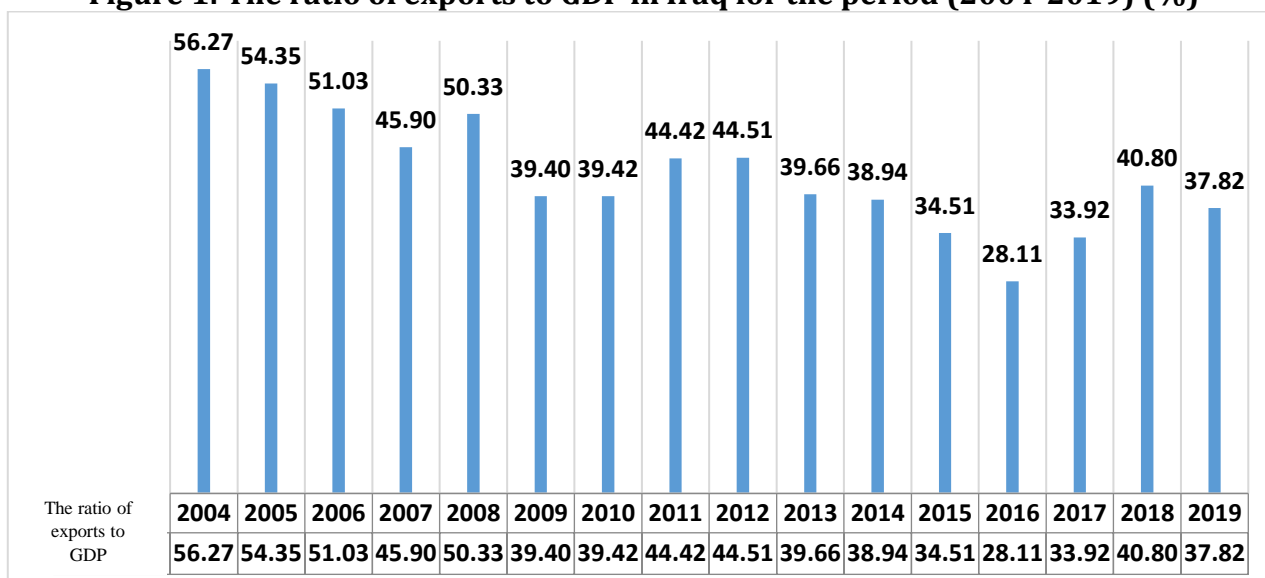
Foreign trade, especially imports, plays an important role in strengthening and improving economic and political relations between different countries of the world. Through imports, it is possible to benefit from primary commodities, raw materials and intermediate goods, from which the country can benefit in agriculture and industry and in promoting the requirements of sustainable development. Despite these advantages, imports have disadvantages, including that they lead to dependence on foreign goods and not to produce them locally, which leads to the suspension of local factories and layoffs of workers. Hence the spread of unemployment. Imports also increase the country's need for hard currency, and consequently, its prices rise compared to the local currency, which causes high inflation rates¹⁰.

The evolution of the indicators of exports and imports in Iraq and their role in sustainable economic development

A. Export to GDP ratio analysis

The ratio of exports to output in Iraq during the research period ranged between (65.27%) in 2004 as a maximum and (28.11%) in 2016 as a minimum. To the rapid response of the local economy to the impact on the international environment of crises and fluctuations in international markets, which stressed the dependence of the Iraqi economy on those markets, the most important of which is the oil market. Which its caused the fragility of the Iraqi economy seriously. This means that most of the share of exports in the output did not arise from diversifying the sources of local production or expanding production lines and increasing the effectiveness of economic activities, but rather the high percentage stems from the increase in the export capacity of crude oil in the Iraqi economy.

