

**T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF GRADUATE STUDIES**



**INTERNATIONAL TRADE SERVICES AND THEIR ROLE IN
ENHANCING ECONOMIC CAPABILITIES WITH REFERENCE
TO IRAQ (2008 - 2019)**

MASTER'S THESIS

Samer HAMMAD

**Department of Business
Business Administration Program**

SEPTEMBER, 2022

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SEPTEMBER, 2022

ONAY FORMU



DECLARATION

I hereby declare with respect that the study International Trade Services and Their Role in Enhancing Economic Capabilities with Reference to Iraq (2008–2019).which I submitted as a Master thesis, is written without any assistance in violation of scientific ethics and traditions in all the processes from the Project phase to the conclusion of the thesis and that the works I have benefited are from those shown in the References. (.../.../2022)

Samer HAMMAD

FOREWORD

First of all, I would like to thank God Almighty for helping me finish my dissertation, and I also thank my thesis supervisor, Dr. Müge Burcu Özdemir, who helped me reach this stage with her experience and information. Her contribution was vital, and her comments and advice were essential to this report. I extend my sincere thanks and gratitude to the discussion committee and Aydin University.

I would like to dedicate this success to my family, my mother, my father, my brothers, my wife, and my sisters who have always been by my side in terms of support and encouragement to achieve my goal. I pray that God bless them all. I also thank my brother and friend, Zakaria Al-Adayleh for his constant encouragement and support.

September, 2022

Samer HAMMAD



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ABSTRACT

In the past decades, the world has witnessed a major transformation in the operations of the global economy in addition to economic diplomacy. Most countries in the world have tended to engage in international trade in services for the positive benefits that accrue to the economies of countries through growth and improvement in the standard of living that results from an increase in individual income, in addition to an increase in national income through trade with other countries and investments made in the host country, as well as providing the country with a reserve in foreign currency.

In this study, reference will be made in general to international trade in services in terms of policies, theories, and agreements concluded from the GATT all the way to the World Trade Organization.

The research includes, in particular, the study of the Iraqi economy and its restructuring and the extent of the impact of international trade in services on Iraq, in addition to the requirements, procedures, and amendments that must be taken by the Iraqi government to join the World Trade Organization.

In this research, a number of results and recommendations have been reached that push Iraq to join the World Trade Organization to improve and grow the Iraqi economy and to be able to establish industries related to comparative advantage.

Keywords: World Trade Organization, global economy, investments, Economic diplomacy.



**ULUSLARARASI TİCARET HİZMETLERİ VE IRAK REFERANSIYLA
EKONOMİK KABİLİYETLERİN ARTIRILMASINA YÖNELİK ROLÜ (2008
- 2019)**

ÖZET

Geçtiğimiz on yıllarda dünya, ekonomik diplomasiye ek olarak küresel ekonominin işleyişinde de büyük bir dönüşüme tanık oldu. Dünya ülkelerinin çoğu, bireysel gelirdeki artışın yanı sıra bireysel gelirdeki artıştan kaynaklanan yaşam standardındaki büyüme ve iyileşme ile ülkelerin ekonomisine tahakkuk eden olumlu

faidalar için uluslararası hizmet ticaretinde çalışma eğiliminde olmuştur. Diğer ülkelerle ticaret ve ev sahibi ülkede yapılan yatırımlar yoluyla milli gelirin yanı sıra ülkeye döviz rezervi sağlanması

Bu çalışmada, politika, teori ve GATT'tan Dünya Ticaret Örgütü'ne kadar yapılan anlaşmalar açısından genel olarak uluslararası hizmet ticaretine atıfta bulunulacaktır.

Araştırma, özellikle Irak ekonomisinin ve yeniden yapılandırılmasının ve uluslararası hizmet ticaretinin Irak üzerindeki etkisinin kapsamının yanı sıra, Irak hükümetinin Dünya Ticaret Örgütü'ne katılmak için alması gereken gereklilikler, prosedürler ve değişiklikleri içermektedir.

Bu çalışmada, Irak ekonomisini geliştirmek ve büyütmek ve karşılaştırmalı üstünlüğe ilişkin endüstriler kurabilmek için Irak'ı Dünya Ticaret Örgütü'ne katılmaya iten bir takım sonuçlara ve önerilere ulaşılmıştır.

Anahtar Kelimeler: Dünya Ticaret Örgütü, küresel ekonomi, yatırımlar, ekonomik diplomasi.



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ABBREVIATIONS

AEO	: Authorized Economic Operators
AOA	: Agreement on Agriculture
CATS	: General Agreement on Trade in Services
DC	: Developed Country
EXIM	: Export and Import
FDI	: Foreign Direct Investment
FTA	: Free Trade Area
FTA	: Free Trade Agreement
GATT	: General Agreement on Tariffs and Trade
GDP	: Gross Domestic Product
IEC	: Importer-Exporter Code
IGCC	: Iraqi General Commission of Customs
IMF	: International Monetary Fund
MNC	: Multinational Company
OECD	: Organization for Economic Cooperation and Development
TC	: Transitioning Countries
TFA	: Trade Facilitation Agreement
UNCTAD	: United Nations Conference on Trade and Development
WB	: World Bank
WIR	: World Investment Report
WTO	: World Trade Organization



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I. INTRODUCTION

In light of technological development, the industrial revolution, Communications and Information, the openness of global markets represented by foreign trade and the flow of capital, in addition to the great role played by multinational companies, which helped to consolidate globalization, the world has witnessed radical transformations as a result of globalization and industrial revolutions, where there has been an increase in business and trade liberalization and external obstacles, which led to the emergence of new ideas that differ from the old traditional ideas.

There has become an international consensus on the necessity of working with economic freedom around the world, where the markets are the ones that governments. Multilateral trading systems are easy to deal with

The Trade Organization was canceled due to America's economic strength and the rejection of the US Congress. GATT has worked and sought to liberalize foreign trade, as it was able, as a result of its Round. In addition, during the Tokyo Round, it was able to reduce the percentage of fees to 30%, which confirms the important role that GATT is playing in the Liberalization of foreign trade liberalization.

The World Trade Organization is the supervisor and is responsible for the Implementation of everything related to the multilateral trade agreements that were Signed during the Uruguay Round of GATT. The main objective of the WTO is to work on raising economic development in various countries of the world by expanding global trade through liberating foreign trade from the difficulties it faces. The goal is the economic growth of countries and raising the standard of living by increasing per capita income, in addition to the prosperity of trade in services and goods.

Liberalizing trade in services is an essential and important factor for the Growth of the economy and the increase in foreign investments, in addition to the flow of capital, which leads to the benefit of the member states of the World Trade

Organization from these measures. Iraq seeks to improve commercial services by joining the World Trade Organization, as the Iraqi economy is declining as a result of wars and political crises, but after 2003 there was a noticeable improvement in business. So far, Iraq is still outside the World Trade Organization for many reasons, but it is a member foreman Iraq's accession to the World Trade Organization entails the signing and approval of the World Trade Organization agreement, which is reflected on the Iraqi economy, trade in services, and property rights related to services.

A. Problem of Studying

The problem of the study is determined by analyzing the development of the liberalization of international trade in services under the GATT and the related WTO, In addition to ways to protect foreign trade by analyzing the development of Foreign trade in Iraq during the period from 2008-2019, and the course of Negotiations between Iraq and the World Trade Organization. Because of Iraq's Accession to its membership and the positive and negative effects that result From Iraq's accession to the World Trade Organization in trade in services, it Becomes clear to us that the research problem is embodied in the following Question:

What are the economic requirements for Iraq to be able to join the World Trade Organization?

A series of questions are also asked

B. Research Questions

1. Is the Iraqi government seeking to restructure the economy through the requirements of the market economy?
2. Is there a conflict between the Iraqi partnership and between joining the World Trade Organization?
3. Can Iraq join the World Trade Organization with the requirements it has?
4. Can Iraq work on restructuring the economy by improving its position in foreign trade, or are there obstacles preventing it from doing so?

5. What are the most important stages in foreign trade during the new economic system from the state to globalization?
6. What are the advantages that Iraq could get when it joins the World Trade Organization?

C. Reason for Choosing Search:

I have chosen the topic of research for several reasons, in addition to personal reasons, as mentioned below:

Given the importance of trade in services and its impact on the global economy, foreign trade is still under discussion, especially by some developing countries.

The second reason is a personal reason, as my studies are in the same specialty, which allows me to experience and find job opportunities in the future, because the era in which we live is the era of globalization.

D. Research Objectives:

The objectives of the study can be summarized as follows:

1. Study and analysis of the possibility of restructuring the Iraqi economy by providing the necessary requirements.
2. Studying the Iraqi economy by working to achieve transparency and competition so that Iraq can meet the needs of regional and international companies.
3. The extent to which Iraq achieves when it enters the World Trade Organization.
4. Study and analysis of Iraq's application of market work systems and what The requirements to join the World Trade Organization achieve
5. Statement of the nature of the relationship between joining the World Trade Organization and restructuring the Iraqi economy.
6. Work on analyzing the effects resulting from the liberalization of Foreign trade and the Iraqi economy during the period from 2008-2019.

E. Importance of Research

The importance of the research is enhanced the necessity of Iraq's joining the World Trade Organization and providing the foundations and rules for Iraq to restructure its economy. The importance of the research can be Summarized through the following points:

1. Provide reforms and procedures to be able to join the World Trade Organization.
2. Discovering errors and addressing them to avoid negative repercussions so that Iraq can obtain positive repercussions.
3. Attracting the attention of economic thinkers by focusing on the requirements and aspects that must be met in order for Iraq to be a member of the World Trade Organization.
4. The findings and recommendations can contribute to eliminating or mitigating the difficulties and challenges that may keep Iraq out of international trade dealings.

F. Research Methodology:

The descriptive and analytical approaches were adopted to test the studies Hypotheses and achieve its objectives.

The historical approach was adopted through the development of theories in Addition to the methods that led to the establishment of trade in services.

G. Research Hypotheses

In order to answer the questions raised and analyze the topic, the following

Hypotheses were developed

1. The shift towards achieving integration and the market economy constitutes a model for providing the necessary information for development and measurement of facts, which are two important factors to supporting economic growth, which lead to the possibility of Iraq's joining the World Trade Organization.

2. There is a conflict and difference between the conditions that enable Iraq to join the World Trade Organization, the Free Trade Agreement in major countries, and the Iraqi Partnership Agreement.
3. The trade in services sector in Iraq suffers from many problems and difficulties, despite the Iraqi state's efforts to develop the economy and trade in services by liberalizing it.
4. Iraq's accession to the World Trade Organization depends on the reforms stipulated in the World Trade Organization agreements to keep pace with international economic development.
5. The option of privatization must be taken into account by the Iraqi government because it is among the conditions and factors for joining the World Trade Organization.

H. Limits of The Study:

1. Spatial Boundaries:

Iraq represents the spatial dimension.

2. Temporal Boundaries

The temporal boundaries in Iraq from 2008-2019 were discussed According to different time periods according to the requirements of the Research and the availability of data.

I. Study Sources

The researcher relied on information and data related to the research from various sources related to the content of the research. Books, articles, foreign magazines, and the Internet were used. As for the issue of Iraq during the period from 2008–2019, foreign and Iraqi references in particular were used by the Ministry of Finance, the Ministry of Planning, the Central Bank, the Ministry of Agriculture, and other ministries that are related to the Iraqi economy and international trade in services to be suitable for a master's thesis.

J. Previous Studies:

There are many studies related to trade in international services and trade liberalization, but all studies have been addressed within the framework of the World Trade Organization with regard to all businesses and foreign direct investment. Among the studies are:

1. Ben Issa Shafieh 2012

In his study, the researcher dealt with the non-joining of Iraq to the World Trade Organization like other developing countries, in addition to Iraq's standing in front of the challenges of adhering to the Trade Liberalization Agreement, where the effects are reflected on the Iraqi economy and the banking sector, where the researcher asked about the effects and challenges that Iraq will face in banking services in light of trade liberalization services.

The importance of research is that research in many important aspects, Such as: There are challenges and opportunities that developing countries may face when liberalizing trade in financial services in particular and foreign trade in general.

- a) There are challenges and opportunities that developing countries may face when liberalizing trade in financial services in particular and foreign trade in general.
- b) Highlighting and demonstrating the role played by the service sector in foreign trade and working to liberalize it in order to increase economic development.
- c) The banking services sector has an important and positive role in the international economy.

As a result of what has been mentioned, several hypotheses can be Identified, the most important of which are:

1. One of the most important reasons that the World Trade Organization has replaced GATT is the desire to make the foundations for a new international system. The researcher used the historical method in his study.

2. Abdul Rashid Bin Deeb, The Organization and Development of Foreign Trade 2010.

The study included the development and growth of trade in services and international trade in general through the agreements that were signed from the GATT to the World Trade Organization and its relationship to economic globalization, in addition to the new trends of the global economy.

In his study, the researcher mentioned the most important factors and indicators that lead to trade liberalization, as well as the relationship between openness policy and economic growth, in addition to the effects resulting from trade liberalization on the international division, which is not characterized by justice through the difference in the level of income between individuals and countries in the same country, which led to the establishment of Some developing countries are rethinking their accession to the World Trade Organization, which calls for liberalizing trade in services.

The current study indicates the impact of international trade in services on the restructuring of the Iraqi economy during the period from 2006-2019.

K. Research Plan and Structure:

As a result of the problem of the study, in addition to the sub-questions, and in order to reach a scientific and methodological framework, the research was divided into four chapters:

1. Introduction

2. heoretical Aspects of Trade in International Trade in Services and its Policies.

The first chapter includes three sections, which are the nature of trade in services and theories of foreign trade, in addition to the policies followed in trade in services. Furthermore, foreign trade strategies in developing economies.

3. Liberalizing International Trade in Services in the GATT and WTO

The second chapter includes three sections, which are the General Agreement on Customs Tariffs and Trade. The legal framework of the agreements of the World

Trade Organization As for the third and final section, which is the trade negotiations represented by the Ministerial Conferences of the World Trade Organization.

4. The Impact of International Trade in Services on the Restructuring of the Iraqi Economy During the Period from 2006-2018

The third chapter includes two sections: the Iraqi economy and Iraq's accession to the World Trade Organization and the agreements signed between Iraq and the World Trade Organization and the third and final section are the economic effects of foreign trade on Iraq.



II. THEORETICAL ASPECTS OF TRADE IN INTERNATIONAL TRADE IN SERVICES AND ITS POLICIES.

A. Introduction

Given the importance of foreign trade, it prompted many early economic thinkers to Analyze various theories related to foreign trade. Analyzing the principles and Foundations on which trade in services is based and the gains that can be obtained through trade exchange operations.

The theories of foreign trade work on the dimensions of the variables that have a role in the processes of trade exchange, allowing thinkers to interpret and predict them.

The classical theories have explained the establishment of service trade through relative and absolute costs in terms of the division of labor and the difference in prices between countries and through markets. As for the neoclassical theory, it is based on the interpretation of foreign trade through goods that are related to the different production costs of production factors.

After World War II, there was a development in the global economy as a result of the industrial revolutions, technological progress and the efforts made by GATT to raise the As a result of economic development, economic thinkers have been interested in developing explanatory and clarified methods for establishing services trade.

Economic thinkers have been interested in developing explanatory and clarified methods for establishing service trade as a result of economic development.

The aim is to fill in the deficiency in the neoclassical theory that has not been able to explain some cases related to foreign trade.

The theories of international trade in services are based on the foundations and criteria upon which trade between the countries of the world and the services traded

are based, in addition to the volume of gains and goods, as well as on policies of economic integration and trade protection.

Trade policies by governments to regulate trade and foreign relations between countries to achieve economic goals range between protection for business and trade Freedom.

In the last decades of the twenty-first century, the liberalization of trade exchanges and the globalization of the economy have spread widely, as it can be said that international trade in services is important in everything related to the international and national economy, and it is still a subject of research from both the practical and theoretical sides.

Given the importance of services trade, the intellectual and theoretical aspects of services trade have been studied through the literature related to services trade. The first chapter has been divided into four sections:

1. Nature of service trade.
2. Service trade theories.
3. Policies in the trade of services.
4. Strategies of foreign trade in developing the economies of developing countries

B. Nature of International Trade in Services and The Reasons for Its Establishment.

International trade in services is considered one of the most important sectors for developing and developed countries alike. As it is known, trade in services has a major role in linking countries to each other through trade exchanges, as no country can be independent of its economy and be isolated from the rest of the world, and services trade helps countries export and dispose of surplus production.

1. Concept of International Trade in Services

There are several definitions of trade in services according to the purpose of its Study. It has been historically defined as trade that has an economic relationship in Terms of the exchange of services and goods between different countries, where.

The relations between countries are through imports and exports, where the Definition was limited to historical relations in terms of the economy, which is Limited to imports and exports between countries.

Among other definitions of services trade, it is the trade exchange of services and Goods in addition to the various elements of production between a number of Countries in the world to achieve gains between the countries of mutual trade Parties, where the definition of services trade clarifies the components of imports And exports that include services, goods, production inputs, and their components. But the common definition of services trade is that services trade represents the Movement of services and goods between different countries, which includes the

Movement of capital to countries through investments, where investment is Considered an important part of international trade in services that have positive Effects on the countries' gross national product. The trade deals and transactions Carried out by the services trade can be classified as follows:

- a) Exchange of services: which includes banking, tourism, transportation, shipping, insurance and other services.
- b) Financial exchange: it includes international loans, capital movement, and other financial services.
- c) The exchange of physical goods: It is the commercial transactions between countries in addition to consumer goods, production and semi-manufactured goods.
- d) Exchange of human resources: it is migration in addition to the movement of labor from one country to another.

2. Difference Between Internal and External Trade

There is a similarity between internal and external trade in terms of interdependence between the parties that trade exchange between them, but there is a noticeable and important difference between foreign and internal trade, as indicated by economists through the following.

- a. The ability of the factors of production to move: The classics think that the factors of production are easy to move within the state and difficult to move through the borders of the state.

- b. The nature of markets: The nature of markets has a significant impact on services trade, which leads to a significant impact on services trade activities.
- c. Monetary and banking units.
- d. The nature of the competition.
- e. Variation of political units.
- f. Administrative, political and natural barriers.

3. Importance of Trade in Services

As we mentioned earlier, foreign trade plays an important role in the economies of local and global countries, where foreign trade is an important indicator and factor in economic development processes, which are positively reflected in scientific, social, and political life. The following are the most important points in which the importance of international trade in services is mentioned.

Foreign trade works to achieve saturation of services and goods, which is done by providing goods that are difficult to obtain and produce locally.

- a. Providing services and goods that the state cannot produce locally because of production requirements.
- b. Working to provide the basic requirements for developing countries, such as foreign currencies, capital, and modern technology, which have a positive role in the development of the economy.
- c. The services trade achieves the gains that can be obtained from services and goods at a lower cost than local production.
- d. Improving the living situation and increasing the national income through the division of labor and production.
- e. Allowing space between competitors in the markets, which leads to avoiding monopolies in providing the commodity to consumers and producers, as competition plays a role in reducing the value of prices in the markets.

The importance of international trade in services is measured by the percentage of foreign trade in terms of GDP, as shown below:

$$\text{The importance of trade in services in the country} = \frac{\text{EXPOT} + \text{IMPORT}}{\text{Gross domestic product}} * 100$$

100

An increase in the percentage in the above equation means a rise in the country's foreign trade. Statistics and studies issued by the World Trade Organization have indicated a significant increase in international trade in services by 6.5% during the eighties of the last century and annually.

4. Reasons and Objectives for Establishing International Trade in Services.

a. Reasons for establishing international trade in services.

1. The reason for the establishment of foreign trade is due to the cause of the economic problem between countries in terms of the limited economic resources that are used to satisfy consumers, which are on the rise, in addition to the exploitation of the resources in the country.
2. The surplus in local production, which pushes the state to search for foreign markets to market the surplus.
3. Inadequate distribution of the factors of production among countries, and this is a reason for the state's inability to achieve self-sufficiency.
4. The factors of production are unequal in the countries of the world, which leads to a decrease in the cost of production in one of the world countries.
5. Increasing national income that depends on foreign trade income.
6. political and strategic reasons.
7. The level of technology varies from country to country.

b. Objectives of international trade in services.

1. Benefiting from the surplus production as a result of export operations, which leads to an increase in the national product, which is positively reflected in reducing the unemployment rate in the country.
2. Importing important goods and services that is not available locally.
3. Transfer of technology to build infrastructure.
4. Take advantage of information technology, especially in developing countries, to bridge the gap with developed countries.

5. Re-examination of the trade policies adopted in the countries related to foreign trade.

5. International Specialization and The Establishment of Services Trade.

a. The importance of international specialization.

Studies carried out by economic thinkers indicate that, whatever the nature of the political systems of global countries, they are unable to follow a policy of self-sufficiency and they are unable to be isolated from the rest of the world.

Countries cannot now produce everything related to services and goods, but they can specialize in producing a commodity that the economic and natural conditions qualify for production. Its cost is lower, as the surplus is exchanged for other products that are not available to them.

The phenomenon of quotas and the division of labor between countries are the basis on which foreign trade is based. The economic thinker Adam Smith, through his studies, arrived at the conclusion that if an individual specializes in one job and has competence his skill at work will rise and increase his production. Adam Smith and the followers of classical thought called for countries to specialize in the production of a particular or specific type of good, where they exchange surplus production for other goods from different countries.

