

Iraq Trade Brief

Trade Policy

Virtually no trade policy data for Iraq is available in internationally comparable databases and the country's trade policy stance has yet to be formally and comprehensively assessed by international organizations. In 2003, the UN Security Council lifted civilian trade sanctions on Iraq, under which it was allowed only to export limited amounts of oil and import food and humanitarian supplies under close supervision. Following the opening of trade, the Coalition Provisional Authority established a reconstruction tax, which, as of the beginning of 2004, imposed a 5 percent tariff on all imported goods except food, medicine and medical equipment, clothing, books, and goods delivered as humanitarian aid. The levy was kept in place by Iraq's transitional government.¹ In 2004, Iraq adopted a stabilization program supported by the International Monetary Fund and submitted a request for full membership in the World Trade Organization (WTO). The working party met for the second time in April 2008 to review Iraq's trade regime,² but the accession process has yet to make much progress. However, in the long term, the process is expected to expedite reforms in both the goods markets and in the services sectors and help improve the trade regime and business climate.

Iraq has recently implemented a ban on imports of vegetables. The temporary ban, which began on May 1, 2009, would be in effect anytime there is sufficient domestic supply.³

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at <http://www.worldbank.org/wti>.

If using information from this brief, please provide the following source citation: World Bank. 2010. "Iraq Trade Brief." *World Trade Indicators 2009/10: Country Trade Briefs*. Washington, DC: World Bank. Available at <http://www.worldbank.org/wti>.

External Environment

The simple average of the overall rest of the world tariff (including preferences) faced by the country's exports is 10.5 percent. When its trade flows are taken into consideration, it is apparent that Iraq's exports have very good access to international markets, especially in comparison to its comparators. Iraq's weighted rest of the world tariff (including preferences) is 0.3 percent, much lower than the regional and income group averages of 1.6 and 2.9 percent, respectively. Iraq mainly exports oil, which explains the low rest of the world tariff for non-agricultural goods of 0.3 percent. In 2008, on average annual basis, the Iraqi dinar appreciated by 4.9 percent against the U.S. dollar,⁴ making exports more expensive in foreign currency terms.

Behind the Border Constraints

In terms of the conduciveness of its institutional environment to business, Iraq remained in the bottom 20 percent, being ranked 153rd out of 183 countries in the 2010 Ease of Doing Business index. However, it ranks in the bottom 5 percent within the Trading Across Borders subcategory, which incorporates the countries' average export and import per container costs and processing times. With relatively high cost and the longest time required to export and import Iraq ranked 180th out of 183 countries in the Trading Across Borders subcategory.

Trade Outcomes

Iraq is a major exporter of oil, which accounted for 98 percent of Iraq's total export earnings in 2006, making Iraq vulnerable to fluctuations in fuel prices.⁵ As such, in 2008, it benefited from high oil prices in the first half of the year and the rise in its oil production. Based on partner countries' aggregate import data collected by the IMF, this led to an increase of 64.2 percent in its exports in 2008 as compared to 2007.⁶ However, the trend reversed in the fourth quarter of 2008 as Iraq's major trading partners (the United States and the EU) saw their economies slow and oil prices declined from their peak of US\$147 per barrel in July 2008 to around US\$40 in early 2009.⁷ Exports dropped by 6.6 percent in the fourth quarter of 2008

year-on-year, and further plummeted by 56.1 percent in the first quarter of 2009 compared to the same period in 2008.⁸ However, since the price of oil climbed back to US\$70 by the end of June, it is projected that in 2009 Iraq's oil revenues will be only about 25 percent lower than in 2008.⁹

High commodity prices in 2008 also led to an increase in Iraq's import bill. Based on partner countries' aggregate export data collected by the IMF, nominal imports in 2008 were 36.8 percent higher than in 2007.¹⁰ With lower commodity prices in 2009 it is projected that the import bill will contract,¹¹ and in the first quarter of 2009 the growth rate had fallen to 4.6 percent year-on-year.¹²

Notes

1. Jones, September 23, 2004, summary and p. 13.
2. WTO, April 2, 2008.
3. Global Trade Alert, June 25, 2009.
4. IMF, August 2009b.
5. EIU, 2008, p. 27.
6. IMF, August 2009a.
7. EIU, 2008, p. 28.
8. IMF, August 2009a.
9. World Bank, April 2, 2009, p. 1.
10. IMF, August 2009a.
11. EIU, July 2009, p. 10.
12. IMF, August 2009a.

References

- Economist Intelligence Unit (EIU). 2008. *Country Profile: Iraq*. EIU.
- EIU. July 2009. *Country Report: Iraq*. EIU.
- Global Trade Alert. June 25, 2009. "Iraq: Ban on Imported Vegetables." Global Trade Alert.org. July 29, 2009 <<http://www.globaltradealert.org/measure/iraq-ban-imported-vegetables>>.
- International Monetary Fund (IMF). August 2009a. *Direction of Trade Statistics*. IMF, Washington, DC.
- IMF. August 2009b. *International Financial Statistics (Country Tables)*. IMF, Washington, DC.
- Jones, Vivian C. September 23, 2004. "Iraq's Trade with the World: Data and Analysis." Congressional Research Service Report for Congress. July 29, 2009. <<http://www.fas.org/man/crs/RL32025.pdf>>.
- World Bank. April 2, 2009. "Iraq Economic Update: Spring 2009." July 29, 2009. <<http://go.worldbank.org/5GS3OQB9J1>>.
- World Trade Organization (WTO). April 2, 2008. "Working Party Reviews Iraq's Trade Legislation." WTO, Geneva. July 29, 2009. <http://www.wto.org/english/news_e/news08_e/acc_iraq_april08_e.htm>.