Figure 1: The ratio of exports to GDP in Iraq for the period (2004-2019) (%)



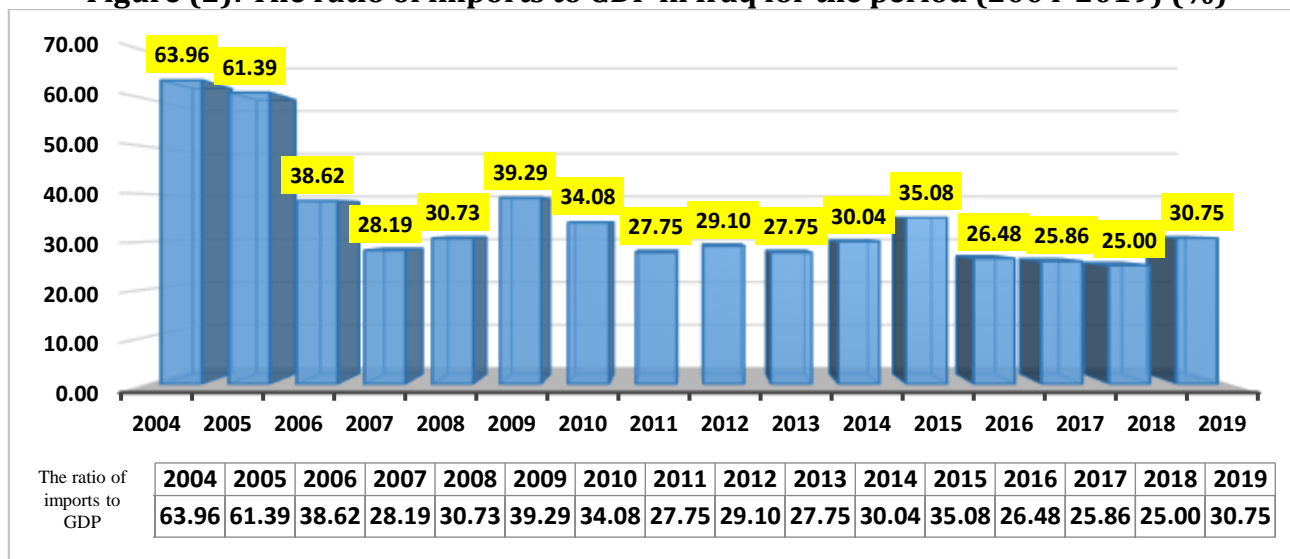
Source: World Bank, Economic Indicators, Various Years.

B. Import-to- GDP ratio analysis

The ratio of exports to output in Iraq during the research period ranged between (63.96%) in 2004 as a maximum and (25%) in 2018 as a minimum. Business, high political fluctuations and security instability, which played an important role in the spread of quotas, factionalism, extortion and fraud, leading to the exploitation of positions for individual interests, and this constituted an obstacle for businessmen to access promising investments

in Iraqi lands. Which led to the adoption of the open-door policy in order to compensate for the overall supply shortage through the import window, which contributed to the exit of hard currency and that foreign trade represented by imports became an important channel for the formation and accumulation of wealth and political interests with the private sector, which lost the initiative of the private sector to restore Efficient reform of the economic system.

Figure (2): The ratio of imports to GDP in Iraq for the period (2004-2019) (%)



Source: World Bank, Economic Indicators, Various Years.

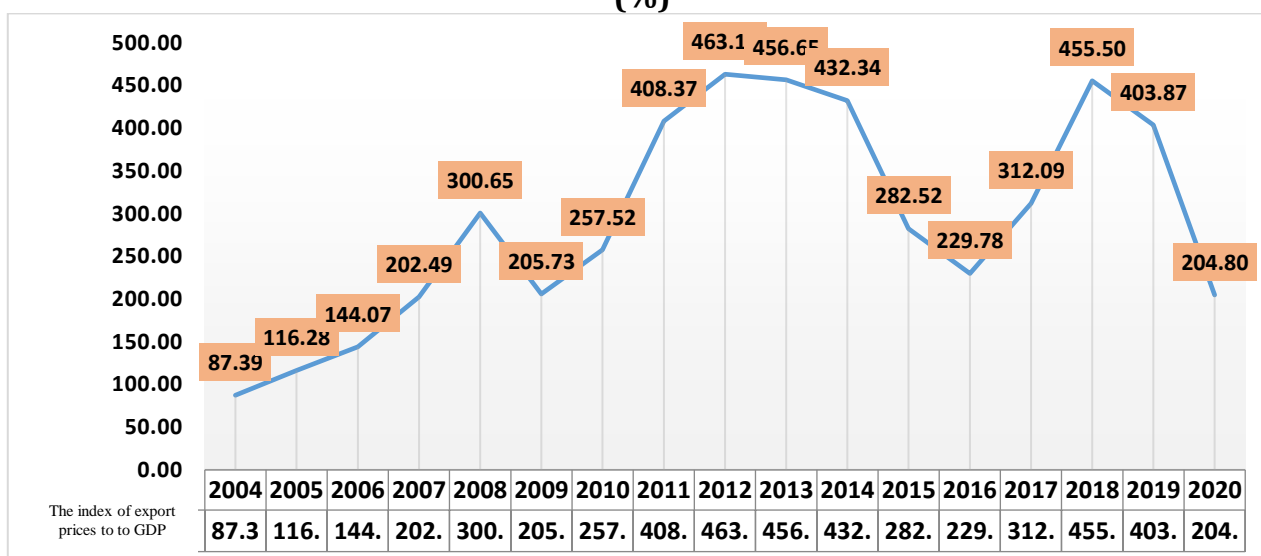
C. Evolution of export and import price indexes