6. Factors Affecting International Specialization.

- a. Natural conditions: As a result of natural conditions, they may be a reason for the state to specialize in the production of agricultural activity or raw materials according to what is available to it.
- b. Disparity in capital and labor supply: It is an important factor because it is related to the state specialized in the production of goods due to the presence of the productive element in the state.
- c. Transportation costs: It has a link and a link with the cost of production and the breadth of the market for the commodity being produced, as the production near the shipping sites reduces the export bill as a result of the cost of production.
- d. Modern technology: The provision of modern technology may put countries in the forefront through its use.

C. International Trade Theories.

The theories of international trade have explained the factors and causes that govern services and goods between countries, and the question in most of the theories is related to trade exchange between countries, which is beneficial for the parties exchanging goods and services in addition to the gains they obtain.

The classical theory was the first theory that explained the reasons for trade between countries in the world.

1. Classical Theory.

- a) The classical theory is the basis for the study of modern theories of service trade. The classical theory attempted to explain why the services trade was established, and it is regarded as the primary source in analyzing the development of the theory of international trade in services. They can obtain precious metals such as gold, diamonds, and others, where the classical theory defends the liberalization of trade, which is an important factor in the economic growth of countries. One of the most important assumptions on which the classical theory is based is that:
- b) The economy is in a state of full employment in addition to the rule of competition.
- c) The value theory of work must be relied on, as the theory considered that labor is the only and important productive component of the cost of production.
- d) The freedom of movement of factors of production and money must be neutral within the state and not outside the state.

Jon Stewart, Ricardo, David Hume, and Adam Smith are among the most important theorists in the classical school that demanded the deregulation of trade.

The theories of the classical school and the most important ideas of the commercial school, which consist of the following:

1. Business ideas in the trade of services.

The concept of merchants in the principles of international trade in services, which states that the state should follow the following:

- a) Securing the surplus in the trade balance to ensure the continuous flow of silver and gold into the country.
- b) The government should impose strict control over foreign trade business through quotas and tariffs to ensure the trade balance surplus.
- c) Preventing and not importing the raw materials available in the country, and in the event of importation, it must be exempt from fees.
- d) Preventing the colonies that belong to the state from engaging in any commercial activity with other countries.
- e) Monopolizing foreign trade by preventing or granting the exercise of any commercial activity to specific companies such as the East India Company.
- f) Working on the use of commercial political means, for example, imposing customs duties on imports and granting export subsidies, as the great credit for developing the concept of trade balance belongs to the merchants.

Studies have indicated that the commercial thought of the merchants has gone through three stages of the policies that the state must follow in order to achieve the appropriate trade balance. (Helpman 1984; Eitier 1979)

First stage: Not to export gold and silver and work to increase the state's stock of minerals through strict control of imports and exports.

Second stage: the state rejected and ignored direct control over import and export, as it was content with direct control over commercial transactions to ensure An adequate trade balance.

Third stage: the state has adopted the concept of the trade balance, and therefore it does not need to achieve a trade surplus with each country individually, and is Satisfied with the value of the total exports out of the total imports.

2. Adam Smith's Absolute Advantage Theory

Adam Smith was one of the most important people who developed commercial theories, as his book The Wealth of Nations is more famous than other books, in Which he demanded the removal of restrictions and difficulties in foreign trade and worked to direct trade liberalization.

Adam Smith stated in his first book in 1776 that the wealth of nations is a reflection of their productive capacity and not on the accumulation of precious metals and Stocks.

The theory of absolute advantage is the first theory that explains the establishment of International trade in services, as Adam Smith, through his book, focused on price Differences between countries, as the theory of absolute advantage indicates that the function of trade in services is to overcome the narrowness of the domestic market of countries. **(Darity and Davis 2005: 6).**

Adam Smith explained his famous idea (the invisible hand) that the state should not interfere and be impartial in commercial and economic activities. The decline in income and production, which results in a loss for the state, so Adam Smith called for economic freedom and the liberation of foreign trade from any difficulties.

Adam Smith's theory explains the reason for the international trade in services between countries, which is the trade imbalance of goods according to assumptions such as.

- a) The ability of production elements to move freely between countries, as happens with internal trade, where foreign trade leads to the widening of markets for goods and services that are specialized in the state, according to the rule of absolute services in the state.
- b) International trade in services has a positive impact and a great benefit on the participants in the international exchanges. The benefit between the countries participating in the international exchange is the expansion of the market, as the increase in the division of labor includes all the countries involved in the international exchanges.
- c) Services trade contributes to increasing and achieving the productive capacity and capital accumulation of all countries participating in international exchange.
- d) Adam Smith's theory focused on the absolute expenditures and not on the relative expenditures of one commodity, meaning that the difference in expenditures is sufficient for each commodity between the two countries for the establishment of international trade in services. (Dodge, T. 2019).

Table 1. Shows Two Countries, Brazil And America, Each of Which Can Produce Two Commodities Such As Coffee and Wheat.

N	Commodities	Coffee	Wheat
1.	USA	1	4
2.	Brazil	3	2

Devarajan, S., M. M. Giugale, H. Ehrhart, T. M. Le, and H.

Nguyen. 2013

Through the above table, it shows us that America has the ability to have a comparative advantage in its production of wheat more than Brazil. As for Brazil, it has an absolute advantage in the production of coffee more than America, where each of the two countries conducts its foreign trade due to the different absolute advantages between the two countries, where Brazil specializes in the production and export of coffee, while America specializes in the production and export of wheat.

3. Ricardo (Comparative Advantage Theory).

The economist Ricardo responded to Adam Smith's theory of absolute advantage through his book, which was published in 1817 and related to foreign trade, entitled Political Economy and Taxation. and work to your full advantage Ricardo considered in his book that the reason for the establishment of foreign trade was the existence of different comparative advantages for the production of goods from one country to another.

In order to correct and modify the defect in the theory of absolute costs, Ricardo demanded that when carrying out exchange operations between countries, the use of relative costs, which emphasizes the need for a country to specialize in the production of goods that have a comparative advantage in production, which is less expensive compared to the relative costs of goods that are produced in other countries as thought.

But in the event that there is no comparative advantage in a country in the production of goods whose degree of superiority is higher, it can obtain through trade exchange other goods whose superiority is lower. Ricardo's theory of relativity was founded on a number of assumptions.

- a) The existence of two countries for the sake of facilitation is not a correct procedure, as there are many countries that enter into the field of trade

exchange so as to have a direct or indirect impact on the trade exchange that occurs between two countries.

- b) Ricardo's assumption is that when two countries produce only two goods, but when there are huge production operations, the country may need to carry out export operations.
- c) If there is a change in the level of technology in one of the two countries, the comparative advantage in the other country may be canceled so that production, according to Adam Smith's theory, the absolute advantage is inevitable.
- d) During exchanges between two countries, financial dealings are not carried out, but rather bartering takes place between the two countries. Ricardo supported the absolute theory in this matter. (Andrea burgess et al 2014).

Table 2. Explanation of Ricardo's Comparative Advantage Theory

N	commodity	Textiles	liquor	Relative costs of textiles	The relative costs of the liquor
1.	UK	100	120	$0,83=100/120$	$1,2=100/120$
2.	Portugal	90	80	$1,125=80/90$	$0,89=90/80$

Source: Mansour, R. 2020.

From the above table, we find that Portugal outperforms the United Kingdom in the production of the two commodities of textiles and wines, but the production of wines is more than the production of textiles, which means that Portugal has a comparative advantage in the production of wines and is considered less expensive than textiles.

As for the United Kingdom, it enjoys a comparative advantage in the production of textiles compared to wines, and through the above table we note that there is a difference in the comparative advantage between them, and for this reason, trade in services takes place between the two countries. It specializes in the production of two units of liquor, so that it will be of benefit to both countries through trade exchange with one unit. (Andrea burgess et al 2014.).

Table 3 The Situation of Portugal and the United Kingdom Before and After the Establishment of Foreign Trade.

N	UK	Portugal
1. Before establishment of foreign trade	UK produces a unit of textile + a unit of liquor at a cost of $100 + 120 = 220$ man-hours	UK produces a unit of textile + a unit of liquor at a cost of $80 + 90 = 170$ man-hours
2. After establishment of foreign trade	U K specializes in the production of 2 units of textiles at a cost of $2 * 100 = 200$ hours	U K specializes in the production of 2 units of liquor at a cost of $2 * 80 = 160$ hours
3. International exchange based on one unit swap	After the service trade is established, the UK will have a Textile + Liquor Unit costing 200 man hours	After the service trade is established, the UK will have a Textile + Liquor Unit costing 160 man hours
4. The expected gain from the establishment of trade in services	20 working hours	10 working hours

Source: Basedau, M., and J. lay. 2009.

The theory of comparative advantage represents the correct direction of foreign trade, but it is not without criticism from some economic thinkers such as:

A flawed simplification, as the theory of relativity did not include the monetary factor, but rather ignored it. The theory of relativity considered the difficulty of moving factors of production between countries.

4. International Values Theory (John Stewart).

The theory of international values came as a continuation of Ricardo's theory. Stewart was interested in the aspect of international trade that was neglected by comparative advantage. The theory of international values is particularly concerned with the exchange ratio through which goods are exchanged, as the exchange ratio will be within the limits determined by the relative costs of exchange between the two countries. Since the international value of the commodity is determined at the level that achieves parity in the mutual demand between the two countries.

John Stewart sees through his theory that there is a unique rate between the rates, which is between the maximum exchange rate and the minimum exchange rate, that works to achieve a parity between the value of exports and imports for countries because a country's exports are imports to the second country, and that any difference in the rate leads to a difference between imports and exports as it

produces. As a result of this, a surplus occurs in one country and the other country has a deficit, and Stewart believes that the distribution of benefits depends on the following:

- a) Flexibility in demand.
- b) The volume of mutual demand for goods in the two countries.

Stewart has taken into account through his theory the impact of expenses related to transportation, which has a double effect on the trade of services. The resulting calculation of the cost price leads to an increase in the proportion of imports from where the cost is, which leads to a change in the mutual demand between the two countries. The cost of transportation is considered an international specialization, as the presence of expenses increases the cost of the imported commodity, as it causes its production to be much better than its import. According to Stewart's theory, the substitution ratio is reflected positively in favor of the country, which always tends to other international commodities, which are characterized by a lack of flexibility, which means that the volume of demand is not affected when the price changes in commodities that are characterized by flexibility when requested. (Hueckel, G. 1998).

5. Neoclassical Theory in The Interpretation of International Trade

The classical theory explains the reason for the establishment of international trade until the First World War, based on the law relating to relative costs, and the reason for exchange between countries is the difference related to relative costs, but it is not exposed to the reasons that lead to the difference in costs between countries.

The theory of relative expenditures has been reconsidered and reformulated in terms of neoclassicism by introducing interest in the reason for the existence of trade by explaining international trade in services and leaving limited expenditure on the basis of factors of production. The neoclassical theory includes the Haberler theory (the alternative opportunity), the Leontief puzzle theory, and the Heckscher-Olin theory.

6. The Opportunity Cost Theory

Haberler has tried to work on the interpretation of the theory of comparative advantages without relying on the theory of value, where he used the theory of

opportunity cost through the use of the production possibility curve, where you can get rid of units of labor.

Those who use the production curve choose to divide the cost of a good in terms of other terms as it is sacrificed in order to get more of the first good without the need for any assumptions. This is related to the element of labor, where in this case the state can benefit from the decrease in the opportunity cost of a commodity, and it can benefit in its production from the comparative advantage.

7. Heckscher-Olin Theory.

Among the pioneers of the theory of comparative advantage are Heckscher-Olin, as their work lies in the general framework of the classical theory model. Heckscher-Olin considers that the factors of production are not moved from one country to another, where the difference in the special relative scarcity of the factors of production goes back to Heckscher's theory, where he pointed out that The difference in relative costs is related to the scarcity of factors of production, which leads to the emergence of international exchange.

Heckscher pointed out in his research that the relative prices of the factors of production must be in the same two states, since it is difficult for there to be a difference between them, as it is not possible for one factor to replace another factor in one state without the worker performing the same process in the other State.

As for Olin, he developed Heckscher's theory of the relative prices of the factors of production, where each of them is considered by what is called the theory of comparative advantage of the factors of production. Olin made the following assumptions.

The fact that two countries produce two commodities depends on two basic factors of production: labor and capital. In addition to the incomplete specialization after trade, the tastes are similar in the two countries.

Flexibility is one of the factors of production within each country, in addition to the fact that the absence of transfer costs restricts trade between the two countries. Among the criticisms leveled at the theory of relative expenditures Are:

- a) Do not focus on technology and taste between countries.

- b) The condition of perfect competition between countries in the exchange and production of goods makes the theory not take into account the exchange and production of goods in monopolistic markets. (George S. Tavlas 1991)

8. Leontief Puzzle Theory (Heckscher-Olin Theory Test).

There have been many attempts to prove the validity of the Heckscher-Olin theory. In 1951, by conducting an analysis and testing of Heckscher's theory related to the economy of the United States of America, which has a relative scarcity in the labor component and a relative abundance in capital, where Heckscher - Olin indicated that America should import labor-intensive goods and work to export capital goods.

Leontief has worked on estimating the amount of capital and labor that requires the production of goods with a value of one million US dollars, where Leontief has used the table of the output and inputs of the economy in terms of goods competing for imports in addition to exports to America in 1947 and the table below shows that.

Table 4 The Amount of Labor Capital Required to Produce A Value of 1 Million Dollars.

N	production factors	exports	Import-competing goods
Capital (in dollars at 1947 . prices)		2550,78	3091,339
Work (respond every year)		182,213	170,004
Capital to Labor Ratio (to the nearest thousand dollars)		13,992	18,184

Source: Hodler, R. 2006

According to the above table, America produced one million dollars in exports in 1947, requiring a capital of 26 million dollars and 182 thousand workers. If a million dollars' worth of goods competing for imports are produced, in this case, it needs a capital of 31 million dollars of goods competing for imports, and it needs 170,000 workers.

As Leontief pointed out, it is not necessary for local production to be a substitute for competing imports in America, because the American international division is based on specialization in the production of goods that are labor-intensive and not capital-intensive, which makes it able to carry out international trade in services to be able to dispose of the surplus and provide capital.

In 1951, Leontief made studies and calculations in which he concluded that America was importing capital-intensive goods and exporting labor-intensive goods. This work has been defined as a Leontief puzzle..(Hodler, R. 2006).

9. Modern Theories of International Trade in Services

The two views did not differentiate between the mutual countries in terms of the degree of economic progress for each of them. In addition to all this, the two theories did not differentiate between the types of goods involved in foreign trade.

Where some economists put many assumptions and presented various analyzes related to the development of demand and supply conditions and its effects on foreign trade. In the following, these intellectual models or approaches to foreign trade will be presented:

a. Lemar's Test and the new factor theory

The theory of proportions of the factors of production contributed to the development of economic thought in relation to trade in services, where several studies have tested the theory (Limar test) and reformulated the hypotheses of the theory to suit With the reality of the global economy, and one of the most important theories is the theory of Jozenz (the new elements of production).

1. Limar test

In 1987 Lemar tested the predictability of the Heckscher and Olin model for database of exports of a group of sectors and to calculate the capital ratio indicator The human factor according to a table where he found the main reasons that made the Heckscher-Olin-Samuelson HOS model fade away.

b. Theory of factor ratios

Whereas the modern factor ratio theory considers that the heterogeneous element of labor contains and includes different degrees of skill, this theory believes that the Leontief puzzle goes back to what America enjoys from the relative abundance of human capital that is followed in America, and then it becomes the human capital factor. It is he who determines the comparative advantage.

In 1987, Jones' view was that there was a possibility of relying on the human capital factor in explaining the patterns followed by services trade through products

that depend on skilled and efficient workers. The movement of capital plays an important role in explaining the establishment of the international services trade.

If any country is able to import intermediate goods that enter into the production of a specific commodity at prices lower than the same commodity, it means an increase in the competitiveness of the state through the processes of producing the commodity. The Jones model also focused on technological change and its effects on the pattern of international trade in services, as the results of the analysis he conducted concluded that any technological change will lead to a comprehensive change in the factors of production, which leads to a change in output, which leads to a change in demand.. (Edward Leamer 1981)

c. Product's life cycle

The stages of the product life cycle can help increase returns and profits, but if they fail, it is likely to lead to the complete failure of the product and reduce its shelf life. The economist Theodore Levitt in 1965 said that the innovators of new products fail in their early stages of the product life cycle. It is expensive because it comes after the investment and the product life cycle depends on the following stages.

10. Introduction and Development

- a. The first stage** of the product life cycle is the development of the market strategy by investing in marketing and advertising. The first stage in its sales tends to slow demand creation and may take time to achieve its goals depending on the difficulty of the product and its suitability for consumers in addition to competition in the market and often the development of a new product succeeds. It is accepted by consumers. If the product succeeds in the market, then it is ready to enter the
- b. Second stage** of growth, where the increased demand must provide the product on a large scale and increase the production of the product. The rapid growth of the development stage turns into a rise in the product, which leads to the possibility of competitors entering the market through their products similar to the product with the addition of some improvements. For this reason, the ongoing brand is very important to maintain the product in the market.

- c. **Third stage of maturation:** Where the product becomes stereotypical, which leads to increased competition through prices, where the focus is on production in developing countries due to low wages in order to reduce the cost of production, then some countries may imitate the product and sell it in their markets which affect the original production.
- d. **Fourth stage (DECLINE):** Where the commodity is old to develop new, advanced commodities that meet the same needs, and despite the decrease in prices, the demand by consumers for the commodity decreases and production declines. Through this, it becomes clear to us that the role played by modern technological development has a major role in determining the competitive advantage related to industrial commodities. (Alabart. T. Timothy 2012).



Figures 1 Product's life cycle

Source: (Alabart. T. Timothy 2012)

D. Foreign Trade Policy

We have previously mentioned the most important theories and literature that explain the establishment of foreign trade, and most of the theories have supported the liberalization of trade between the countries of the world, as trade liberalization brings great benefits to the countries that do trade. foreign trade.

Each country has its own policy regarding the regulation of trade relations with other countries. Most countries seek to achieve their economic goals, but governments cannot be forced to follow foreign trade laws.

Some countries seek to protect their personal interests, others seek to protect domestic products from competition, and still others consider foreign trade through investments to be an economic occupation of the state and an interference in its internal affairs.

1. Define Foreign Trade Policy

Economic thinkers have developed several definitions of international trade policy in services, such as:

The service trade policy is a set of means that the state resorts to for its trade for clear and specific objectives in terms of the state's position on the economic relations that take place through persons residing abroad.

Service trade policy has been defined as a governmental program that defines a set of methods and tools that have an impact on international trade in services during a specific period to ensure the achievement of social, political, and economic goals.

There is a comprehensive definition of service trade policy, which is that it is a set of methods, measures, procedures, and rules that the state takes to achieve economic development, which is done through trade work with the rest of the world to improve the economy, reduce unemployment, and increase individual income.

2. Foreign Trade Policy Goals

A. Financing public spending of all kinds by realizing resources for the public treasury, which are obtained when goods pass across the country's borders.

B. Work to achieve a balance in the balance of payments through measures that achieve the goal, taking into account not violating the national economic goals. This may result in alleviating the demand for unnecessary imports and working to increase the returns from the state's foreign currency and reduce its exchange rate to maintain the availability of foreign currency.

C. Protecting local production from foreign competition in the markets, so that the state isolates everything that affects local production, and protection is done for local production when local production is greater than production abroad.

D. Equality in the distribution of national income. For example, European countries are determined to protect their agricultural production against foreign competition.

E. The state must protect the national economy from the danger of dumping because it is an indirect means and the aim is to win foreign markets for the account of producers in the local markets. Therefore, the state must establish laws and take measures to protect its national economy from dumping by imposing customs duties on imports, and the surplus production becomes only. (Salvatore, D. and L. Kle in .1995).

3. Types of Policies Followed In International Trade In Services

The types of trade policies have been divided into two types: trade protection and trade freedom, but there is a contrast between trade protection and trade freedom, and since the establishment of the World Trade Organization in 1995, the world has moved towards trade and economic freedom.

E. Freedom of Trade

Freedom of trade has been defined as the policy that does not know barriers and borders that impede the free passage of investments, goods and capital from one country to another. It does not exist in some countries, especially developing countries and some economically liberal countries. Rather, there is a striking contrast between restriction and freedom.

1. Justifications for Free Foreign Trade

a. Maximizing GDP

Freedom of trade often leads to an increase in local production, which returns to the state with the lowest expenditures, as the increase that results in global output in every working hour is transferred from the state to the commodity that is produced, which leads to raising the level of economic welfare for the peoples of different countries. In addition to that, freedom of trade has a major role in expanding the size of the market as a result of the division of labor, whether internationally or locally.

b. Raising the level of efficiency

One of the reasons for the increase in competition between countries in the production of services and goods is the freedom of foreign trade; as long as all countries produce for the markets, an unknown buyer aims to obtain the best production and efficiency in order to improve and develop production, which leads to the increasing trend of increasing production and winning markets

c. Scientific progress

Trade freedom is considered part of international economic freedom, as it works to facilitate the countries of the world in direct and indirect investments and in knowledge and technology, especially in developing countries. Scientific progress helps economic development and increases the level of production. International competition and trade freedom result in good incentives for companies and the state to spend on development and scientific research and benefit from external technological progress, which it does not have, as the positive impact of the state extends to many sectors such as health, education, and others.

F. Trade Protection

Trade protection has been defined as a set of policies and procedures that are taken to protect local production from foreign competition by imposing fees and restrictions that affect the free movement of foreign goods and services within the country. The state also provides support and assistance to local producers to encourage them to compete with foreign goods, but despite the efforts made by countries, especially developing countries, they do not have the financial capacity that foreign investors and producers have.

1. Justifications for Trade Protection

a. Protecting emerging industries

The state's protection of emerging industries is a sound measure. Emerging industries operate in unequal conditions, such as advanced industries in terms of cost, availability of skills and expertise, and their exposure to external competition, in addition to the ability to market, which leads to bankruptcy and an increase in the

unemployment rate. The state must provide all support and encouragement to industries so that they can compete with foreign advanced industries.

b. Diversity of the economic structure

One of the reasons for the economy's being exposed to risks in economic crises and wars is specialization in light of economic freedom. For this reason, and for fear of the risks that may occur suddenly, most countries diversify their economic structure in terms of multiple sectors, so the economy in the country can avoid unexpected global economic surprises and fluctuations that may lead to bankruptcy when specializing in one sector. The structural diversity of the economy either protects the economy or mitigates the negative effects that may occur.

c. Maintaining employment

When trade protection is available, it leads to the growth of the economy through the multiplicity of sectors and the development of emerging industries, in addition to expanding the base of the national economy of the state, which helps to create job opportunities, maintain employment and increase the national income. The policy of restricting trade encourages the limitation of imports, which is considered to provide income for national export promotion.

d. Attracting capital

One of the main reasons for the process of investments and capital to the work of huge projects in the state is commercial protection, and this is achieved if the size of the market is large and there is a habit of exporting to these markets by investors. In order to protect their interests, the investors establish several sectors for the purpose of direct production.

2. Trade Policy Methods

Trade policy methods have been defined by economic thinkers as the methods and procedures that the state implements in order to influence its foreign trade with other countries.

In this research, we will present the most important methods of trade policy that depend on organizational and administrative methods and prices, in addition to quantitative methods.

a. Cost-based methods

They are the methods that have an impact on the direction and volume of foreign trade by affecting the prices of services and goods that the state exchanges with other countries. The method also includes many tools such as subsidies, customs taxes, exchange rates, and customs taxes.

b. Customs tax

They are taxes that are imposed by the state on services and goods that are in the field of international exchange, such as imports and exports. The purpose of imposing taxes is to provide financial resources and protect local production from external competition.

3. Types of Customs Taxes

There are Many Types of Customs Taxes, As Shown Below:

a. Specific customs tax

This type of tax is a specific amount paid to the state on services and goods that are Importing it to the country, taking into account the size and type of the commodity, and the customs tax is easy to apply, but it is exposed to a problem in the application in terms of not maintaining a fixed rate for goods whose price increases significantly and continuously.

b. Value customs tax

This type of tax is on the price of the tax and is related to the price of the service or commodity, in other words, it represents the market value of the commodity in the country, but there is a problem facing this type From taxes, which is the determination of the value of the service or commodity on the market value, or on invoices or incoming prices.

c. Compound customs taxes

It is the tax that is imposed on the composite tariff of value and quality taxes, where the specific tax is imposed in a specific amount on one unit with the addition of the value tax in order to take into account the discrepancy in value and quality.

i. Subsidies

Subsidies affect the direction and volume of foreign trade in terms of influencing the prices of subsidies products and commodities where subsidies are linked to exports and the state encourages them and thus the types of subsidies.

4. Direct Subsidies

It is a type of subsidy through which cash is paid to local producers. The aim of the subsidies is to help local production by selling their goods in the local and foreign markets at low prices, which makes local producers able to compete for the local product and enable it to enter global markets outside the borders of the state.

5. Un Direct Subsidies

By granting local projects financial and credit privileges in addition to cash, which include long-term loans or reducing fees and taxes on services and goods, in addition to providing technical support to local exporters. The state also encourages local producers through holding international exhibitions for services and locally produced goods.

6. Dumping

It is an attempt to sell the commodity in the market at less than the cost, or to sell it in the international market at a price lower than the price of the local product.

a. Continuous dumping

It is called price discrimination at the global level, where the monopolistic producer offers and sells services and goods in different markets according to the elasticity of demand for the commodity by imposing a low price internationally or a high price locally.

b. Temporary dumping

It is that the foreign producer sells at a price that is less than the production costs of the commodity. The aim is to drive the local producers out of the market, and after making sure of the success in removing the local producers, he raises the prices of the commodities to compensate for his loss.

c. Periodic dumping

It is what happens when producers sell goods at low prices locally, and the aim is to get rid of the temporary surplus in a particular commodity. Economic thinkers have indicated that temporary dumping is very dangerous as it lowers prices and then raises prices suddenly.

G. Exchange Rate

To influence the direction and movement of foreign trade, many countries adjust the exchange rate, which means the change in the relative prices of services and goods that are exchanged between countries, which leads to an impact on the volume of imports and exports. The change in the exchange depends on the elasticity of domestic demand for imported goods and the demand for flexibility of foreign change depends on national goods.

When the exchange rate rises, there is an increase in the price of national goods for the foreign importer; there is a decrease in the demand for the commodity as a result of the increase in its price; and the price of imports is lower for the local consumer, which increases the country's imports. The International Monetary Fund has provided advice and guidance to developing countries by working to reduce currency rates nationally in order to increase its commercial profits.

The currency exchange policy depends on the flexibility of the productive apparatus and what the state offers, in addition to the extent of the state's dependence on foreign countries, the dependence of its economy on imports and exports, the type and nature of the goods that are exported, and the flexibility of foreign demand for the state's exports.

The work to reduce the exchange rate is not commensurate with the developing countries that are not flexible in their economies because they depend heavily on the export of raw materials. When decreasing the exchange value of their currency, this has a negative effect that outweighs the benefits.

H. Quantitative Methods

Countries rely heavily on quantitative methods to restrict trade in terms of its restriction and volume, especially with regard to imports, where quantitative

methods are used to control the amount of foreign trade in terms of type and volume, unlike price tools, where price tools include import licenses and quotas.

1. Quota System

The state does this for imported goods by setting a limit on the quantities that are allowed to be imported for a specific commodity during a period of time that the state sets. The quota system is used in import operations to achieve a balance in the balance of payments and protect national industries, taking into account the deterioration in the value of the state's national currency in foreign exchange as a result of the low price of the national currency. One of the most important methods used to determine quotas is:

It is possible that quotas will be determined by defining a quota for each imported commodity, without specifying the import quota from a specific country.

Work may be done to determine the total quota, and then work may be done to determine a partial share for each foreign country in the form of a percentage or an absolute amount of the total quotas. Quotas from imports are often distributed among importers by the government with a certain percentage of the quantities that were imported to the country years ago.

2. Import licenses

There is a close link between the quota system and import licenses, where the state grants licenses to a number of goods within the limits of a certain amount of goods, and the importer must obtain an import license from the government for a specific commodity, as import licenses are considered complementary to the quota system obtained. Among the most important advantages of the import licensing system are:

- a) Stabilizing speculation in the international exchange markets and reducing the fluctuations that occur in prices.
- b) Achieving the compatibility between import requests and the offer of foreign currency, which helps the monetary authorities.
- c) Work to avoid and avoid deadlock in the quota system.

3. Organizational Methods

The objective of the organizational and administrative methods is to set the administrative and regulatory framework for the trade policy of countries, as it contains the following:

a. Trade treaties

The purpose of trade treaties is to organize a trade agreement between two countries in terms of trade treaties according to their common desire, with the aim of developing and increasing the volume of trade exchange between the two countries, in addition to reaching a common policy and achieving economic interests between them.

Where the state grants facilities to a certain state from another state, in addition to reducing customs duties and taxes by encouraging trade and barter between the two states. The two contracting parties have between them, and barter is encouraged through the export and import of goods from the other party, as the trade treaties may be partial to the exchange and organization of goods, to be specific, and the trade agreement may be comprehensive in terms of regulating trade relations between the contracting countries.

Through diplomatic methods, trade treaties between two or more countries are reached, such as tax transactions on goods and customs taxes, as trade treaties are based on the principles of the first-rate nation and reciprocity, in addition to equality, where the state pledges to give the country the best and best treatment that the other country grants to a third party.

b. Trade agreements

Trade agreements have been defined as the implementation of trade treaties between countries in terms of implementation and procedure through treaties that set general principles, and trade agreements set short-term agreements and general controls. In addition to that, they include how to exchange and lists of goods in addition to the advantages that are mutually granted between countries.

c. Payment and dam agreements

Its purpose is to determine how to settle financial obligations and rights between the two countries, and it is attached to trade agreements between countries,

where payment and repayment agreements include the method by which debts and resulting rights can be paid and repaid Global economic relations.

The payment and payment agreement is widespread and common among countries that are in line with a protectionist policy line in foreign trade, and it is in constant decline due to the liberalization of foreign trade and the establishment of the World Trade Organization.

d. Customs unions

In the customs union, in which two countries have an agreement on trade exchanges between the countries that join the customs union, partially or completely, in order to establish a single customs zone, in addition to removing barriers and difficulties that hinder the import and export of goods between countries, in addition to liberalizing foreign trade.

The customs union has been defined according to tariffs, trade and general agreements as an agreement between countries that aims to abolish quantitative restrictions and customs duties on goods exchanged between members, in addition to the commitment of member states to establish a unified customs tariff between them on goods that are imported from non-member states. Customs union where the unified tariff is a substitute for the special tariff of member states.

According to the productive conditions of the member states of the customs union, the customs union can be implemented gradually or completely, in addition to the relative advantages of its production of goods. The customs union plays an important role that is positively reflected in the expansion, growth, and recovery of markets through the products of member states.

The customs union protects national production from foreign competition by imposing customs duties on goods from outside the union. On the other hand, it facilitates competition processes by opening borders, but in a limited way, in order to protect state products where each country obtains lower-cost goods than the countries that are not members of the customs union and exports goods to other countries that have comparative advantages in terms of production.

Among the factors for the success of the customs union, there must be a convergence in the level of growth and relative advantages in production between countries so that goods are marketed at the level of the customs union. One of the

reasons for the success of the customs union is that there should be a single national relationship between countries to achieve economic unity, and in the next stage there will be political unity.

I. Strategies of Foreign Trade in Developing the Economies Of Developing Countries

After the Second World War, the industrialized countries followed a policy of restructuring and building their economies to increase their capabilities in exports, as they concluded bilateral agreements through a policy of economic solidarity. It contains natural resources and raw materials.

The industrialized countries have taken many measures aimed at increasing the percentage of exports and reducing the percentage and volume of imports so that the import value does not exceed 5% of the total income. In 1932, the import rate was reduced to 2.3% of its total income, and this affected a number of countries that were in the process of economic growth. The imbalance in the balance of its foreign trade appeared due to the decline in exports, which led to a slowdown in growth.

The affected countries followed the policy of substituting imports from abroad due to the decline in their exports, and it continued after the Second World War, but then the matter differed, as the relative importance increased in terms of exports increased, which led to an increase in economic development, and in order to find bases for economic development, the developing countries had to diversify their exports of raw materials.

Foreign trade strategies are aimed at achieving economic development for developing countries.

1. Export Strategy

The export substitution strategy has been defined as the local production of something that was previously imported, or that the state, if it was unable to produce it, would import it. The import substitution strategy is the first strategy that developing countries followed in the early stages of industrialization. The reflection of the rise in the growth rate of imports is the imbalance of its foreign trade, and as a result of the imbalance of foreign trade in developing countries, this leads to a

decrease in the volume of exports of raw materials. Among the factors that accompanied economic development in developing countries are:

a. First stage: manufacturing in order to produce consumer goods to be a substitute for imported goods in terms of establishing factories under the direction of the state with the aim of producing consumer goods that meet the needs of local markets and consumers.

b. Second stage: Carrying out manufacturing operations for intermediate goods, and this is done through the establishment of factories that produce intermediate goods that are needed by the established factories that produce consumer goods in order to reduce the proportion of imports.

c. Third stage: manufacturing to replace imports to be a substitute for capitalist productive goods through the establishment of national factories for the production of machines and machinery that operate factories producing intermediate and consumer goods.

The objective of the import substitution strategy is to provide local markets with local industries, which are an alternative to the country's need to import from abroad, as the majority of developing countries have followed this strategy. The most important objectives of the import substitution strategy are:

1. Increasing the rate of savings and investment at the national level, and this is done by achieving material gain and protecting the non-displaced industries.
2. Establishing foundations and bases for various industrial activities so that the state will be able to export local products to foreign markets.
3. The state must provide foreign currency to be able to import capital and intermediate goods.

As a result of the large volume of import operations from abroad, this has led to the dependence of developing countries abroad due to the increase in imports of capital and intermediate goods.

- a. The import substitution strategy did not address the problem of local factories and service projects, and as a result of their financing from abroad, this led to a deficit in the state budget.

- b. Closing foreign markets to local products and increasing competition in goods, as developing countries do not have the material capabilities of the major industrial countries.

2. Export Development Strategy

Most developing countries suffer from a deficit in their trade balance and high indebtedness. The developing countries faced indebtedness by following the industrialization strategy within their countries in order to be able to export by keeping the raw materials and not exporting them abroad and exploiting them locally by establishing factories and manufacturing industries for raw materials in the form of semi-manufactured or fully manufactured and exported abroad, and the state can benefit from the added financial value and foreign aid to support such industrial projects, which leads to alleviating the deficit in the state's trade balance. The developing countries have followed the export strategy in two main ways:

A. First Method: manufacturing and exporting raw materials instead of exporting them as raw materials and working on the production of intermediate goods such as refining crude oil and exporting them abroad. The state can also manufacture parts or part of a specific commodity and export it.

B. Second Method: It is for developing countries to carry out assembly industries, which the state imports as semi-manufactured goods that can be manufactured locally, such as household appliances and assembling cars and machinery. Among the advantages of the export strategies in developing countries are:

1. Economies of scale because it does not depend on local markets, but rather on foreign markets.
2. Increasing the volume of employment and fairness in the distribution of income, which is much better than the strategy of imports and the increase in the growth of exports results in an increase in the growth rate of the GDP. The most important objectives of the export substitution strategy in developing countries are:
3. Developing countries benefit from the added value as a result of the country's export of semi-manufactured or manufactured goods as a substitute for exporting raw materials.

4. Developing countries can benefit from domestic resources such as iron, crude oil, phosphate and other raw materials by setting up industries on inputs such as petrochemicals and fertilizers.
5. The establishment of strong industries by developing countries helps to build the infrastructure through which large industries can be absorbed.
6. The population of some developing countries is low, and manufacturing operations for export purposes help them benefit from the advantages of foreign markets.
7. Developing countries can benefit from the export substitution strategy by acquiring technical and technological skills that are imported and benefiting from them through their development.

J. Conclusion

In the first chapter, the study dealt with the intellectual and theoretical aspects of international trade in services, where trade in services is about the exchange of services and goods in the form of imports and exports between countries, where its establishment depends on the division of international labor and specialization in production processes, and this led to the phenomenon of division and the phenomenon of specialization in production at the international level.

The theories that have clarified and explained the establishment of trade between different world countries according to the historical sequence tried to show the benefits gained from specialization based on comparative advantage and on assumptions calling for trade liberalization. Because wealth is measured by what the state possesses of silver, gold, and other precious metals, the classical theory emerged, which clearly demanded the liberalization of international trade in services according to the principle of laissez-faire and laissez-faire for Adam Smith. Adam Smith's theory explained the establishment of exchange trade between countries due to the difference in relative or absolute costs, but there was a shortcoming in the theory by explaining the reasons for the difference in relative expenditures, as the neoclassical theory headed by Heckscher-Olin appeared, which stated that the reason for the difference in relative expenditures is due to the extent of the scarcity or abundance of economic materials.

With the economic and technical progress, the different tastes, the heterogeneity of countries and the complexity of commodities in terms of development, one of their results was the emergence of new methods of interpreting reality, the most important of which are the technological theory and Leander's theory, where both theories are considered complementary to each other, as no studied theory has been able to develop a complete explanation in a scientific manner of trade relations between countries.

The first chapter also dealt with trade policies and their trends. The first trend is to liberalize trade by transferring production factors, services, and goods from one country to another without any obstacles or barriers. The second trend is the state's intervention to regulate international trade in services by imposing restrictions to preserve the national interest.



III. LIBERALIZING INTERNATIONAL TRADE IN SERVICES IN THE GATT AND WTO

A. Introduction

With the end of the Second World War, and under the Bretton Woods Agreement concluded in 1944, work was done to lay the foundations for the global economic system, and through the Bretton Woods Agreement, the International Monetary Fund was established, which maintains global economic stability, and then the International Bank for Reconstruction and Development was established. The aim is to reconstruct the devastation and devastation that resulted from the Second World War through the assistance provided by member states by granting long-term loans to finance development projects to improve economic policies that lead to social and economic development.

It was supposed to be working on the establishment of the global economic system, which is the World Trade Organization (WTO), as it was supposed to be entrusted with the task of developing and regulating foreign trade for member states, but due to the rejection of the US Congress because of its economic power affecting the global economy, an agreement was reached in 1947 to set up the GATT agreement, whose mission and duties are to carry out arbitration between member states in all matters related to foreign trade through continuous negotiations with the aim of discussing issues related to trade and customs tariffs, especially liberating foreign trade from barriers and difficulties it faces, in addition to ensuring that member states adhere to the GATT agreement.

B. General Agreement on Tariffs and Trade (GATT)

The General Agreement on Tariffs and Trade was signed in 1947, and the agreement is considered in its meaning as a multilateral treaty based on defining obligations and laws so that countries can achieve economic growth and recovery through trade liberalization. The agreement sets a number of principles regulating

trade behavior between the parties, in addition to allowing member states to hold trade negotiations to facilitate the free arrival of goods through free trade.

1. Objectives and Principles General Agreement on Tariffs and Trade (GATT)

a. Objectives

1. Resolving disputes and disagreements between member states through consultation within the GATT.
2. Ensure good use of the world's resources.
3. Work to improve the standard of living of the citizens of GATT member countries.
4. The free exchange of goods between member states and the improvement of global production.
5. Not violating the terms of the agreement that was signed.
6. Regulating trade liberalization processes as well as multilateral negotiations.

In order to achieve the goals for which the GATT was found, there must be cooperation among the member states through reducing customs tariffs and non-discrimination in foreign trade, in addition to removing obstacles and barriers to trade.

b. Principles

In order for GATT to achieve its goals, it relied on the following principles:

i. Non-discrimination

Foreign trade must be based on the principle of non-discrimination and equality between member states and according to the provisions of the GATT, the treatment of member states is equal. The principle of the most favored nation (MFN) has been declared, so every nation must be treated as a most favored nation, and it is not permissible to violate the agreement. In addition, all nations must Parties when applying export and import duties and administration duties consider others more appropriate.

ii. Protection through tariffs only

Among the GATT agreement is the prohibition of quantitative rules and that restrictions on foreign trade are limited to less severe tariffs, in addition to the

protection of local industries through agreed customs tariffs.

iii. Fixed basis for trade

GATT strives to provide bases and foundations for stability that can predict trade so that it obligates the level of the customs tariff that has been negotiated and prevents the binding of a unilateral high customs tariff in tariffs. Despite what GATT is doing, it is still a clause in the GATT agreement regarding deferred tariffs and is not required by tariffs the highest compensation for any increase.

iv. Consultation

Consultation must be made between member states regarding trade problems. When members feel uncomfortable and distressed, they can withhold their rights according to what is stated in the GATT agreement and seek a fair settlement that guarantees them their rights. This is done through the formation of independent committees in order to resolve disputes between member states.

2. International Monetary Fund and the World Bank support GATT

The efforts made by the World Bank and the International Monetary Fund were great and influencing the liberalization of foreign trade by setting programs for developing countries in terms of economy with the aim of liberalizing the international services trade in the field of goods and services and had an important role in the success and support of the GATT Convention in order to achieve Objectives of the agreement.

a. The world bank for Development and Development was established in 1944 according to the Breton Woods Convention and the aim of establishing the World Bank is to rebuild the resulting destruction of World War II, as America's share of the World Bank's capital was very large as a result of the surplus in the balance of American payments during the World War II and from the goals The World Bank for Development and Development is:

1. Reconstruction and construction of Europe that was destroyed during World War II.
2. Work to encourage private bodies by granting investment loans.
3. Developing international trade and working to achieve satisfactory payments through the scales.