The index of export prices to output took a volatile path during the research period, but in general, there are continuous increases in it, which calls for a discussion of its causes, which led to high rates of inflation in the economy and the erosion of the real values of income and domestic production.

The index of export prices to output reached (87.39%) in 2004, and it increased until it reached (300.65%) in 2008, which is cause for concern due to the absence of prudent

economic policies following the serious deterioration in the security situation and the outbreak of the civil war, but with the relative improvement in conditions security, which was positively reflected in the values of this indicator, but there is an increasing trend that is chasing it, to express a major imbalance in the production structure that causes a lack of diversity in the structure of exports. This led to a decline in the values of personal wealth and the erosion of the financial and real assets of the public. Despite the relative improvement in export values according to this indicator

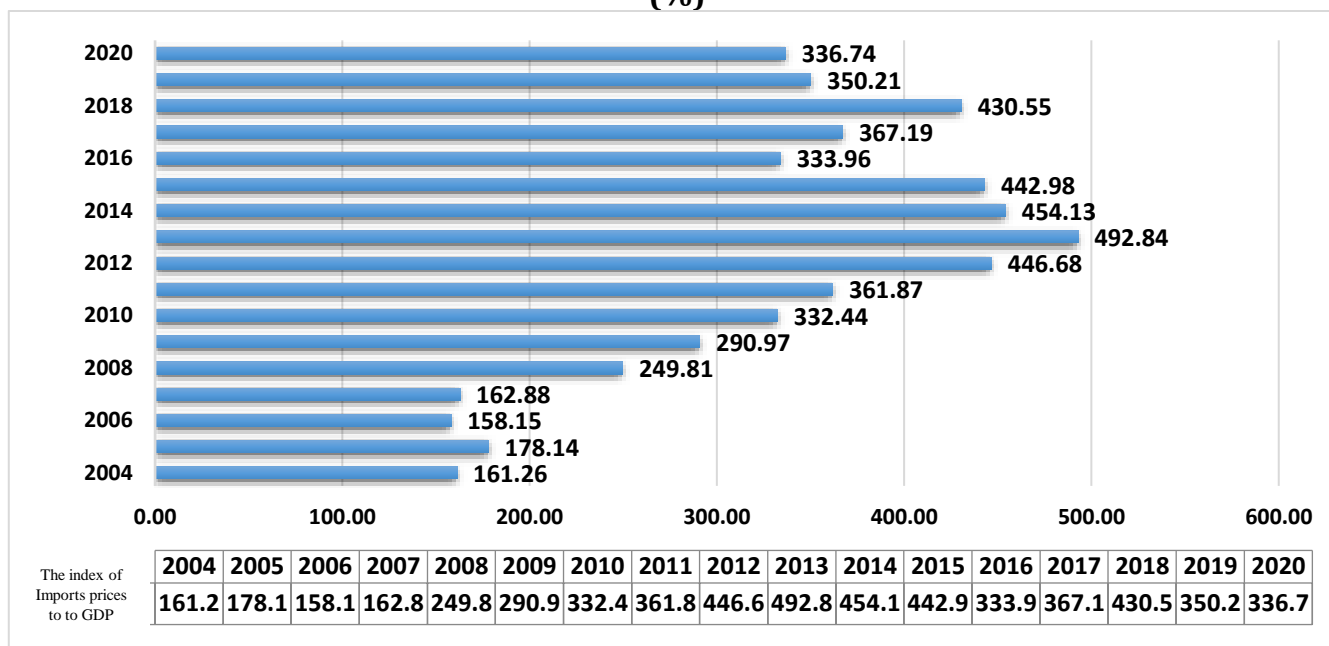
Figure (3): Export prices index to the GDP in Iraq for the period (2004-2019) (2000 = 100%) (%)



Source: World Bank, Economic Indicators, Various Years.