4. Providing soft loans to developing countries for structural reforms.
5. Providing loans to finance feudal and development programs and import operations.
6. Providing urgent loans for urgent and emergency cases.
7. Helping countries that follow the open economy policy to liberalize the services trade.

a. International monetary fund

The International Monetary Fund was established in 1944, and delegates from 44 countries signed the founding agreement, as most of the points of the agreement focused on the monetary aspect, exchange rate stability, the development of services trade and domestic monetary cooperation, in addition to working to establish a system of payments between the parties. The International Monetary Fund contributes significantly to trade in services and its liberalization. The most important objectives of the International Monetary Fund are:

1. Facilitating and regulating currency exchange between countries and removing obstacles and restrictions on currency exchange, which facilitates trade deals between countries.
2. Work to achieve balanced growth in international trade so that the services trade
3. sector is a means and a source of development and economic growth by influencing
4. The changes within the country through the approved reform programs.
5. Elimination of restrictions and control that impede the movement of trade in
6. services and the establishment of multilateralism.
7. Increasing the volume of trade in services and expanding its work by achieving real
8. income levels, employment and developing productive resources for all countries.
9. The GATT has contributed to avoiding the failure of the institutions of the global
10. economic system, which has a vision of the thorny issues related to international trade in services, finance and money.

3. GATT Tours

In this second chapter of the study, the tours carried out by GATT from the date of signing the agreement in 1947 to the establishment of the World Trade Organization in 1994 will be discussed, which resulted from the Uruguay agreement during three periods:

a. First period: 1947-1971:

Five rounds of trade negotiations were conducted in order to reach solutions to liberalize foreign trade from customs tariffs, the most important of which was:

1. The 1947 Geneva Round was successful and many solutions were reached. 23 member states participated in it, where it was agreed to reduce customs duties by 20% of the volume of foreign trade.
2. Annecy tour in 1949, which was held in France, and it was the first round of negotiations from a scientific point of view within the framework of the GATT.
3. Torquay tour 1950-1951, which was held in England: 47 member states participated in this tour, the aim of which was to obtain more concessions in taxes.
4. The Geneva Round 1954-1957: 27 member states participated in it.
5. Dillon's tour 1960-1961, which was held in Geneva, where the number of participating countries reached 27 of the member states.

b. Second period: 1972-1989:

This period includes two rounds of multilateral trade negotiations, starting with the end of the fifth round of GATT and continuing to the historic Uruguay round, which was the end of the rounds.

1. Kennedy's 1964-1967 tour: It was held in Geneva, as in 1962, former US President John F. Kennedy invited him to the tour.
2. The Tokyo Round 1973-1979, where 102 member states participated in this round and the topic of discussions covered by the round was the non-tariff restrictions due to the low customs duties on manufactured goods.

c. Third period: 1979-1993

A. The Uruguay Round 1976-1991: It was the most complicated and tense round, and it was four years late, as it was scheduled to start in 1982, but did not start in 1986. The aim of this round was to achieve some of the following important goals:

1. Work to reduce restrictions on imports of agricultural products
2. Work to reduce non-tariff restrictions.
3. Liberalizing merchandise trade in addition to trade in services.

During the GATT rounds, there was a difficulty in the discussions on agriculture, intellectual property, and trade in services, and America succeeded in including property protection in the discussions at the GATT level, where America thinks that it is the only victim in the absence of individual property rights.

The issues of services, trade, agriculture and intellectual property have been subjected to intense discussions, especially the issue of intellectual property protection, as the United States of America has succeeded in including this topic in the discussions at the GATT level, because it is the main victim of the absence of any international regulation of intellectual property rights. On the other hand, reducing restrictions on imports of agricultural products is not an easy matter because most of the world countries have their own policies to support the agricultural sector in terms of export support or quotas for the quantity of imports in addition to price support, which leads to a distortion of the price structure of those products.

One of the staunch opponents of the abolition of import restrictions on agricultural products in the discussions was the European Union, and the Uruguay Round ended without a trade in services agreement being reached. Among the most prominent results of the second Uruguay Round:

1. The establishment of the World Trade Organization as an international institution that has the right to supervise the implementation of the GATT agreements with the agreement of all member states, as it lays the foundations for cooperation between it and the World Bank and the International Monetary Fund. The aim is to organize and coordinate the economic, financial and trade policies of the member states.
2. Work to support and improve the legal system related to measures obstructing trade.

3. There must be clarity in the provisions, procedures and rules related to the liberalization of foreign trade in sub- or main agreements, whether in the main Agreement, and in particular disputes, controversial and ambiguous problems and abuse.
4. Creating an integrated system whose job is to settle trade disputes for member states, while establishing a system that can confront trade policies.
5. Promoting and supporting measures related to liberalizing trade in services through the further removal of non-tariff barriers, liberalization of products, clothing, agricultural commodities, investment and property rights, and the reduction of customs duties through expanding the scope of GATT.
6. Confirmation and follow-up of commitment to preferential treatment of developing countries by developed countries One of the results of the Uruguay Round is to oblige the advanced industrial countries to provide technical and financial support to developing countries so that they can respond to the technical and administrative requirements for the implementation of the new agreements.
7. Granting the least developed and developing countries more participation and presence in the new world trading system through justice and non-discrimination with equal weight for the votes of the member states of the World Trade Organization.

Table 5 GATT Rounds

N.	Name	Start	Duration	Countries	Subjects covered	Achievements
1.	Geneva	1947	7 months	23	Tariffs	GATT signed an agreement to reduce the customs value of 45,000 commodities, valued at 10 billion dollar
2.	Annecy	1949	5 months	34	Tariffs	Countries exchanged some 5,000 tariff concessions
3.	Torquay	1950	8 months	34	Tariffs	Countries exchanged some 8,700 tariff concessions, cutting the 1948 tariff levels by 25%
4.	Geneva II	1956	5 months	22	Tariffs, admission of Japan	2.5 billion dollar in tariff reductions
5.	Dillon	1960	11 months	45	Tariffs	Tariff concessions worth 4.9 billion dollar of world trade
6.	Kennedy	1964	37 months	48	Tariffs, anti-dumping	Tariff concessions worth 40 billion dollar of world trade
7.	Tokyo	1973	74 months	102	Tariffs, non-tariff measures, "framework" agreements	Tariff reductions worth more than \$300 billion achieved
8.	Uruguay	1986	87 months	123	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation WTO, etc.	The tour resulted in the establishment of the World Trade Organization, which expanded trade negotiations, and this led to a reduction in customs tariffs and agricultural subsidies by (40%), in addition to protecting intellectual property rights.

C. World Trade Organization (WTO)

The World Trade Organization has been defined as the one that implements a set of trade foundations and rules in addition to the General Agreement on Tariffs and Trade in GATT, and the World Trade Organization implements the implementation of the General Agreement on Trade in Services (GATS) and matters related to intellectual property related to trade in TRIPS.

The World Trade Organization was established in 1995 through the Uruguay Round, carried out by GATT for a number of countries. Before the Uruguay Round, GATT focused on the rules of the General Agreement on Tariffs and Trade in terms of quotas and tariffs, and until the implementation of this agreement, it was necessary for the members of the GATT to meet.

During the Uruguay Round, GATT sought to include non-tariff barriers to trade as they are seen as product standards, food safety, and investment policy, in addition to other laws that have an impact on trade. The rules of the World Trade Organization limit the non-tariff policies through which countries can maintain and implement them.

The number of members of the organization reached 134 members, and the number of observer countries is 33 countries, where decisions are taken in the organization through unanimity and voting. Despite voting, the developed countries, especially the Quartet countries such as America, Canada, the European Union, and Japan, used to meet in closed rooms to take decisions, unlike other countries.

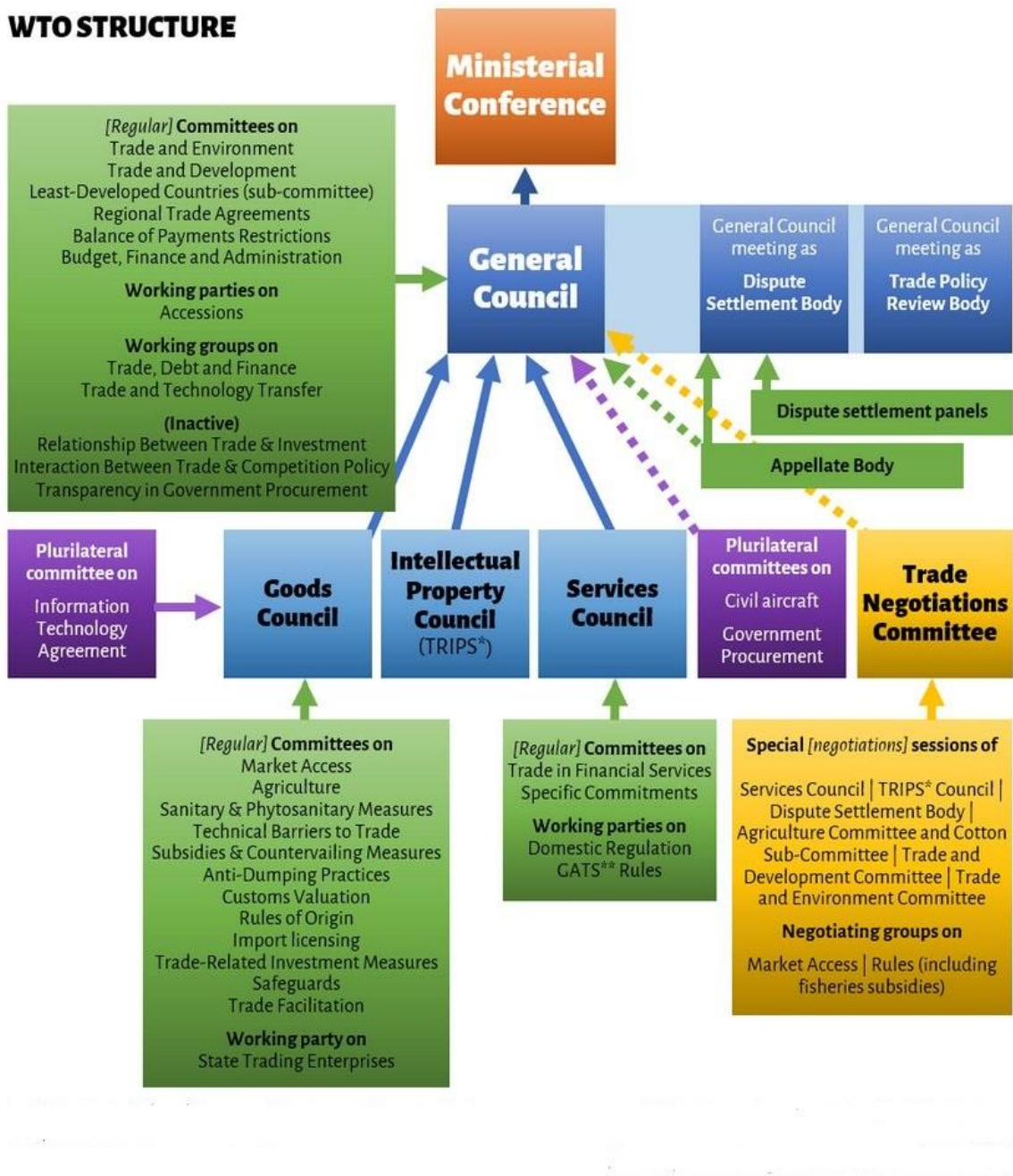
The World Trade Organization does not allow countries to violate each other's laws because such acts are violations of the rules of the World Trade Organization. Disputes between the parties are considered by a trade bureaucratic committee, which makes recommendations to the WTO Council.

The work of the courts in the organization is secret, which includes secret notes, documents, and hearings, but the national government is allowed to participate in the courts and does not have any external appeal that some countries can make as a result of the ruling issued by the courts of the organization, where the convicted country is given a specific time to change the following options.

1. Pay compensation to the state in whose favor the judgment was passed.

2. Changing laws to align with the requirements of the organization.
3. Putting commercial sanctions on the convicted country in the event of non-
4. compliance with the court's outcome.(World Trade Organization (WTO)).

WTO STRUCTURE



Figures 2 Organizational Structure of the World Trade Organization

Source: World Trade Organization

1. Organizational Structure of the World Trade Organization

Organizational structure of the World Trade Organization consists of the following:

a. Ministerial conference

It is the highest authority in the World Trade Organization, as it consists of representatives of member states. Voting takes place in the Ministerial Council of the members. Each member state of the WTO has the right to vote with one vote. Every two years, a meeting of the Ministerial Conference is held. The Ministerial Conference has the right to grant exemptions to developing countries and work on establishing committees whose work is concerned with internal affairs, and one of the powers of the Ministerial Conference is to appoint the Director General, specifying the authority granted to him in addition to his tenure of office. (Rania Mahmoud Abdel Aziz 2008 p 62-63).

b. General council

It consists of the members of the World Trade Organization and is a substitute for the Ministerial Council during the periods that separate its meetings. The duties and tasks of the General Council are to work on settling disputes and to periodically study the trade policies of the member states. It also supervises the sub-councils such as the Services Council and Intellectual Property Rights and the powers of the Council General's formation of individual devices if necessary.

c. Trade policy review board:

One of its duties is to work on implementing the procedures and rules that the General Council sets and related to international trade practices.

d. Dispute settlement body:

It is considered one of the most important bodies due to its handling of the agreement and regulating the special rules that the bodies follow. The Disputes Settlement Authority finds the necessary solutions to end the dispute between member states in the event of non-compliance with the agreement.

e. Specialized or subsidiary councils:

It includes the Council for Trade in Services and Trade in Goods, where it supervises implementation of agreements related to goods, property and services.

D. Separate committees:

These committees are formed separately from the other councils, but in the process of their work, they follow the General Council. The separate committees consist of the Committee on Restrictions on Balances of Payments, the Committee on Budget, Financial, and Administrative Matters, and the Trade Committee, in addition to the Committee on Environmental and Trade Matters, and the General Council determines the tasks and duties of the separate committees.

E. Organization secretariat:

It has a major role in the World Trade Organization, and one of its duties and tasks is to carry out all the administrative matters of the organization.

The Director-General of the Secretariat of the Organization has the right to set the annual budget for the organization, and he is the one who receives messages in the event that one of the members wishes to withdraw from the organization, the Director-General and his employees have immunity as they have the right to reject any subject they receive from governments or any parties outside the organization. (Rania Mahmoud Abdel Aziz 2008) .

1. The Goals of the World Trade Organization

a. Improving people's lives

Among the goals of the World Trade Organization is to seek to improve the standard of living and the well-being of people, as it was agreed at the Marrakesh Conference that foreign trade should be carried out between countries to guarantee a full currency, allow the use of global resources and expand foreign trade in addition to increasing per capita income.

b. Negotiating trade rules

The goal of the establishment of the World Trade Organization is to fear the barriers that affect trade in services. Negotiations have played a major role in opening markets between countries. In some cases, the World Trade Organization supports its rules and foundations to maintain trade barriers that it encounters, such as environmental protection and consumer protection.

c. Overseeing WTO agreements

According to what was stated in the World Trade Organization agreement signed by members, especially trading countries, the agreement stipulated the commitment of governments to maintain their trade policy in accordance with what was agreed upon. The aim is to assist importers, exporters, and producers of services and goods in order to raise the standard of living of citizens, in addition to allowing governments in countries to achieve environmental and social goals.

d. Maintaining open trade

Assisting in the flow of traders as freely as possible is one of the goals of the World Trade Organization, in addition to the absence of unwanted effects in the organization, which supports the integration of developing countries into the services trade system and stimulates employment and economic growth in addition to the absence of sudden changes in policy.

e. Settling disputes

Trade relations between countries often have interests that need agreements, which include decisions that have been negotiated with difficulty in the organization in addition to harmony between countries to settle disputes on a legal basis, which is the goal stipulated in the WTO Agreement in the settlement of written disputes.

2. Participation In The World Trade Organization

a. Join:

Any independent country or any region has the right to be a member of the World Trade Organization according to the conditions agreed upon by the member states, which include acceptance and follow-up of the Uruguay Round Agreement and results and work to make a commitment and commitment in the services and

goods sector. Membership applications are considered every two years by the conference when the ministerial council convenes. two-thirds of the members must vote on the application to join the organization.

b. Withdrawal from the organization:

Each member of the organization has the right to withdraw from its membership and may not be forced to continue, as the implementation of the withdrawal begins six months after the submission of the application and the withdrawal includes non-working of the provisions of the agreement.

3. WTO Ministerial Conferences and International Trade Liberalization Processes

In 1995, the World Trade Organization agreement stipulated the holding of a ministerial conference, the purpose of which is to discuss the recurring issues that are presented to the World Trade Organization at each conference. As was indicated, the ministerial conference is held every two years. The ministerial conference is the highest authority and the holder of the powers in the organization in terms of making important decisions aimed at increasing trade liberalization. The most important conferences that were held under the auspices of the World Trade Organization are listed below.

a. First ministerial conference in Singapore 1996:

The number of member states that participated in the first ministerial conference in 1996, which was held in Singapore, was 12 countries. The conference was distinguished by the intensity of negotiations, which was distinct from the rest of the previous ministerial conferences. The participants in the conference were the ministers of finance, agriculture, trade, and foreign ministers from the member states. The conference is the first conference held by the World Trade Organization since starting its work in 1995.

Many issues were discussed in the first conference. The most prominent topics discussed were the environment, trade and the relationship between international trade and competition, and between trade and investment, in addition to transparency related to government procurement and labor standards. All these issues were raised by developed countries, led by America, and because these issues

affect the interests of developing countries, they have opposed them and these proposals have been confronted in coordination with each other.. (Abdul Muttalib Abdul Hamid 2003 p 341-350-351).

- **Singapore Conference Resolutions**

Continuing and completing negotiations to discuss unfinished issues related to liberalizing trade in services between member states.

The committee will study topics about clarifying the relationship between economic development, environmental protection and liberalization of trade in services.

Work to implement the agreements of the World Trade Organization in a manner and give this subject priority.

Helping developing countries that are negatively affected by liberalizing trade in services and giving them priority in terms of assistance.

Discussing and studying topics that have sparked controversy between developed and developing countries. The aim is to overcome differences and establish multilateral agreements.

b. The second ministerial conference in Geneva 1998:

One of the most important topics discussed at the Geneva Conference was to ensure the commitment of member states to the commitments made in 1994 in the Uruguay Round, and to work to find solutions to differences, in addition to coordination between the World Bank, the World Trade Organization, and the International Monetary Fund, which were among the topics discussed. The Geneva Conference on Trade and Technology and the Reduction of Customs Tariffs on Various Industrial Goods and Financing of the Conference resulted in the following decisions:

1. The commitment of all parties to the Uruguayan agreements and their implementation.
2. Not looking at work standards and not discussing them at all.
3. Working on studying and evaluating the agreements and stating their objectives.

4. An agreed program of negotiations is prepared by the members, and the program is prepared by the General Council of the Organization. The program includes the special issues related to services and agriculture, which were raised in the Uruguay Round. (Bin Musa Kamal 2004 p 312).

c. Third ministerial conference in Seattle 1999:

The topics discussed in the conference were the continuous growth of Internet networks, large and small commercial companies and services trade, in addition to discussing the effects of the financial crisis that occurred in 1997 and the resulting negative effects on the decline in the rate of economic growth and global trade. The members of the conference tried to work to achieve the following objectives:

1. Improving the global trading system, the most important of which is trade in services and the implementation of its agreements.
2. Resolving outstanding differences between developed and developing countries due to the Uruguay Agreement.
3. Liberalizing the agricultural sector and services trade, in addition to liberalizing ready-made garments and textiles
4. .Giving stronger powers to the role of the World Trade Organization to be able to develop developing countries in particular and other member countries in general.
5. Exploiting the benefits of liberalizing trade in services by establishing strong bases and foundations.

Despite the attempt of the member states to make the Seattle conference a success and to find appropriate solutions to the problems and difficulties between the developed and developing countries, the conference failed to reach appropriate and acceptable solutions by the parties for the following reasons:

1. The conference was biased towards the developed countries at the expense of the developing countries in terms of industrial, agricultural, commercial and economic interiors.
2. Poor preparation for the conference.
3. America's use of pressure on developing countries by closing US markets to other countries' exports to gain acceptance of their demands.

4. The lack of consensus between the European Union and America on issues related to the liberalization of the agricultural sector.(Samir Sarem 2000 p 67).

d. The fourth ministerial conference in Doha 2001:

The number of participants in the Doha conference reached 142 countries, but the results were not fair and just for the developing countries, as was expected, except in a very simple way, such as: (Abdul Muttalib Abdul Hamid 2003 p396-397).

1. Work has been done to amend some of the terms related to the dumping and subsidy agreement.
2. Developing countries have had little flexibility to protect public health.
3. Reducing the customs tariff on agricultural subsidies and industrial products, which are new topics that did not exist before.
4. There was pressure on the developing countries, although their members constitute the majority in the organization, but the decisions were negative.
5. Labor mobility is not discussed.

e. Fifth ministerial conference in Cancun 2003:

It is an extension of the Doha Conference, but it failed to reach solutions among the member states because: (Bu Ghazaleh M'hamed Abd al-Karim 2005 p 36).

1. Continuing disagreement between developed and developing countries related to the agenda and the liberalization of agriculture.
2. Adoption of the Group of Twenty, which was supportive of the developing diesel issues of agriculture and other issues.
3. After a long discussion, the results of the conference were in the form of recommendations:
4. Admission of Nepal and Cambodia to the World Trade Organization.
5. Continuing to work on resolving the various issues that have not been resolved.
6. Emphasis on commitment to the decisions reached at the Doha Conference.

f. Sixth ministerial conference in Hong Kong 2005:

In this conference, five working papers were discussed and focused on, such as the entry of non-agricultural goods into the markets, cotton, agriculture and the development dimension, in addition to facilitating trade in services. (Hashmawi Muhammad 2006 p 196-197)

The results of the conference were:

1. Work on eliminating customs duties for local materials for developing countries as of 2008 at a rate of 97%.
2. Discharge the products of the developed countries to the developing countries after the subsidy is lifted.
3. From what has been explained, all the conferences that were held by the World Trade Organization are for the benefit of the developed countries, and the developing countries do not benefit from them.

F. Effects of Accession to the World Trade Organization on Economic Growth

Developing countries have been defined as the least developed countries in a large number of fields and sectors, such as the economy, defense, and technological progress, in addition to having low development indicators. The average life expectancy in developing countries is an expected measure of the quality of education and income.

The aim of establishing the General Agreement on Tariffs and GATT, which was transformed in 1995 into the World Trade Organization, was to provide the participating members of the organization with a commercial advantage by reducing trade barriers in addition to tariffs. Developing countries were reluctant to join the WTO, with the exception of some developing countries, due to their fear and suspicion about the conflicting preferences between it and the developed countries.

As the developing countries believe that trade in services has negative effects on them, the developing countries cannot live in isolation from the world. Therefore, joining the World Trade Organization is very important for reviving the economy and improving the standard of living of the population.

The World Trade Organization has achieved great success in persuading more

developing countries in particular and other countries in general to join the organization, as reports issued by the World Trade Organization indicate that there is an increase in the demand for developing countries to join its membership due to the impact of developing countries on the global economy and transactions .(Barcelo-2005 p2002).

1. Positive Effects

- a) The regulations and laws that included agreements guarantee opportunities for developing countries to prevent dumping policies by other countries and not allow support measures in addition to protecting the trading rights of developing countries.
- b) The agreements gave developing countries opportunities to export products that have comparative advantages such as clothing, textiles and agricultural products, which lead to a reduction in the proportion of imports such as clothing and textiles to an increase in the products of developing countries to developed countries.
- c) Agreements guarantee developing countries to be more preferential and privileged treatment, which includes opportunities for the state to protect its national industries.
- d) Reducing customs duties on products and goods leads to an increase in production and an increase in demand from developing or developed countries.
- e) The resolution of disputes between member states has a positive impact on developing countries that find solutions to their trade disputes with other countries, especially developed countries.
- f) It is expected to increase production efficiency and product quality in developing countries as a result of increased competition in the markets, which allows them to face competition from other countries.
- g) Economic Recovery

Reducing customs tariffs and others is an important factor in increasing the volume and movement of trade exchange, in addition to increasing domestic production for developed and developing countries, as trade in services has an important role in stimulating the global economy.

h) Technological Development

The accession of developing countries to the World Trade Organization has positive effects in terms of integration and participation in the global economy to attract foreign direct investment to developing countries, which leads to the transfer of modern technology from developed countries to them.

2. Negative Effects

- a) A decrease in treasury revenues due to the lifting of customs barriers on some services and goods, which negatively affects the state's public spending and leads to the imposition of new taxes borne by citizens.
- b) It is very difficult for developing countries to compete with products imported from abroad, especially from advanced industrial countries, in terms of cost and quality, which leads to great damage to national industries and services, resulting in an increase in unemployment for the host country.
- c) All member states must strengthen and support legislation that guarantees property rights, the majority of which belong to advanced industrial countries, as legislation causes negative effects on developing countries.
- d) Developing Countries May Face Difficulty in Imported Goods and Food Products Due To High Prices.
- e) The industrialized countries are still hesitant in terms of removing all forms of protection over the textile sector and the agricultural sector, as these sectors are very important in developing countries that depend on them for exports.

3. The Strategy of Global Trade in Services in Developing the Economies of Developing Countries.

After World War II, all of the advanced industrial countries tended to restructure their economies with the aim of doubling their export capacity in the event of bilateral agreements and following the policy of economic integration they seek. The import rate is 5% of its total income, and this measure has prompted other countries such as America to reduce their import rate, reaching 2.3 of the total income of America, and this affected many countries that are moving towards economic growth and was justification The imbalance in the balance of trade in

services is the decline in export operations, which forced them to follow the import strategy.

4. Import Substitution Strategy

It is a strategy for developing countries to attempt to gradually manufacture the goods that they import from abroad, in addition to the local production that was imported to the state and it did not produce.

The import substitution strategy is considered the first that developing countries follow when manufacturing processes. As a result of the high rate of import in developing countries, it has led to an imbalance in foreign trade of industrial products. On the other hand, the exports of developing countries are low in raw materials for production operations. There were three stages of the import substitution strategy in Developing countries such as:

The first stage: It is following the strategy of industrialization for the purposes of production to become the place of imported goods for the state and under the guidance of the state, the private sector establishes production factories for consumer goods as a substitute for the goods that are imported.

The second situation: Carrying out industrialization for the state's intermediate goods by establishing factories to produce this commodity that the factories need for the purposes of producing consumer goods.

The third stage: industrialization in order to replace imports as an alternative to productive capitalism.

a. Export strategy

In order to overcome the high indebtedness and the trade balance deficit in the developing countries, the industrialization strategy was followed with the aim of exporting, in addition to not relying on the export of the country's raw materials. The added financial value is in addition to the aid that developing countries receive from abroad.

The export strategy has taken two paths. The first is assembly industries, where developing countries import semi-manufactured goods or import parts of goods for industrial purposes. The second method is manufacturing raw materials and

exporting them instead of being exported as raw materials, such as petroleum refining.

Among the advantages of the manufacturing strategy for export operations that developing countries follow to improve their economy are a number of advantages compared to replacing the import strategy, such as:

The strategy contributes to achieving justice in income, increasing the volume of employment and encouraging exports. An increase in the rate of economic growth due to an increase in the volume of Exports.

By benefiting from the local resources of developing countries, such as minerals, phosphates, and petroleum, by establishing industries that depend on inputs.

The developing countries that aim for development by following the export strategy, developing countries have taken a number of measures to improve and encourage exports, such as tax and customs exemptions on production inputs and the establishment of free zones to meet the requirements of industry, in addition to encouraging foreign direct investment. As a result of these measures, the developing countries benefit from economic growth, increase national income, reduce unemployment, and introduce modern technology to the developing countries.

b. Mixed trade strategy

Developing countries faced many problems by substituting imports in manufacturing processes, and the proponents of the strategy abandoned them, such as RAUL PREDISCH, who was one of the most vocal supporters of the strategy because it is a policy that leads to development, whereby RAUL PREDISCH called for abandoning the strategy and alerted and warned the developing countries against relying on the strategy. The strategy faced a number of problems and could not advance the economy due to competition from developed countries and the increase in procedures and restrictions placed by industrialized countries on industrial products.

The economic and political decision-makers of the developing countries know the danger of relying on a policy of encouraging exports or substituting imports. It is possible that the strategies complement each other in order to increase the domestic product during long periods, whereby developing countries can allocate part of the

resources they produce to serve export operations, whereby developing countries can import goods that they cannot produce, where this choice is the right choice in developing countries, because political convenience is the one that can efficiently distribute resources between external and internal opportunities, and for this to be successful, there are factors that must be addressed, such as:

The abundance of natural resources and the size of the supply of production factors, the size of the market, the economy, the introduction of modern technology and the technical level, in addition to the income of the demand for exports of developing countries, price flexibility.





IV. THE DEVELOPMENTAL ROLE OF FOREIGN TRADE IN THE IRAQI ECONOMY 2008-2019

A. Introductions

Studies and research indicate that globalization has begun to occupy great importance in the world, and it is necessary to deal with globalization to take advantage of its advantages and avoid its negative effects in terms of intellectual, service, and commodity fields.

The countries of the world, especially the developing countries, are under pressure from the advanced industrial countries to find a way in the global markets in order to dispose of their products and control the global markets, especially the markets of the developing countries. However, despite the harsh measures, developing countries can obtain privileges and benefits when dealing with the international organization of global trade in terms of trade in services policy.

Iraq is part of the third world countries, and it is unreasonable for it to be isolated from the rest of the world by relying on service trade so that it can advance in the national economy. Despite his many attempts to join it, Iraq was accepted as an observer member in 2016.

Economic development does not just raise the rate of commercial growth and increase the average per capita income, but rather that economic development and economic growth are not the same, as some mention. Along with economic growth.

The increase in the national product and the increase in the population in similar proportions is not growth, but rather an economic expansion. Economic development considers changes in the development of the production sector and the

structure of the economy and services, and works to remove the imbalance in the production structure of the different production methods and methods.

Economic development is a basic requirement and a goal sought by all developing countries, including Iraq. The third chapter discusses the development of Iraq's economic structure, the role of global management in services, and its economic future through three sections:

B. Analysis of the Evolution Of The Structure Of The Iraqi Economy And Its Relationship To Foreign Trade.

There is a strong relationship between the economic structure and the services trade in all countries. The characteristics and nature of the services trade are a reflection of the nature of economic conditions and conditions. In addition, the economic structure, whenever it is advanced in its basic components, is reflected positively on the structure of foreign trade. The development of the Iraqi economic structure and its relationship with the services trade will be addressed from 2008–2019.

1. The Evolution of Iraqi Total Production

The Iraqi economy is characterized as like other developing countries because commodity production is relatively undiversified, but the pattern of its demand is greatly diverse, and in light of such a feature that has become integrated into it, work must be done to change the supply of what the demand requires by relying on trade in services through which few commodities are exchanged. In the lists of miscellaneous goods, the local offer is not enough.

The domestic gross product is the main source for the group of services and goods, where it constitutes the largest part of it, as the degree of product diversification greatly affects the trade of services, in addition to the fact that it constitutes the group of total added values achieved in the internal economic sectors and the contribution of foreign and local production factors, and imports and exports is a role corrector for the internal balance by discharging the surplus and replacing it with services and goods that the country needs.

Through this comes great importance on the role of trade in services in the

national economy gains great importance because of the link between it and the local economy and it reduces the imbalances in the internal balance of the national economy.

The increase in the size of the economy depends on trade in services, because domestic demand does not constitute a factor for the growth of production and investment. Rather, external demand contributes to stimulating the economic growth of such an economy, as the economy's connection with foreign markets varies according to the peculiarities that characterize it, which leads to different foreign influences in the national economy from country to country.

The Iraqi economy is characterized by a structural imbalance in terms of composition in the GDP due to its dependence on crude oil to finance the state's resources; there is an increase in the percentage of the contribution of extractive industries, which is based on generating GDP at the expense of the decline in the main production

sectors such as tourism, agriculture, industry, and other production sectors, which leads to a lack of balance in the Iraqi economy.

The decline in the proportion of productive services in the Iraqi GDP continues, in addition to the inability of the local product to compete with imported foreign products. The dependence on Iraq's dependence on petroleum revenues has made the production sector deteriorate continuously.

The Iraqi GDP in 2009 amounted to (51.7) billion Iraqi dinars, and in 2008 it amounted to 48,5 billion Iraqi dinars. Due to the increase in the demand for crude oil, the gross domestic product increased, in addition to the entry of multinational companies into Iraq to establish direct foreign investments. In the year 2014, the gross domestic product in Iraq increased to reach 73.3 billion Iraqi dinars, and in 2019, it increased to 85.2 billion dinars, as shown in the following table.

Table 6 GDP in Iraq from 2008-2019

N.	Year	GDP	Annual growth rate of GDP
1.	2008	48,5	1,4
2.	2009	51,7	6,6
3.	2010	54,7	5,8
4.	2011	57,9	5,8
5.	2012	63,6	9,8
6.	2013	70,0	10,0
7.	2014	73,1	4,4
8.	2015	79,1	8,2
9.	2016	81,1	2,5
10	2017	83,3	2,7
11	2018	85.1	2,1
12	2019	85.2	0.1

Source: Ministry of Planning, Central Agency for Statistics and Information Technology (2019).

In terms of the structure of the GDP, there is a discrepancy and a difference in the percentage contributions of the economic sectors in terms of GDP through Iraq's course of economic development, but this difference was accompanied by the fact that the oil sector obtained a high contribution rate in increasing the GDP with the instability of the rates of rise as a result of the internal and external economic and political conditions witnessed by the Iraqi economy, in addition to the impact of oil changes on international data in terms of prices.

a. Exports

Exports are one of the most important indicators through which we can know the level of international trade in services. The more there is a rise in its percentage, the more it will have a positive impact on services trade and the trade balance. Reports issued by the Central Bank of Iraq indicated that Iraqi exports depend on 90% of oil exports, but The non-oil segments have a very small contribution rate due to the lack of efficiency and the lack of ability to manufacture, as it is characterized by The structure of Iraqi exports is not diversified, which leads to a weakness in the competitiveness of Iraq, meaning that it cannot compete with foreign goods in the local market and foreign markets.

The table below indicates the trend of Iraqi exports from 2004 to 2019. We note from the table that exports were very low in 2004 due to the unstable political

conditions.

Exports began to become unstable in terms of decline and rise, as the compound growth rate of Iraqi exports reached -85.15 between 2004 - 2009 due to the growth of merchandise exports at a negative growth rate due to fluctuations in the values of Iraqi exports. In 2009, the value of Iraqi exports decreased to (39,726.10) million dollars after it was high in 2008, reaching 63,782.20 million dollars, where the negative annual growth rate reached (-%) 37.57 The reason for this is the global economic crisis that occurred in addition to the inability and ability of the developed countries to support their import of crude oil. This affected crude oil prices as a result of the drop in oil prices, which led to negative effects on the total Iraqi exports. In 2012, Iraqi exports witnessed An increase of one million dollars, which is the highest value until 2019 - 94,171.60 dollars.

There was fluctuation and instability in Iraqi exports, as they declined in 2014 at a negative growth rate to (-6.45%) due to political instability in Iraq and the control of terrorist organizations on the Iraqi borders and the bombing of oil pipelines, which had a significant impact on Iraqi exports until 2017. Exports returned to rise due to the termination and elimination of terrorist organizations, and in 2019 exports decreased due to the drop in oil prices, as shown in the following table.

Table 7 Iraqi Exports in Its Foreign Trade from 2008 - 2019

Years	Export	Annual growth rate
2008	63,726.10	60.97
2009	39,782.20	-37.57
2010	51,763.60	30.12
2011	79,680.50	53.93
2012	94,171.60	18.19
2013	89,769.40	-4.67
2014	83,980.90	-6.45
2015	43,441.50	-48.27
2016	40,759.10	-6.17
2017	57,559.10	41.22
2018	86,359.90	50.04
2019	81,585.20	-5.53

Source: Central Bank of Iraq 2020

2. The Ratio of Value of Exports to the Gross Domestic Product

Exports have been defined as the part of the product that is not used locally in the country in the form of raw materials or a primary image that can only be manufactured through advanced technology or is surplus to local demand. The value of exports is the outcome and results of foreign exchange that you obtain from the state because of its export operations, where the state uses the export earnings to finance imports from abroad.

Whenever the value of exports is high in relation to the domestic product, this indicates the importance of demand for state products, economic development, and the outside world in the national economy. Any disturbance in the volume of demand is a negative sign on the volume of exports, the national economy, and imports. The value of the total exports was characterized by a development during the period from 2008 to 2019, where the value increased in 2012 to reach 94171.6 million dollars, and in 2008 the percentage of exports amounted to 48.94%.

The rate of increase in GDP exports is considered evidence that the Iraqi economy depends in export operations on crude oil only, and the following table shows the fluctuations that occurred during the period from 2008-2019 with regard to gross exports to GDP.

Table 8 The Ratio of the Value of Exports to the Iraqi GDP from 2008 – 2019

years	Gross domestic product	oil exports	non-oil exports	Total exports at FOB price	Oil exports to %GDP	Non-oil exports to %GDP	Total exports to GDP %
2008	41,300	11178.70	740.1	12218.8	27.26	1.80	29.6
2009	29,585	8422.30	1288.8	9711.1	28.5	4.36	32.86
2010	47,959	17700.0	110.0	17,810.0	36.91	0.23	37.14
2011	73,533	23579.00	119	23,697.4	32.07	0.16	32.23
2012	95,588	30298.70	230.7	30,529.4	31.70	0.24	31.94
2013	111,504	39412.00	175.5	39,587.0	35.35	0.16	35.50
2014	130,204.0	63417.9	308.2	63,726.1	48.70	0.24	48.94
2015	111,300.4	39311.40	123.6	39,435.00	35.32	0.11	35.43
2016	140,814.7	51589.00	174.5	51,763.6	36.64	0.12	36.8
2017	191,176.9	79342.50	221.0	79,680.5	41.6	0.11	41.7
2018	210,279.9	93898.40	273.2	94,171.6	44.7	0.13	44.8
2019	240,371.8	1,8983,50	301.3	98,270,5	48,8	0,15	49,7

Source: Central Bank of Iraq - Department of Statistics and Research
2019

3. The Ratio of the Value of Imports to the Gross Domestic Product

Imports are an indication of the development of the Iraqi economy and the

extent of Iraq's relations with other countries in foreign trade, as imports value resources in order to obtain goods to meet the needs and desires of consumers, where the rise and fall of imports is the extent and degree of the state's dependence on the outside world in order to meet the domestic aggregate demand Iraq is like other developing countries, where Iraqi imports are characterized by their diversified structure, in addition to the fact that Iraq imports large quantities of consumer goods in particular and various commodities

In general, the following table shows the value of imports to Iraq from 2008-2019, which amounted in 2008 to approximately 30,171.20 million dollars, and increased.

In 2009 to reach 38,437.10 million dollars, and in 2013 Iraq witnessed an increase in its imports by an estimated 58,795.90 million dollars, and the rate decreased Import.

In 2014 amounted to approximately 53,176.60 million dollars due to the political situation and insecurity, and in 2019 the import was approximately 49,417.60 million dollars.

Table 9 Total Iraqi Imports in Its Foreign Trade from 2008 – 2019

Years	Import	Annual growth rate
2008	30,171.20	40.23
2009	38,437.10	27.40
2010	43,915.30	14.25
2011	47,802.90	8.85
2012	56,233.70	17.64
2013	58,795.90	4.56
2014	53,176.60	-9.56
2015	39,045.10	-26.57
2016	34,279.80	-12.20
2017	38,765.70	13.09
2018	38,875.70	0.28
2019	49,417.60	27.12

Source: Central Bank of Iraq - Department of Statistics and Research
2019

4. Commodity Structure of Iraqi Imports From 2008 - 2019

There was a radical change in Iraq's economy after 2003. The economic sanctions imposed on Iraq before 2003 by the World Trade Organization and the

United Nations were ended, in addition to Iraq's quest to be a member of the World Trade Organization since 2004, which led to an increase in Iraqi economic growth.

The Iraqi economy has entered a new phase after the return of economic life and the continuation of trade with other countries, which led to an increase in the volume of GDP, but the percentage of contribution of economic sectors and the following table shows the percentage of contribution of economic sectors in the formation of GDP.

Table 10 Percentage of Contribution of Economic Sectors in the Formation of GDP 2008 - 2019

productivity sectors	2008	2019	Change%
Social and Personal Development Services	1,00	23,48	22,48
Money, insurance and real estate services	2,00	7,81	5,82
Wholesale and retail trade and hotels	5,00	9,63	4,61
Transportation, transportation and storage	4,00	11,02	7.1
building and Construction	1,00	9,31	8,30
Electricity and water supply	2,01	3,07	1,08
manufacturing industry	1,00	2,01	1,00
Mining and Quarrying	80,01	29,83	-50,16
Agriculture, Forestry, Hunting and Fishing	5,00	3,80	-1,19
The sum of the activities calculated	0	100	100

Source: Iraqi Central Bureau of Statistics (2019)

We can see from the above table that the contribution rate of the manufacturing industry has increased from 1% in 2008 to 2.01% in 2019, as is the case in other sectors.

From the table, we notice that there is a slight change in the production structure of the economy, and the percentage of the oil sector has decreased, unlike the rest of the sectors from 2008-2019.

a. Diversification in Exports

Years ago, the Iraqi economy faced many difficulties in foreign trade business as a result of the structural imbalance due to more than 90% dependence on oil exports, and this indicates that the services and commodities sector for exports are

neglected and marginalized, which loses Iraq to competition in international markets in addition to the negative effects that result from price changes for oil exports, which means that oil prices, which are determined according to demand criteria, are linked to global market conditions, whether security or economic, especially the economy that depends for its production on crude oil.

Table 11 Contribution to the Total Merchandise Exports of Iraq

productivity sectors	2008	2019	Change%
Goods and transactions not classified by type	0,00	0,04	0,04
Miscellaneous products	0,00	0,03	0,03
Transport machinery and equipment	0,00	0,32	0,32
Manufactured items classified by material	0,01	0,05	-0,05
Chemicals	0,00	0,01	0,01
Animal and vegetable oils and fats	0,00	0,02	0,02
Mineral fuels and related lubricants	99,40	99,25	-0,15
Non-food raw materials other than fuel	0,30	0,15	-0,15
Beverages and Tobacco	0,00	0,01	0,01
Food and live animals	0,20	0,28	0,08

Source: Central Bank of Iraq 2019

The above table shows the structure of Iraqi exports for the years 2008-2019, as it is clear from the table a weakness in production in terms of the industrial and agricultural sector, or with regard to mining exports, it is more than other sectors, and there was fluctuation in the structure of Iraqi exports, which leads to a defect in the structure of Iraqi exports.

b. Diversification of imports

Iraq depends on importing consumer and investment goods from abroad to meet the needs of the local market. There is a commodity gap due to the growing domestic demand for consumption, which exceeds the local production of investment and consumer goods. The shortage in the market is only filled through external imports.