While the import price index to the GDP indicates that after 2008 it started to jump dangerously, after it reached (249.81%) in 2008, it reached (492.84%) in 2013 and in 2018 it reached (430.55%). These percentages refer to the inflation of imports and at the same time the collapse of the total supply. Most productive projects have been disrupted, most factories and companies have closed, and most professions and production projects have declined. Against the improvement of oil exports and the intensification of the rentier tendency of the Iraqi economy. The rise in imports in this way constituted an obstacle to most industrialists and businessmen, and to any opportunity towards consolidating private sector activity or production activity locally.

Figure (4): Import prices index to the GDP in Iraq for the period (2004-2019) (2000 = 100%) (%)



Source: World Bank, Economic Indicators, Various Years.

D. Exports, imports and sustainable economic development

Most of the Iraqi exports of unmanufactured raw materials, which naturally do not include added value, can produce a mature economy capable of containing crises, and then the shallowness of diversity in the structure of exports resulting from the lack of real production that supports the national product. The massive dependence on imports deepened economic dependence and increased economic exposure, which deepened the severity of the Iraqi economy crisis, and its weak ability to face external shocks. The most important of which is the financial surplus that was wasted without a national goal, which came as a result of the increase in oil exports.

The Iraqi economy has suffered and continues to suffer from a clear weakness in the vision and desire of decision-makers to develop realistic solutions to end the misery that the Iraqi economy suffers from, and that most of the economic policies and programs implemented are temporary and do not serve the interest of the national economy in the long term.

The deterioration of the macroeconomic environment and the security and political

instability was decisive in the economic instability, the backwardness of the business environment and the spread of administrative and financial corruption, and then the decline of most financial channels and wealth alternatives, and then the weakness of the local economy’s ability to implement sustainable economic development plans.

There was no serious vision among decision-makers in preserving the green environment and supporting environmentally friendly production, because the Iraqi economy depends heavily on the revenues of non-environmentally friendly fossil fuels, so initiatives and voices calling for the need to maintain environmental sustainability and support environmental economic development activities and all aspects of the economy collapsed. the green.

Conclusions

1- The fluctuation of the values of the exports-to-output index indicates a significant weakness in the Iraqi economy, which means that it is highly affected by regional and external fluctuations, which means the weakness of the macroeconomic structure as well as the weak diversification of exports.

2- The instability of the import-to-output ratio indicator and its high rise, but it indicates the weakness of domestic production and the lack of aggregate supply in favor of imports, which deepened the macroeconomic gap towards inflation and purposes and the laziness of the productive private sector activity in favor of foreign trade, which lost the local economy the initiative that enables it to reform the structural imbalance in the output.

3- The rise in the export price index indicates the loss of Iraq's competitive advantage in local products and its lack of diversity in favor of crude oil, and the inflation of the import price index indicates the fragility of the local economy, the weak supply of productive activities, the weak economic mobilization of available resources, the lack of optimal use of them and limited efficiency. Most of the local economic activities.

4- The increase in imports, the flight of foreign currency, the deterioration of the investment climate and the deterioration of local production weakened the economy's capabilities in financing sustainable economic development, which has become an unsustainable economy that does not take into account the principles of preserving the green environment and green production, with a rise in desertification indicators and an inappropriate climate.

Recommendations

1- Supporting the local product and providing a good investment climate to support the activity of the private sector in order to increase exports of local goods and services, which supports diversification in the structure of exports and enhances the competitive and price advantage in international markets.

2- Reducing consumer imports and enhancing production imports to support the business environment with coordinated plans to avoid suffocation or shortage. Reducing the necessary commodities in local markets, which reduces the flight of foreign currency and improves the national income and the per capita share of it.

3- Supporting local productive activity, which contributes to treating high inflation rates, rising prices, eroding purchasing power, and stability of the exchange rate, as well as strengthening the links between economic activities, enhancing the quality of the local product at home and abroad, and adopting sustainable development strategies for the production wheel to maintain market shares and the ability to market the local product.

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