After the security situation stabilized and oil was re-exported naturally, the proportion of imports from abroad increased during the period between 2008 and

2019. The import of industrial goods constituted a large proportion of imports, accounting for 70% of the total imports. The imports of various commodities were financed through oil exports. Crude, followed by mineral fuels and their derivatives, which reflects the weakness of the industrial production base in Iraq, which was 17%.

Table 12 Contribution to Total Imports

productivity sectors	2008	2019	Change%
Goods and transactions	2,9	2,90	0,00
not classified by type			
Miscellaneous products	15,7	15,80	0,10
Transport machinery	43,5	38,50	-5,00
and equipment			
Manufactured items	8,4	11,40	3,00
classified by material			
Chemicals	6,7	6,70	0,00
Animal and vegetable	6,4	6,40	0,00
oils and fats			
Mineral fuels and	9,9	9,80	-0,10
related lubricants			
Non-food raw materials	1,8	1,80	0,10
other than fuel			
Beverages and Tobacco	1,3	1,30	0,00
Food and live animals	3,4	5,40	2,00

Source: Central Bank of Iraq 2019

5. The Extent of Iraqi Economy's Overlap with Foreign Trade

a. Exposure indicator

The measure of trade openness is one of the measures that is considered a phenomenon of economic dependence, which is closely related to capitalist underdevelopment. In this concept, dependency refers to the case that arose from a

historical process in which developing countries joined capitalist advanced countries and their control over developing countries' economies through the exploitation of natural resources and materials ore in developing countries for their own interests.

The table below shows the exposure index and the proportion of foreign trade in terms of imports and exports to the total output at current prices during the period from 2008-2019. The high trade exposure index is an indication of Iraq's dependence on the external economy.

$$\text{Trade exposure} = \text{value of exports} + \text{value of imports}/\text{GDP}$$

$$N = E+M/\text{GDP}$$

N: degree of commercial exposure

E: value of exports

M: value of imports

GDP: Gross Domestic Product

Table 13 Trade Exposure Index of the Iraqi Economy from 2008-2019

No	Years	Imports to GDP Ratio %	Exports to GDP Ratio%	pointer%
1	2008	57	48	105
2	2009	41	47	88
3	2010	32	46	78
4	2011	22	44	66
5	2012	27	48	75
6	2013	32	33	65
7	2014	30	35	65
8	2015	26	43	69
9	2016	27	43	70
10	2017	26	39	65
11	2018	24	38	62
12	2019	21	31	52

Source: Iraqi Ministry of Planning Statistic 2020

b. Public debt index

It is the amount that one of the public units in the state commits to a third party due to borrowing sums with the aim of financing the budget deficit. The debtor undertakes to pay the amount within the agreed period with interest.

The public debt is the amount that the state obtains from the local market with the state's pledge to return the amount with interest as agreed upon. Public debt is considered by opponents and supporters of it because of its negative and positive effects on the level of justice in the distribution of national income and employment. External as it is considered a direct burden for the total cash payments to external creditors to pay the principal debt with the benefits arising from it. External debt is measured by the transfer of the economic surplus and the lack of economic welfare for the debtor community. effects of low and high levels of inequality in the distribution of domestic income.

C. The Role of Foreign Trade in the Iraqi Balance of Payments for the Period from 2008 to 2019

1. For the Iraqi Economy After 2003:

After 2003, work began to establish the restructuring of the banking and financial system and restore the Iraqi dinar exchange rate through the issuance of laws.

There was stability in the exchange rate of the dinar and the transfer of foreign currencies abroad. Despite the Iraqi government's attempts to reform the economy, financial corruption continued in Iraq, which led to the lack of growth despite the huge revenues that Iraq obtained as a result of oil exports from 2008–2013.

In 2013, the International Monetary Fund indicated in its annual report that there are indirect dangers to Iraq within the medium-term vision. Indeed, in Iraq, the ineffectiveness of economic policies, security deterioration, and low oil prices have resulted in a distortion of the financial situation and pressure on the reserves of the Central Bank of Iraq.

In 2015, the International Monetary Fund analyzed the economic conditions in Iraq, where it was found that Iraq is experiencing two shocks, as the first shock is external in terms of the collapse and drop in oil prices, and the second shock is internal when Iraq witnessed the loss of the city of Mosul in 2014 by terrorists, and as a result, Iraq lived in very difficult conditions. It had a significant impact on the economy of Iraq.

2. Indicators of the Performance of the Iraqi Economy and Their Trends After 2003

a. Gross domestic product

In order to achieve economic goals and reduce inflation, the Iraqi macro-economy has a major role in the changes. Economic and financial reforms are necessary.

In 1950 and until 2000, the Iraqi gross product, which amounted to 53.9 billion dollars in 1980, and in 1989 it decreased to 26.9 billion dollars and continued to decline to 6.5 billion dollars in 1994, but through the Iraqi negotiations on the one hand and the World Trade Organization and the United Nations on the other, it was reached through the signing of the Food and Drug Agreement in exchange for oil, where the oil revenues in 1996 amounted to 46 billion dollars.

The estimates and statistics since 2015 issued by the Iraqi government agencies were not accurate, which caused them embarrassment. The following table shows the indicators and their changes from 2008–2019.

Table 14 GDP, Per Capita and Annual Growth

Years	Total exports	oil exports	Non-oil exports	Ratio of non-oil exports total exports%	HH. indicator%
2008	62	61,1	0,9	0,01	0,98
2009	46,4	45,6	0,8	0,02	0,96
2010	51,4	51,2	0,8	0,01	0,98
2011	79,6	79,4	0,2	0,001	0,98
2012	94,1	93,8	0,3	0,003	0,99
2013	89,8	89,4	0,4	0,004	0,99
2014	84	83,5	0,4	0,004	0,99
2015	46,4	46,2	0,3	0,006	0,99
2016	59,4	59,1	0,3	0,005	0,99
2017	77,4	77,0	0,3	0,003	0,99
2018	88,2	87,8	0,4	0,004	0,99
2019	96	95,5	0,5	0,005	0,99

Source: Ministry of Trade / Iraq 2020

b. Balance of payments indicators in Iraq

The trade balance is considered the most important in Iraq. As for the capital account, there is no indication of capital inconsistencies abroad and locally. Through the following table, the focus will be on the trade balance in terms of imports and

exports, as the following table indicates

Table 15 The structure of Iraqi Exports for the Years 2004 - 2019 Billion Dollars

Years	Total Exports	Oil Exports	Non-oil exports	Ratio of non-oil Exports Total exports%	HH. indicator%
2008	62	61,1	0,9	0,01	0,98
2009	46,4	45,6	0,8	0,02	0,96
2010	51,4	51,2	0,8	0,01	0,98
2011	79,6	79,4	0,2	0,001	0,98
2012	94,1	93,8	0,3	0,003	0,99
2013	89,8	89,4	0,4	0,004	0,99
2014	84	83,5	0,4	0,004	0,99
2015	46,4	46,2	0,3	0,006	0,99
2016	59,4	59,1	0,3	0,005	0,99
2017	77,4	77,0	0,3	0,003	0,99
2018	88,2	87,8	0,4	0,004	0,99
2019	96	95,5	0,5	0,005	0,99

Source: IMF reports, Central Bank of Iraq reports -2019.

In the above table, which clearly shows that the percentage of oil exports is the highest, as it exceeded 98% of the total exports. As for the rest of the exports, they ranged between 1% and 2% of the total exports, which means a lack of interest in the services sector. The evidence for this is that the import rate of services is high to fill the shortage in the local markets, and Iraq is far from direct and local foreign investments because of the policy it takes, which greatly affects social life and economic growth.

The absence of financial resources that finance the economy and local investment has made it dependent on oil alone, but the Iraqi economy should not be based on oil alone, but rather it should go to foreign trade and revive local markets through local production so that Iraq is able to compete in the markets, especially since oil prices are not fixed, which may cause a deficit in the general budget and make Iraq unable to meet its obligations and dues required of it.

Production operations, foreign direct investment, and foreign trade require the development of strategies in economic diversification, but Iraq is still lagging behind in economic reforms, and the statistics for the balance of payments in terms of imports have indicated a bad trade balance with regard to imports and exports, and the external balance directly affects the Iraqi economy.

Table 16 Some Balance of Payments Indicators 2013 – 2019

Years	Trade balance	Exports	Import	External balance
2013	9,9	38,3	28,4-	1,3-
2014	11,2	40,6	29,4-	10,3-
2015	0,1	31,1	31,5-	7,1-
2016	0,3-	30,4	29,0-	3,5-
2017	0,8-	32,8	30,5-	2,3-
2018	1,3	32,6	28,8-	3,3-
2019	2,2	29,7	27,3-	0,3-

Source: Central Bank of Iraq reports 2013-2019.

The following table shows the expected and actual import structure that was distributed between the import of the private sector and the government import, as it turns out that the import of the private sector outperforms and exceeds the import of the government sector during the period from 2010-2018.

Table 17 Government and Private Imports in Iraq (Billions of Dollars)

Years	import	government	private sector
2010	42,4-	14,7-	27,7-
2011	45,7-	16,1-	29,6-
2012	62,8-	23,3-	39,3-
2013	72,6-	30,3-	72,6-
2014	79,1-	31,7-	79,1-
2015	86,6-	36,6-	86,6-
2016	94,2-	39,0-	94,2-
2017	104,5-	41,0-	104,5
2018	113,2-	44,9-	113,2-

Source: Central Bank of Iraq reports 2018

The above-mentioned statistics show that Iraq is isolated in its foreign trade from other countries, as it depends on oil. As for the rest of the service sectors, they are still late, as they do not meet the needs of consumers. Rather, imports from abroad are relied upon to fill the shortage in the markets because Iraq is unable to produce internally or externally. which makes it lose the comparative advantage and competition with other products in the market, and this is not a good indicator, because it is possible that the countries producing Iraq will monopolize the Iraqi markets and take advantage of the opportunity because Iraq needs the product, so they raise prices, and this matter has a negative impact on Iraqi society.

c. Current account

The current account balance is the most important indicator that leads to external imbalance and the difference between debit and credit restrictions for services, goods, and transfers. The current account includes several balances, such as the trade balance, which includes imports and merchandise imports, and the services balance, which includes tourism, travel, shipping, transportation, and transfer of current transactions related to the profits obtained from capital and interest rates.

The current account includes net income, which also includes net income resulting from investment, where net income is considered among the amendments to the methodology of recording transactions with the aim of improving and developing accounting methods for the external sector with the accounts of the economy and keeping pace with changes related to international transactions.

The current account is measured through the element of change in the net or final foreign asset position of a particular economy, and it is not necessary for the deficit in the current account to refer to the correction and modification of the state's general policy, as the current account deficit is considered a temporary imbalance due to the reduction in imports, but if the deficit persists, it must intervene by making adjustments in its economic policy because it cannot continue to finance the current account deficit through foreign loans.

The total current account is equal to the current account balance in addition to the financial and capital factors, where the total balance is an indication of financing the deficit and placing external payments from net foreign assets, which indicates the response of the central bank to work to finance the imbalance in payments in the international money markets when the floating rate of the currency exchange is regular. This is measured by the difference between investment and saving at the level of the state's economy, as shown below.

$$S - I = CAB = X - M + yf + TRf \quad (2)$$

$$(1+1)$$

Where any analysis of the current account of the balance of payments must be an analysis of changes in saving, which is symbolized by (S) and investment (I), where it appears to us from the previous equation that a change in the current account, such as a deficit or the emergence of an increase in the surplus, must be

matched by an increase in saving versus investment It is very important to know how policies designed to change the current account balance through quotas, export incentives, and exchange rates affect investment and saving behavior.

The current account shows the gap between absorption and income in economy A as follows.

$$GNDI - A = CAB \quad (1)$$

$$(1-2)$$

S. saving

I. Investment

CAB. Current account balance

X-M. The difference between exports and imports

YF. Export incentives

TRF. Tariffs or quotas

The relationship indicates a marked improvement in the current account balance of a country that requires providing resources through increasing national income in exchange for increasing absorption or decreasing domestic absorption against income, as shown in equations (1-1 and 1-2). The two equations do not provide sufficient information on the current account analysis because they reflect the behavior Institutions, individuals and the diversity of transactions in the economy. (Asiedu elizaberth 2004).

D. Foreign Direct Investment in Iraq FDI

1. The Concept of Foreign Direct Investment

There is no single concept or definition of the meaning of foreign direct investment by thinkers and economists. The legal man looks at investment from a legal point of view and economists look at foreign investment from an economic point of view, but foreign direct investment is a complex process that has the property of combining the elements of the economic and legal aspects, and the most important definitions of foreign direct investment are:

It is for a firm or company to make investments through projects so that the projects are within the borders of the mother country with the aim of exerting influence on the projects that they have established. Foreign direct investment has also been defined as the ownership or acquisition by the foreign investor of all the investment in the project or part of the investment or the investor's establishment. The foreign investor has formed a partnership in the project with the local investor in a country, or the foreign investor has full control in terms of organization and management when owning the project. Foreign direct investment has also been defined by using surplus financial capabilities to make large investments outside the borders of the mother country, whether the investment projects are individual or in the form of joint groups, whether direct or indirect, and the goal of investments is material gain, in addition to reviving the economy, improving the standard of living, and introducing modern technology to the host country. (**Matouk belattaf 2010**)

Among other definitions, it is the expansion of an existing facility or the establishment of a new facility by residents in a particular country within the borders of a state other than the mother country. Both the Organization for Economic Co-operation and Development (DECD) and the International Monetary Fund (IMF) have defined foreign direct investment as carrying out investment operations in certain projects in a country in which control is exercised by a group of residents in another country. As it was clarified by the International Monetary Fund, the share of the foreign investor must be more than 50% of the capital, and the decision-making and actual control of the investor must be without the interference of the host country.

2. Types of Foreign Direct Investment

a. Wholly owned investments:

It is one of the most important types of investments sought by multinational companies, as it provides full control over it, where companies can carry out any modification or expansion of the facility and establish branches for services and production freely without the interference of the host state by the decision of investment companies, and multinational companies have the right to bring whoever they see fit from abroad, such as machines, experts, technicians and others without opposition from the host country.

b. Joint investment:

It is a project in which there are two partner countries, or more than two countries, and the participation is not only with capital, but also includes trademarks, patents, and management in addition to expertise. It has the right to manage production operations and project management without having full control over decisions, production, and management. One of the advantages of this type of investment is a long-term agreement between two parties so that the first party is national or local, and the second party is foreign, and one of the parties, whether foreign or local, may be a participant in all the capital. The other provides modern technology so that both parties have the right to manage the project.

c. Investing in assembly operations projects

The project is an agreement between two local and foreign parties so that it is a private or public sector, where the first party finances the second party with the expertise and knowledge of design processes and components of a particular product, in addition to maintenance and storage methods. This type of investment is often made in developing countries that lack the capabilities.

d. Key handovers:

It is a type of investment that is not linked to ownership, where the foreign investor, in agreement with the host country, establishes a project, whether a service project, buildings, power plants, or nuclear plants to other projects, and after the completion of the agreed project, the project is completely delivered to the host country.

e. Investment in free zones:

The objective of this type of investment is to encourage the establishment of export industries through the establishment of free zones, as it is in the interest of countries to make free zones, through exemptions, benefits and incentives, attractive to foreign investment, which brings them benefits and profits.

2. The Advantages and Disadvantages of Foreign Direct Investment

Advantages of Foreign Direct Investment

- a. Foreign companies assist local companies by providing all that local companies need in terms of technical and technical aspects and equipment on easy terms, which provides local companies with an opportunity to produce services and goods and the ability to export them to foreign markets.
- b. Foreign direct investment helps build domestic capital.
- c. Reducing inflation by working to provide services and goods in local markets to meet the needs of local consumers.
- d. Providing job opportunities and reducing the level of unemployment by imposing governments in the host country and forcing investors to employ a certain percentage of local workers which leads to an improvement in their standard of living.
- e. Develop and develop production capacities and increase their size, in addition to working to enhance competitiveness in foreign and domestic markets.
- f. Improving and increasing the quality of exports, which will have a positive impact on the balance of payments in the host country.
- g. Reducing inappropriate economic policies.
- h. Foreign direct investment helps in the presence of diverse and developed markets such as gold and stock markets.
- i. Foreign direct investment helps provide modern methods of management, which benefits local companies.
- j. Diversifying local products and raising the productivity of local labor, in addition to providing alternatives and opportunities for consumers.
- k. Foreign direct investment helps prevent the migration of local expertise and competencies by providing them with job opportunities.
- l. Helping the host country raise the level of economic growth by increasing the country's income from investment projects. (Matouk belattaf 2010)

3. Disadvantages of Foreign Direct Investment

The increase in the resources of the host country from customs duties and taxes is not considered a gain to attract foreign investments to it. Rather, the host country provides facilities, benefits and tax exemptions for foreign direct

investments, in addition to resources and raw materials that the host country can exploit in order to raise its economic development. In other words, the host country with concessions to multinational companies to set up their investment projects.

The host country cannot obtain modern technology without paying the price because modern technology cannot be used by anyone in the host country.

One of the negative aspects of foreign direct investment is that it may lead to pressure or imbalance on the balance of payments of the host country due to the pricing of imports and exports followed by the policy of foreign companies, especially when vertically integrated with a number of its branches located in the host country.

Developing countries, through foreign direct investment projects, can achieve economic savings in their markets for consumers by providing services and goods, which leads to increased consumption and consequently an increase in imports of these goods, which is a negative impact on the host country.

The majority of developing countries often have inflationary pressures such as weakness in production flexibility due to weak production system and high population growth, which leads to increased demand for the offered goods and leads to higher prices with a higher marginal propensity for consumption in the host country in addition to other factors that lead to inflation. Foreign direct investment affects the pollution of the environment due to technological and industrial progress and the increase in population, as the mining and extractive industries and the natural gas that are extracted in addition to the cement, fertilizer and petrochemical industries are among the causes of environmental pollution in the host countries because they are not subject to standards or laws related to the environment, unlike the mother country of investment companies.

Foreign investment projects have huge political, organizational and financial capabilities, as they can control the economy of the host country in particular and developing countries in general, where developing or host countries can be subjected to their interests and conditions in order to obtain profit and material gains. The economic control exercised by multinational companies may lead to Political control can influence political and economic decisions, and the host country may lose freedom of decision-making.

4. The Effect of Foreign Direct Investment on Fixed Capital Formation

Foreign direct investment plays an important role in the formation of fixed capital in the host countries, including Iraq, as multinational companies have the power and ability to finance through borrowing, shares, and bonds, in addition to self-resources. The continuation of the circulation of financial instruments in the international markets is a reason for an increase in the flow of financing resources for development, and the influence between fixed capital and foreign direct investment is often positive because fixed capital is a source of attraction for foreign investment, despite the positive relationship between foreign direct investment and fixed capital. However, some did not support the positivity, as fixed capital plays an important role in the economy with technological progress and has an important impact on capital formation in economic growth, in addition to foreign direct investment in the host country, as foreign direct investment and fixed capital complement each other in growth, through which it is possible to raise the level of total production and to introduce, settle, and attract modern technology.

5. The Reality of Foreign Investment in Iraq During the Period 2008-2019

During the past decades, foreign direct investment had no role in Iraq, and this matter continued until after 2003, when there were radical changes in the economic and political aspects, such as the collapse of the economic system and the totalitarian system in Iraq. There was a transformation of the economy from the central planning system, which is based on state intervention in everything related to the economy, as work has been done to carry out reforms under international supervision, such as the International Monetary Fund, for the expertise it possesses, as Iraq signed an agreement with the International Monetary Fund called a letter of intent that includes the economic policies that the Iraqi state must follow.

After the security situation in Iraq stabilized after 2003, in addition to the presence of the Iraqi Investment Commission was established in 2006, which among its duties is to grant investment permits and plan for foreign or local investment through the development of laws that help attract foreign direct investment, because Iraq suffers from a deterioration in all services, and it is a suitable time for the entry of multinational companies to make investments in Iraq, which helps it reduce unemployment, rebuild infrastructure and grow the Iraqi economy, as foreign

investments have a major role in reviving all areas and productive activities in Iraq.

In 2006, Iraq issued an investment law aimed at encouraging the private and foreign sectors for foreign investment and encouraging it by increasing production, which is done by protecting the property and rights of foreign investors, in addition to enhancing competitiveness abroad and at home and expanding export operations to Iraq. The law established by the Iraqi government for foreign direct investment has privileges in terms of tax exemption, in addition to the following benefits:

- a. Tax exemption for the investor for a period of ten years.
- b. Working on hiring foreigners when needed.
- c. Imported equipment is exempt from tax for three years.
- d. Not to confiscate or nationalize sites where foreign investments are made.
- e. The foreign investor has the right to transfer funds to the mother country without --Opposition from the state.
- f. Non-interference in the decisions of multinational companies.

The Iraqi government has drawn up a development plan that works to enhance and encourage the role of the private and foreign sector by attracting foreign direct investment to Iraq. The development plan estimated that foreign direct investment would provide jobs, revive the Iraqi economy, and improve the social life of citizens. Iraq also seeks to reach positive goals through investments. Foreign direct and among these objectives are:

1. Foreign direct investment opens new markets by linking local production with markets.
2. Make good use of the available human and material resources.
3. There must be foreign direct investment in order to be able to encourage local investments, which can have a positive impact in expanding production capacity, which contributes to reducing imports and increasing exports.
4. Foreign investment has an important role in economic development, which results from the flow of capital into Iraq.
5. Reducing external debt and its benefits and improving the balance of payments.

6. Achieving integration and participation with the countries of the world through foreign trade. (Taghreed Saeed Hassan 2013).

6. Reasons for Iraq's Resort to Foreign Direct Investment

Although Iraq is a developing country, it occupies an important position in the world in terms of exports of crude oil, which makes it different from some developing countries that lack financing for development from local savings. Iraq has the ability to fund or the rest of the poor countries' reliance on loans and foreign aid to compensate for the squandering of domestic savings and to secure capital for economic development in their countries. (Rowaida Thamer Abdel Halim 2021).

Iraq is considered, despite the wars it fought and the political crises to which it was exposed, a reason for the structural imbalance and as a result, Iraq has become in dire need of multiple sources of funding and investment through facilities and the failure to enact laws that prevent investment in Iraq for the following reasons:

- a. Iraq's need for reconstruction as a result of wars and this is only done through the influx of foreign capital.
- b. The unemployment rate is steadily increasing.
- c. As a result of the political situation, this led to the migration of capital abroad.
- d. Weakness of banking and financial institutions in providing funds for the reconstruction of Iraq.

Gross domestic product

Table 18 The Evolution of GDP - Gross Fixed Capital Formation - Net Foreign Direct Investment, at Constant Prices 2003 = 100 for the Iraqi Economy for the Period 2008 - 2019 (The Figures Are Million Dinars)

N.	Year	GDP	Growth Rate %	Gross fixed capital formation	Growth Rate %	Net Foreign Direct Investment	Growth Rate%
1.	2008	43581803.04	36.31	6662667	123.08	607355	75.03
2.	2009	40051180.23	8.10-	4243161	36.31-	513362.6	15.48-
3.	2010	45469109.6	13.53	7216330	70.07	417313.4	18.71-
4.	2011	57742657.93	26.99	8927470	23.71	533533.8	27.85
5.	2012	63689325.25	10.30	8565274	4.06-	563246.1	5.57
6.	2013	67291159.7	5.66	18102147	111.34	1406435-	349.70-
7.	2014	64091118.04	4.76-	16915296	6.56-	1297572-	7.74-
8.	2015	48206364.89	24.78-	12350383	26.99-	2218009	270.94-
9.	2016	47486897.08	1.49-	10354770	16.16-	1882517	15.13-
10.	2017	54327022.16	14.40	9306916	10.12-	1463613	22.25-
11.	2018	60195522.59	10.80	8180041	12.11-	1447550	1.10-
12.	2019	63944320.21	6.23	8512787	4.07	934711.2	35.43-

The simple growth rate was calculated according to the following formula

$$R = \frac{Pt - Pt-1 * 100}{Pt-1}$$

The compound growth rate was calculated according to the following formula:

$$R = ((PT/PO))^{(1/N)} - 1 * 100$$

In 2008, the total output rose to 4, 358, 1803.04 million dinars, with a growth rate of 36.31% due to the rise in oil prices. In 2009, revenues declined to 40051180.23 million dinars, with a growth rate of 8.10% due to the global financial crisis. As a result of the rise in oil prices, the Iraqi GDP witnessed an increase to reach 57742,657.93 million dinars in 2011, with a growth rate of 26.99%.

Improvement in oil prices globally. There was an increase in the Iraqi GDP during the years 2017 - 2018 - 2019 so that the growth rate of the GDP of Iraq reached 54327022.16, 60195522.59, 63944320.21 with a growth rate of 14.40, 10.80%, 6.23%.

8. Iraq's Net Foreign Direct Investment

In 2009, the net profits of direct investment in Iraq declined to 513362.6 million dinars, with a growth rate of 15.48% of the total output, and in 2011 direct

investment witnessed an increase to 533533.8 million dinars, with a growth rate The total output is 27.85%, and this means that there is an increase in foreign direct investment in Iraq.

The net foreign direct investment in Iraq in 2013 recorded a negative number, reaching - 1406435 million dinars, where the percentage of decline was 349.70%, which means that the rate of money flowing out of Iraq is more than the proportion of money entering Iraq, and the instability in foreign direct investment continued until it reached in 2019 to 934711.2, a decrease of 35.43%.

a. The Relative Evolution of the Variables of Gross Fixed Capital Formation and Net Foreign Investment Direct to Output for the Period 2008 – 2019.

The following table shows the net foreign direct investment and the total fixed capital formation to the gross domestic product, where the net foreign direct investment recorded 6.41 of the output, which is a clear indication of the weakness of foreign direct investment in the economy of Iraq, while the total fixed capital formation to the general product in 2003 was recorded at a rate of 21.30 %.

Table 19 Evolution of the Ratios of Gross Fixed Capital Formation and Net Foreign Direct Investment to GDP for the Period 2008-2019.

N	Years	Gross fixed capital formation ratio to GDP %	Ratio of net foreign direct investment to GDP %
1	2008	15.29	1.39
2	2009	10.59	1.28
3	2010	15.87	0.92
4	2011	15.46	0.92
5	2012	13.45	0.88
6	2013	26.90	-2.09
7	2014	26.39	-2.02
8	2015	25.62	4.60
9	2016	21.81	3.96
10	2017	17.13	2.69
11	2018	13.59	2.40
12	2019	13.31	1.46

Source: Iraqi Ministry of Planning and Development 2020

E. Foreign Trade and the Challenges of Iraqi Economy

In the current era, international trade in services has become the driving force of the global economy. There is no country in the world that can be self-sufficient in

services, goods, and manufacturing materials because its economic conditions prevent that. For example, there are some countries that specialize in the production of services and goods for a commodity, where an agreement is made with another country to replace a commodity with another country with a commodity that it cannot produce, and vice versa with the other country but the cost is higher as the import of the commodity that was exchanged for another commodity is at a cost than its production, and this is the principle of foreign trade work.

Foreign trade has important and positive effects on social, economic, and political life, and it is the one who organizes business between different countries. In this part, reference will be made to the challenges facing the Iraqi economy in its foreign trade in all sectors, which have made it so far outside the World Trade Organization as a permanent member and not as an observer member. On this basis, Iraq must undertake reforms to meet the challenges facing its economy through the following points:

1. Concept of Economic Growth and The Challenges It Faces

Economic growth is considered as the sum of the added values to the active production units in all the specialized branches of production in a particular economy, such as industry, mining, and agriculture, where economic growth is able to achieve a high rate in terms of total changes such as gross domestic product, and the goal is to achieve prosperity and improve the standard of living In addition to reducing the unemployment rate among the population. Economic growth is only achieved through international cooperation or foreign trade, where Iraq can, through its strategic plans and reforms that were requested by the World Trade Organization, get out of the economic and social impasse by making use of modern technology in production and concentration processes. To export and reduce the import rate, then the Iraqi economic growth is able to increase the national income of the state in addition to increasing individual income, then the Iraqi economy will be able to increase the national income of the state.

Iraq is still dependent on its exports of oil, and Iraq has been trying since 2003 to be a member of the World Trade Organization (WTO), but most of the terms of the World Trade Organization have not been implemented, and for this reason, Iraq faces major challenges that impede economic growth.

Most countries depend for economic growth on the modern economy in terms of privatization and opening the doors to foreign direct investment, in addition to their reliance on human capital, which has a positive impact on economic growth as it contributes to raising production, such as the outputs of human investment and foreign investments, which helps the state to increase production of goods and services and be able to compete with foreign products.

Economic growth obscures the GDP indicator and at the individual and national levels, whereby the proportion of imports, exports, capital and other resources is measured, which contributes to an increase in output in addition to the average per capita share of the economy through the following equation.

Population growth rate - national income growth rate = economic growth rate

2. Challenges and Solutions in The Iraqi Economy

Before and after 2003. The Iraqi economy still suffers from the instability of crude oil prices, especially during the past years, which witnessed a significant decline in prices, which had negative effects on the Iraqi economic situation, especially since Iraq's dependence on crude oil exports by 98%, which led to a deficit. The Iraqi government has to secure financial resources as an alternative to the financial imports of crude oil, and there is an important matter that worsened the economic crisis, which is that Iraq did not join the World Trade Organization to benefit from the assistance provided by the organization to developing member countries through the International Monetary Fund. Follow the following:

a. Institutional challenges

The continued failure to make the Iraqi government subject to the logic of sound economic calculation and the acceptable behavior of public resources, and that Iraq still suffers from a weakness in the interest of successive governments in the economy in terms of production in all sectors, the failure to implement the conditions of the World Trade Organization and the widespread corruption in Iraq, which greatly affects the Economic and social growth in Iraq In 2015, Transparency International issued a report showing that Iraq is among the ten most corrupt countries.

b. Economic challenges

Bad FDI climate in Iraq due to economic and political factors, regulations and laws, which play an important role in foreign investments in Iraq and in Through the statistics issued by the World Trade Organization in 2016, Iraq's ranking among the countries that impede the work of foreign direct investment was its rank among 190 countries, which is 165, while the general indicator indicates the weakness of foreign direct investment in Iraq, as it reached out of 100 degrees by 3.27 degrees.

The lack of a trade policy in Iraq that can take into account the economic conditions in order to be able to compete between different countries, in addition to the fact that Iraq suffers from the low exchange rate of the Iraqi dinar and the weak infrastructure that the World Trade Organization demands Iraq to reform, which led to an imbalance in the Iraqi trade balance The evidence for this is that Iraq has increased its oil exports, and the proportion of foreign trade in Iraq in 2018 reached 61.2%, and the deficit in the public budget continued in 2017, at 21.6%.

As a result of the instability of oil prices and internal weakness in Iraq due to the high operating expenses, which in 2017 amounted to 74.7% of the total budget, in addition to the quality of non-oil revenues. The Iraqi financial sector was characterized by a weakness in technology represented by the use of modern technology, which led to the rise in the value of doubtful debts in 2018 to 3351.7 billion dinars, which affected financial stability. The role of the private sector The contribution of the private sector to its contribution to the GDP in 2017 amounted to 25.6%.

c. Agriculture challenges

The Iraqi economy, individuals, and society fall within the negative circle that exists between conflicts and the environment, as it is considered a double relationship that results in significant damage and environmental pollution, which impedes agricultural development and the loss of vegetation cover, particularly in southern and central Iraq, where the proportion of arid and desert lands reaches 50% of the total area of Iraq, as a result of neglecting agriculture a priority.

d. Security and stability challenges

As a result of the last war in 2003, Iraq still suffers from security instability for many reasons such as terrorist operations, corruption and immigration, in addition

to the lack of seriousness of the Iraqi government in implementing plans for the economy, education, services and health services. All of this proves and confirms the failure of the Iraqi government to work on economic development and the following table Shows the estimated value of assets that was damaged.

Table 20 Estimated Values of Damaged Assets at 2014 Prices, Total Cost By Sector and Type of Damage

Sector	Estimated values of the damaged assets at 2014 prices	The total cost of the damaged units (million Iraqi dinars)	Total damage 40% or more	Partial damage less than 40%	Number of units affected
manufacturing industry	6427326	5,477,488	96	82	178
Telecommunications	419,907	394,699	133	44	177
education	1,0868,996	1,097,832	1301	378	1679
oil and gas	11,422,118	6,145,315	58	13	71
government buildings	3,711,154	2,912,131	1585	585	2167
water and sanitation	4,667,018	3,537,935	351	220	571
electricity	16,101,292	9,585,993	217	99	316
health	3,361,139	2,226.183	212	214	426
Water Resources	633,971	503,134	322	51	373
Transport	4,672,345	2,770,037	1840	201	2041
culture	188,888	160,696	19	13	32
Agriculture	609,047	535,820	218	61	279
environmental trade	1,425	697,672	122	20	142
Ministries and agencies not associated with a ministry	-	20,514,435	1	1	2
Residential buildings	-	18,745,930	-	-	-
total	54,933,170	36,045,899	6475	1892	8457

Source: Central Bank of Iraq 2017

Table 20 shows that the number of damaged units has reached 8457 economic units, and the largest percentage of damage is 2167 economic units for the governmental building sector or with regard to transportation. The number was 2041 units. The total cost of the damaged units amounted to 73.306 trillion Iraqi dinars,

and the cost of damage to the oil sector was 5.477 Trillion Iraqi dinars.

The Iraqi economy is one-sided, as it is still trying to join the membership of the World Trade Organization, as Iraq depends on more than 98% of its exports on crude oil, and according to Adam Smith's theory, this type is called "external rent" and not productivity, despite the high oil prices and the increase in external financial revenues that the Iraqi government obtains from crude oil prices, but the economic aspect was not interested due to poor planning and corruption. The oil revenues of Iraq led to an increase in investment and consumer spending without any oversight by the state, which left the productive sectors unable to secure the local markets with the goods needed by the consumer. And as it adapts to the output of oil revenues, which resulted in a gap between supply and demand, and one of the reasons that led to the deterioration of the Iraqi economy is the drop in oil prices in 2014, which led to an increase in unemployment, the budget deficit, the state resorting to austerity, and the trend towards external rents, which is characterized by the following:

1. Very small percentage of the population is involved in the generation of rents.
2. The first beneficiary of the lease abroad is the Iraqi government.
3. The Iraqi economy depends on its economy on foreign rent, which hinders and cancels the local production sector.
4. It is possible to know if the country's economy is unilateral or diversified through indicators, and among these indicators is the gross domestic product, where the macro economy is going through variables that aim to achieve economic growth and reduce inflation, and the focus has been on the gross domestic product Being the important indicator, through the indicator, each sector can be calculated for the GDP through the following equation, which shows the sectors' contribution to the GDP.

$$r_i = \frac{\sqrt{(p_i)^2}}{p_t} * 100$$

r_i = Sector Contribution Ratio

p_i = Represents the output in the sector

p_t =GDP=

Table 21 The Percentage of Sectors' Contribution to the GDP and Its Annual Growth (2008-2018)

years	agricultural sector%	Manufacturing sector%	Services sector%	mining and extraction sector%	Annual growth rate%
2008	3,84	1,68	38,75	55,73	9,8
2009	5,22	2,61	48,88	43,29	7,7
2010	5,01	2,22	48,75	44,02	5,9
2011	4,43	2,14	41,57	51,86	8,6
2012	4,13	1,78	29,78	64,22	2,7
2013	4,02	1,35	28,26	66,37	0,1
2014	4,9	1,91	41,49	51,7	-1,8
2015	4,71	2,11	33,28	59,9	-24,1
2016	3,2	1,99	31,1	56,3	-5,3
2017	4,1	2,1	33,61	57,2	8,4
2018	4,7	2,4	35,21	58,6	4

Source: Iraqi Ministry of Planning, Central Bureau of Statistics, different years

3. Requirements to Develop Iraqi Economy and Get Out of The Renter Economy

a. Development of the mining and extraction sector

As was indicated, Iraq is completely dependent on crude oil exports, where the oil sector contributes to the formation of the gross domestic product by 41%, and the oil sector contributes to government revenues between 2004 and 2019 by 95%. Until the oil sector is developed, its costs are high and linked to high costs. The oil sector Iraqi and international studies indicated that two-thirds of the oil fields are undeveloped and lack maintenance and need huge sums to develop them, as the Iraqi government is unable to cover the development expenses of the oil fields due to the economic and political conditions that Iraq is going through, which led to gaps in the organizational and institutional capacities. As a result, Iraq made major concessions to international oil companies to develop abandoned oil fields.

The Iraqi government has developed strategic plans for energy and cooperation with the World Bank for energy production 2013-INES 2030- in cooperation with the International Energy Agency IEA

b. Development of the agricultural sector

The agricultural sector is a very important sector in the growth of the Iraqi economy, and the Iraqi government has drawn up plans for the development of the agricultural sector, because the agricultural sector in Iraq suffers from stagnation and decline in products, where the proportion of the contribution of the Iraqi agricultural sector in the gross domestic product has reached a very low percentage. The percentage of investment in the agricultural sector of Iraq is 2.4% of the total investments that were planned by the Iraqi government in the investment program for national development during the period from 2010-2014 at an amount of 11,115000 billion Iraqi dinars.

In 2015, the agricultural areas that were neglected and not exploited amounted to approximately 17,124 thousand dunums due to the lack of water and the high percentage of salinity in the soil in addition to the population expansion at the expense of agricultural lands, which led to the flooding of the Iraqi markets with agricultural commodities from foreign countries and neighboring countries at low prices. On the percentage of the contribution of the Iraqi agricultural sector to the national income, the following table shows the indicators of the agricultural sector.

Table 22 Some Indicators of The Agricultural Sector

pointer	2008	2009	2010	2011	2012	2013	2014	2015
Cultivated area (thousand acres)	14237	10517	12034	13023	12746	14055	60355	64324
Manpower (thousand workers)	1443	1452	1467	1461	1482	1470	1421	1489
Export at current prices (million Iraqi dinars)	9,85	14,6	14,6	14,6	14,6	14,2	12,7	13,9
Imports at current prices (million Iraqi dinars)	739,3	1354	1534,31	1354,14	1354,31	1354,5	1333,2	1384,6
The value of plant production (billion dinars)	1918,9	2263,2	2653,1	301,5	2921,4	3162,7	2976,6	3182,7
Livestock production value (billion dinars)	8088,4	8861,9	1052,6	1286,3	13769,4	6970,8	6911,3	7131,4
Per capita production value (1000 square meters)	3,0976 85	2,912025	2,592025	2,241361	216,7553	186,6009	179,9112	182,15 12
The amount of water of the Tigris and Euphrates rivers (billion cubic meters)	57,1	51,0	49,9	49,2	48,7	48,2	47,8	48,2
Support for farmers (billion dinars)	349	412	510	750	840	896	570	590
Investment specializations for the agricultural sector (million dinars)	105968 0	846829	1264000	1683070	1798421	1778722	-	-

Source: Ministry of Planning, the Iraqi Central Bureau of Statistics and the Ministry of Agriculture for Different Years .

The Iraqi government must increase expenditures on the agricultural sector in order to raise production capacity, in both its animal and vegetable parts, as an amount of 1778722 million Iraqi dinars was allocated in 2013 and work on the reclamation of agricultural lands, as the percentage of lands used for agriculture reached 27% of the total arable lands.

For the sake of economic growth and so that Iraq can succeed in its foreign trade, it is necessary to pay attention to the agricultural sector in terms of securing modern agricultural equipment and irrigation, encouraging foreign direct investment in this field, maintaining clean water from pollution from industrial waste, establishing water dams through the exploitation of rain water, and opening centers for agricultural guidance and work to provide electricity and support farmers. The Iraqi government should work to encourage farmers by purchasing agricultural crops to protect agricultural production from competition in the markets and combat desertification.

c. Industry development

The industrial sector is very important in the economic growth of countries, but the situation in Iraq is different from the rest of the world. The industrial sector in Iraq suffers from a low level and does not reach the degree of foreign trade in terms of marketing products and competing with other foreign goods. Therefore, the strategic plans for this sector must be reformulated through activating the roles of medium and small enterprises in the short and long term. It is also necessary to support and encourage large local institutions by establishing power stations that are close to them for their active role in contributing to the gross domestic product, in addition to cooperating with foreign and international companies to transfer modern technology, technical know-how, and expertise, in addition to attracting foreign direct investment through structuring public sector companies, providing services and customs exemptions for raw materials and other equipment and machinery, and setting a policy in terms of encouraging prices for the local industry, making it able to compete with the goods imported by the state.

d. Tourism sector development

Iraq has many archaeological and tourist attractions, especially in the Ahvas region. In addition to religious monuments, but the Iraqi government did not pay

attention to the importance of tourist attractions. Tourists are like waterfalls and orchards on the banks of the Tigris and Euphrates rivers and other areas that if work were to be exploited, the national income and individual income would increase through jobs that reduce poverty and unemployment. The following table shows the number of hotels, expenses, and revenues.

Table 23 Number of Hotels, Guest Workers and Total Revenues and Expenses for the Period (2008-2019)

	Number of hotels and tourist accommodation	Number of employees	number of guests	total revenue million Iraqi dinars	Annual rate of change%	total expenses million Iraqi dinars	Annual rate of change%
2008	-	-	-	-	-	-	-
2009	662	6065	2270	11935	36,6	23446	41,3
2010	751	6071	3050	144854	21,7	30172	28,7
2011	929	7109	3874	176273	21,7	53471	77,2
2012	1084	7491	4474	211492	20,0	64943	21,5
2013	1267	8830	6321	261392	23,6	69390	6,8
2014	-	-	-	-	-	-	-
2015	1296	8182	4922	417199	26,3	99975	20,0
2016	1484	0132	7749	356557	-14,5	122437	22,5
2017	1618	10167	6152	316484	-11,2	113511	-7,3
2018	1666	8920	6097	266593	-15,8	56577	-50,2
2019	2320	11570	7663	365333	-13,3	152243	-3,2

Source: Ministry of Planning, Central Statistical Organization, Directorate of Tourism Statistics, Statistical groups, unavailability of data for the years (2008 and 2014.)

In the above table, the total revenues of the tourism sector from (2008-2019) amounted to 2266720 million Iraqi dinars, and this is evidence of the importance of the tourism sector in Iraq with its contribution to the gross domestic product. The infrastructure of the tourism sector, which increases revenues and contributes to reducing the rentier ratio, and the promotion of tourism across the world, have a major role in the economic growth of the state.

F. Iraq and the World Trade Organization (WTO)

As we mentioned earlier, the World Trade Organization was established in 1995 after the Uruguay Round, as it is considered an extension of the GATT agreement. A country is isolated from the world as a result of the lack of membership in an organization. Studies have indicated that the most beneficiaries are the countries that hastened to join the organization early, and it is better for Iraq to join the organization to take advantage of the privileges offered to countries. Iraq benefits

from supporting its own technological capabilities through specific and strong programs carried out by the Iraqi government and not the dominant party. Iraq was late in joining the World Trade Organization, whenever it was a loss and had negative effects on Iraq.

In 2004, Iraq submitted a request to the World Trade Organization to be an observer member of the organization, and the organization agreed to Iraq's request in the same year, where Iraq can enter into the organization's system in terms of the harmony and compatibility of Iraq's laws, regulations, and laws in addition to its trade policy as stated in Article No. 16 of the organization. In 2005, Iraq reviewed the foreign trade system under the ACC document, showing through it the new regulations and legislation that are in line with the laws and regulations of the World Trade Organization.

In 2016, Iraq submitted an application to the World Trade Organization to join as a permanent member through an Iraqi ministerial team. The ministerial team answered questions raised by senior members of the organization regarding matters related to the system followed in Iraq in terms of foreign trade and its economic policy.

The procedural conditions were completed in 2006 and coordination to hold a meeting at an official level between the working groups concerned with Iraq's accession to the World Trade Organization was completed. In 2007, a meeting was held between

The Iraqi delegation reviewed the services trade system in Iraq and answered the questions that were put to it by the delegates of the World Trade Organization. The delegates of the World Trade Organization made some observations that Iraq must follow to be a member of the organization. The organization and Iraq in Geneva. In 2009, preparations were made for the third phase of negotiations between the organization and Iraq. The negotiating delegation of the organization was from Switzerland, Japan, Taiwan, and China, in addition to the former members of the World Trade Organization, who are each of Canada, India, America, and the European Union, and Iraq had the right to have a meeting outside the scope of the working group, where Iraq could request that neighboring countries such as Jordan and Saudi Arabia join the negotiations. So far, Iraq has not been able to obtain membership in the World Trade Organization, but is still an observer member despite

the establishment of Iraq by issuing commercial laws and legislation that comply with the regulations of the World Trade Organization, and Iraq is still working hard to obtain WTO membership through the laws that are still under procedure.

Table 24 Laws and Instructions that Iraq is Implementing to Comply with WTO. Agreements

Laws and instructions	world trade organization agreement	Situation
Insurance Regulation Law	General Agreement on Trade in Services	The law was enacted by number. 10 (in 2005)
Law repealing legal texts that prevent courts from hearing cases	Relates to all WTO agreements.	Law No. 17 of 2005 was enacted
Instructions on how to grant a license to practice insurance and reinsurance business	General Agreement on Trade in Services	Issued in issue (8) for the year 2006 by the head of the Insurance Bureau
Instructions for determining branches of insurance business	General Agreement on Trade in Services	Issued in issue (9) for the year 2006 by the President of the Insurance Bureau
Insurance Broker License Instructions	General Agreement on Trade in Services	Issued in issue (10) for the year 2006 by the President of the Insurance Bureau
Insurance Broker License Instructions	General Agreement on Trade in Services	Issued in issue (10) for the year 2006 by the President of the Insurance Bureau
Investment Law	Trade-Related Investment Procedures Agreement	Law Number 13 was enacted in the year 2006
Iraq reconstruction tax law 5%	commodity trading	Law No. (24. of 2007) was enacted
Instructions for executing government contracts	Government Procurement Agreement	Issued in Issue No. (1) of 2007 by the Ministry of Planning and Development Cooperation
Computer and Information Network Crimes Law	General Agreement on Trade in Services	Entry of legislation in the State Consultative Council
National Products Protection (Dumping Policy) Law	Agreement on Dumping, Subsidy, Countervailing and Prevention	Entry of legislation in the State Consultative Council
Competition Law	Investment provisions and competition (WTO) policy	Entry of legislation in the State Consultative Council
Consumer Protection Law	Prevention Agreement	Entry of legislation in the State Consultative Council
Intellectual Property Law	General Agreement on Intellectual Property Rights	Entry of legislation in the State Consultative Council
Technical Barriers to Trade Law	Technical Barriers to Trade Agreement	The law is still in progress
animal and plant health law	SPS Agreement	The law is still in progress
Tariff Act.	General Agreement on Tariffs and Trade	The law is still in progress
Commercial Arbitration Law	Settlement of commercial disputes	Legislation underway in the State Consultative Council
Government Procurement Law	Government Procurement Agreement	Legislation underway in the State Consultative Council
Law of Iraq's accession to the International Investment Guarantee Agency to provide an investment environment to attract investment and raise the level of development	Trade-Related Investment Procedures Agreement	Law No. (29) was enacted in 2007
The law of Iraq's accession to the United Nations Convention against Corruption of 2004	Transparency principles (WTO)	Law No. (25) of 2007 was enacted

Source: Iraqi Ministry of Economy 2013

1. Positive Effects of Iraq's Accession to The World Trade Organization

When Iraq accepted to join the World Trade Organization, there are negative and positive effects resulting from Iraq's accession to the organization. The following are The most important positive effects:

The prices of agricultural commodities that are imported from abroad may rise due to the Agriculture Agreement, which stipulates the reduction of subsidies for commodities and products when exported abroad, which results in positive effects by achieving self-sufficiency for these commodities.

The rise in prices will encourage Iraqi producers to work on increasing the areas of agricultural land for production operations, in addition to the entry of new producers in the field of agricultural land exploitation, which increases the production rate of agricultural commodities with the aim of benefiting from the price hike, which leads to an increase in the cost of import, and this is a reason that leads to Reducing prices of imported agricultural commodities, as this leads to a return to the trade balance for commodities in the agricultural sector.

- a. Iraqi industries and products face intense competition in the local markets from foreign products and industries that receive support from the mother country, where the products are sold at prices lower than production and the local industry. It has a positive impact on the Iraqi national industries to be able to compete in the local and foreign markets and stimulate local industries to help raise the standard of living for citizens.
- b. . Liberalizing foreign direct investment and services from obstacles will encourage multinational companies to open investment projects and industries in Iraq, which leads to the emergence of positive effects that include the economy, social life and welfare, in addition to reducing the level of unemployment, and this is what was mentioned in the investment agreement related to foreign trade that was issued About the World Trade Organization.
- c. Some researchers think that the liberalization of trade in services may lead to a recovery and an increase in economic growth in the advanced industrial countries, which leads to an increase in the demand for crude oil from Iraq as a result of the increased demand for petrochemical products to reduce the proportion of customs. This led to a rise in oil prices, which depends on

demand and supply in the markets but there are alternatives to crude oil, such as oil shale, which reduces oil prices.

- d. The World Trade Organization controls more than 90% of foreign trade. Iraq's accession to WTO membership helps it resolve disputes with other countries in just ways.
- e. The establishment of Iraq and the liberalization of foreign trade and its accession to the World Trade Organization has a positive impact on various sectors and economic activities. When Iraq liberalizes import commodities, this leads to the development and expansion of the production base through the important and necessary means of production that Iraq needs and may help it to enter into competition with products Foreign Affairs Iraq must also state and clarify its foreign trade policy, which means that Iraq implements and implements the terms of the World Trade Organization in liberalizing its foreign trade and correcting customs tariffs to be compatible with international agreements through programs that are developed by the World Trade Organization.
- f. Iraq must comply with the protection of property rights if it is accepted as a member of the WTO, which positively affects Iraq in terms of transferring modern technology to Iraq, which is transferred by multinational companies and developed countries, which results in a reduction in the percentage and quantity of Iraqi imports of production methods, machinery and equipment.

2. Negative Effects

The World Trade Agreement that was approved by the World Trade Organization did not include trade in oil because oil is a strategic commodity that enters into many commodity industries, and the price of oil is determined according to supply and demand in proportion to international markets, but some studies and research conducted by a number of economists indicated The real reason for excluding crude oil from the agreement is to give the major industrial countries to impose taxes and take measures to protect them from the controlling and controlling the oil flowing into their markets to protect their economic interests.

Oil consumers are seeking to control prices and demand and increase their benefits at the expense of oil-producing countries, as excluding Iraq from its 98% oil exports is an unfair decision, as Iraq is left with only 2% of non-oil exports such as

mining and petrochemicals, in addition to other commodities. Which leads to the fact that the bulk of the exports that are exported outside the WTO and this will have a negative impact on Iraq for its accession to the WTO.

As we mentioned earlier, Iraq's accession to the World Trade Organization does not entail any increase in Iraq's oil exports, although there are indications and indicators that indicate expectations of an increase in global demand for crude oil by 3% due to expectations through studies of the growth and recovery of the economy in the major industrial countries, but When Iraq increases oil exports, it is not compatible with Iraq's accession to WTO.

When the industrialized countries reduce agricultural subsidies, this leads to a rise in the prices of agricultural products, and the rise in prices results in an imbalance in the trade balance of agricultural commodities. Agricultural support only, but also includes export subsidies on milk products and the removal of administrative and quantitative restrictions.

Iraq imports large quantities of agricultural commodities and suffers from a deficit in the agricultural trade balance due to the lack of exports that can compete with other agricultural commodities in the markets, and this matter is considered a negative impact of Iraq's accession to the WTO on Iraqi exports. Converting them into equivalent tariffs that are equal to the protection of agricultural products for the major industrialized countries, which results in an increase in Iraqi exports to developed countries.

The negotiations that took place among the GATT member states are a serious attempt to restructure foreign trade to be under the auspices and umbrella of the WTO within the framework of establishing a modern international system in the global economy to make the balance of power and interests of the advanced capitalist countries to be the strongest competitor among the economic blocs.

Developing countries and Iraq, like other developing countries, will face suffering from negative repercussions in many areas, such as:

a. Agricultural sector

The agricultural sector in Iraq is considered an important sector in terms of production, despite the volume of production, which lacks requirements and machinery. But when Iraq joins the World Trade Organization, it will face problems

in terms of canceling support for agricultural exports after Iraq liberalizes its agricultural trade, which will lead to a significant decline in the agricultural sector and an increase in unemployment, as the agricultural sector suffers from a large deficit, and from this point of view, the matter requires the Iraqi government to pay direct attention to developing the agricultural sector so that it can accelerate the economic development of Iraq. As a result, the Agriculture Agreement's negative aspects are mitigated.

b. Transformative industries

Iraq's quest to join the World Trade Organization (WTO), as the Iraqi government sees, will lead to industrial reforms in particular and economic reforms in general to be able to get out of the impasse and be able to compete in the foreign and local markets due to the low level of quality of its products and the prices and costs of imported goods.

Iraq's accession to the World Trade Organization pushes Iraq to follow a strategy that would increase and strengthen the interdependence of the Iraqi economy with the international economy and to carry out industries that have the advantage of being able to compete with other products.

c. Services sector

The openness to the sectors of finance, global insurance and banks, and the technical arts that Iraq offers, results in the development and prosperity of the national sectors to the extent that the Iraqi government fears the inability of national institutions to compete with the major industrial countries because of their high levels of ability and technical and technological development, which makes Iraq uncompetitive. In addition, the major industrial countries possess the huge financial capacity that leads to the depletion of national savings when Iraq liberalizes trade in the financial sector.

d. Intellectual property rights

Iraq is considered like other developing countries through the application of the Convention on the Protection of Intellectual Property due to the inability to compete with the industrialized developed countries that possess modern means and equipment to combat counterfeiting and counterfeiting of most goods, and the industrial countries have huge financial capacity To carry out development

innovation, and research in various fields, and major companies allocate huge amounts of money for research related to economic sectors.



V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

1. Since the middle of the eighteenth century, the importance of international trade in services has increased, and its activities have expanded until the end of the nineteenth century, depending on the international division of labor, according to Adam Smith's theory of absolute theory. Foreign trade is an engine through which economic development efforts and economic growth are assisted by countries that interact with each other. This has led to a reciprocal interaction between developing countries that supply industrial countries with agricultural products and raw materials, and advanced industrial countries that secure agricultural products and raw materials. Developing countries with services, capital, and goods that meet their needs in local markets.
2. The role of foreign trade played a positive and important role in the expansion of economic development and rapid growth in various countries during the eighteenth century, but it was not able to transform the economies of developing countries into independent economies, as is the case with developed countries, which is considered one-sided and unfair to developing countries, as it only included the export sector, which consists mostly of one commodity and more than two commodities, which led to the emergence of the dual economy.
3. The contribution of developing countries to international trade in services has continued to decline, and this has led to an increase in the openness of developing countries to developed countries and abroad in general, despite the progress
4. The development of services trade made the rates of trade exchange unfavorable, which reflected negatively on developing countries' development plans and commodity structures.

5. The policy that Iraq and the developing countries followed by relying on importing large quantities of goods and services did not achieve the goals. It did not address the deficit in the balance of payments and did not push the wheel of development forward, which led to the trend towards exports. Despite the attempts of developing countries to follow the export strategy, they did not succeed.
6. The international trade sector in services occupies a great interest in the Iraqi economy through its percentage of contribution to the gross domestic product and dependence on the various sectors of the economy and the provision of material capabilities to finance development plans in all sectors, especially the services sector.
7. Despite Iraq's attempt to focus and increase exports during the period from 2008 to 2019, it still depends on imports that rise from year to year.
8. The Iraqi government turned to government investment in the sectors of the economy in the country, where the proportion of these government investments was large compared to the total investments and the establishment of control over development activities in Iraq. The development activity in Iraq's economy was linked to oil revenues, but this did not reflect positively on Iraq's economic structure, as the situation remained the same.
9. The oil, industrial, and agricultural sectors are considered one of the most important sectors that are linked to economic development, which witnessed a development during the past years in its growth rate and absolute value, but the development was the part of the oil sector, which had absolute priority in the formation of the gross domestic product, and the economic policy was not successful in limiting the integration of the oil sector with the rest of the sectors so that there was a change in the relative importance of the formation of the gross domestic product in favor of the agricultural sector and the industrial sector as was planned in the economic development plans.
10. Iraq suffers from a permanent deficit in the net services account, which makes Iraq one of the countries that receive all kinds of services such as financial Services, Insurance and transportation.

11. The data and statistics on the Iraqi trade balance during the period from 2008–2019, when excluding crude oil, show us that the trade balance of Iraq suffers from a permanent deficit due to the decline in Iraqi exports of non-oil goods, and the Volume of imports is increasing in size and height, which means the weakness of Local industries and their ability to compete and the backwardness of the Production apparatus, in addition to Iraq's inability to compete in the market with Other foreign products, and the reason for this is the direction of the state and its Absolute dependence on oil exports.

Through research during the period from 2008–2019, it was found that the International trade in services in Iraq played the role of the Iraqi balance between Supply, demand and internal development, but it did not fit with the objectives of Economic development. When comparing the role played by the international trade In services in different economies in the past and at present, the role of foreign Trade in Iraq is not considered a stimulus in line with the economic goals planned By Iraq. As a result, the researcher believes that in order to formulate the role Required for international trade in services to be effective and positive, the Economy must be restructured and Iraq must plan for trade in services, which Makes it and enables it to play a catalytic role for economic development in Iraq.

B. Recommendations

1. Amending and fixing the imbalance in the field of international trade in services on the Iraqi side, which is represented in the Iraqi trade balance deficit, which is supposed to move towards active participation from all sectors, in addition to activating the role of governmental and non-governmental institutions. The industrial sector, agricultural and job performance in addition to the agricultural sector, customs and financial taxes, and the lack of positive employment of local capital in terms of growth and revitalization of exports the Iraqi economy abroad, as this matter is important to push the Iraqi government to develop national, commercial, and economic strategies, one of which is a qualitative shift

that will bring the Iraqi economy out of its current situation to an advanced situation in which all government departments and institutions that have a relationship and deal with foreign trade participate. playing the role of export development through the development of the agricultural and industrial sectors; working to remove obstacles and open the doors to foreign direct investment; working to adopt a customs policy and discretion aimed at achieving the desired goal of economic growth.

2. Work to rationalize the investment of local capital in addition to rationalizing spending in the available foreign currencies and exploiting them in investments in industrial and agricultural projects so that the needs of consumers in local markets are provided and covered, and the percentage of exports to abroad is increased.
3. Local industries must be under the protection of the state, and protection should not be lifted from it, which is a prerequisite for Iraq's accession to the World Trade Organization (WTO), which has a negative impact on local industries and an obstacle to the development of the Iraqi economy.
4. Work to encourage local investment and remove obstacles and laws to foreign direct investment for economic and social growth.
5. Focus on investment goods, production requirements, and intermediate goods in import operations and work. Combating the policy of dumping, especially of Agricultural goods carried out by some countries, and limiting the import of Consumer goods that are produced locally.
6. There must be a policy for exemptions on customs tax and fees to encourage Foreign direct investment that is not available or owned by the state, especially in The agricultural and industrial sectors, and try to rely on local resources in the Development policy to encourage and attract foreign direct investment and local Investment.
7. Achieving an annual growth rate of total Iraqi exports without oil being included in It that exceeds import operations from abroad leads to a balance in the trade Balance, after which the transition to a stage is achieved through which the surplus In the Iraqi trade balance is achieved.
8. Working on developing relations for the country's foreign trade by concluding Multilateral or bilateral agreements between countries, which results in positive Effects in the process of stimulating exports and raising

the competitiveness of Local products that are exported to various international markets.

9. It is important not to rush and slow down to join the World Trade Organization so That Iraq can implement the economic reforms that will bring the current Iraqi Economy to a free market economy, which will result in growth in the Iraqi Economy.
10. Examine the regulations, laws, and legislation for everything related to the sectors and work on amending them to be more compatible and appropriate with World Trade Organization laws and regulations.
11. It is very important for Iraq to coordinate with the Arab countries in order to be a single bloc in order to negotiate with the World Trade Organization and work to Establish a free zone or a common market, which results in the ability to compete With developed countries. Iraq does not implement the texts of the World Trade Organization agreement according to the GATT in accordance with Article 24.



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APPENDICES

A: Top Economy Destinations for Iraqi Exports, 2019

	2019	share %	us\$ millions
1	India	28,05	28.444
2	China	22,16	22,466
3	United States	11,96	12.126
4	Korea, Rep.	9,44	9,570
5	Greece	5,30	5.371
6	Italy	4,46	4,527
7	Singapore	3,57	3,622
8	Netherlands	2,62	2,660
9	Spain	2,12	2,148
10	Taiwan, China	1,75	1,769
11	Total	91,42	92,703

Source: United Nations Comtrade Data

B: Excluding Fuel Exports

	2019	share %	us\$ millions
1	Singapore	70.82	3,026
2	Oman	5.38	230
3	United Arab Emirates	4.08	174
4	Turkey	3.98	170
5	Malaysia	3.90	167
6	India	2.38	102
7	Korea, Rep.	1.56	67
8	United States	1.47	63
9	China	1.24	53
10	Pakistan	1.16	50
11	Total	95.97	4,101

Source: United Nations Com trade Data

C: Iraq's Performance on the Doing Business Indicators for Trading Across Border

Indicator	middle east and north Africa	IRAQ	OECD high-income	best regulatory performance
Time to export: border compliance (hours)	52.5	85	12.7	1 (19 economies)
Cost to export: border compliance (US\$)	441.8	1,1 8	136.8	0 (19 economies)
Time to export: documentary compliance (hours)	66.4	504	2.3	1 (26 economies)
Cost to export: documentary compliance (US\$)	240.7	1,800	33.4	0 (20 economies)
Time to import: border compliance (hours)	94.2	131	8.5	1 (25 economies)
Cost to import: border compliance (US\$)	512.5	644	98.1	0 (28 economies)
Time to import: documentary compliance (hours)	72.5	176	3.4	1 (30 economies)
Cost to import: documentary compliance (US\$)	262.6	500	23.5	0 (30 economies)

Source: Doing Business surveys, 2020

D: Some Macroeconomic Indicators of the Iraqi Economy for the Period 2008-2019
(million Iraqi dinars)

	GDP at current prices	Gross fixed capital formation at current prices	Net foreign direct investment at current prices	Consumer Price Index 2008 = 100
2008	155982257.6	23846142	2173765	357.9068
2009	139330210.6	14761125	1785888	347.8804
2010	162064566	25721009	1487421	356.4278
2011	217327107.4	33600485	2008071	376.3718
2012	254225490.7	34189575	2248281	399.165
2013	273587529.2	73598400	-5718181	406.5728
2014	266420384.5	70315200	-5393876	415.69
2015	199715699.9	51166800	9189061	414.2932
2016	196,924,141.70	42940353	7806638	414.6915
2017	225,722,375.50	38669139	6081138	415.4882
2018	251,064,479.90	34117450	6037465	417.0817
2019	266,190,571.30	35437450	3891062	416.2849

Source: Central Bank of Iraq, General Directorate of Statistics and Research,
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