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Iraq's Accession to the WTO: A Gateway to Global Economic Integration

Research Project

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In the name of Allah, the Most Gracious, the Most Merciful

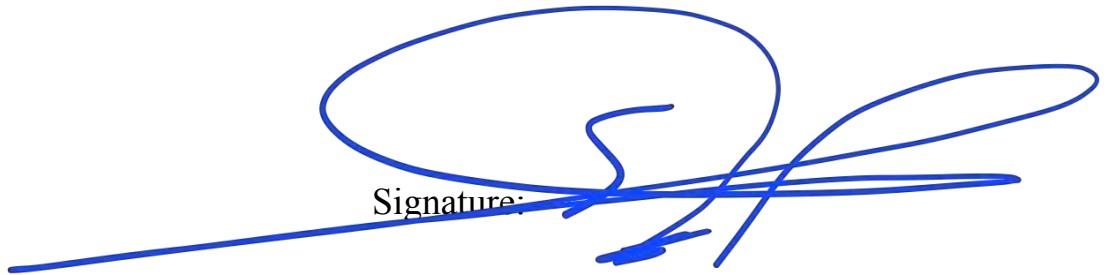
“Allah has promised those who have believed among you and done righteous deeds that He will surely grant them succession [to authority] upon the earth just as He granted it to those before them.”

(Surah Al-Nur, 24:55)

Supervisor Recommendation

I certify that the research marked with (*Iraq's Accession to the WTO: A Gateway to Global Economic Integration*) which comes forward from (MOHAMMED KAMAL HASAN) was done under my supervision at the College of Law of Salahaddin University-Erbil, and it is a part of the requirements for obtaining a bachelor's degree in Law.

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Dedication

I dedicate this work to my lovely and supportive parents, whose love and encouragement have been my guiding light. Your unwavering belief in me has made all the difference, and I am forever grateful.

Thank you for always being there for me and for inspiring me to reach for my dreams.

-md, 2025.

Abstract

This study examines Iraq's potential accession to the World Trade Organization (WTO) and its expected impact on the country's economy. It highlights the benefits of WTO membership, such as increased trade, foreign investment, and economic diversification, while addressing key challenges including political instability, oil dependency, and weak institutions. The research also briefly considers the implications for the Kurdistan Region and concludes with recommendations for overcoming these obstacles and achieving successful global market integration.

Keywords: Iraq, WTO, economic diversification, foreign investment, political challenges, Kurdistan Region, trade integration.

الملخص

تبحث هذه الدراسة في احتمال انضمام العراق إلى منظمة التجارة العالمية (WTO) وتأثيرها على الاقتصاد العراقي. توضح الفوائد المتوقعة مثل زيادة التجارة، جذب الاستثمار الأجنبي، وتنويع الاقتصاد، مع تناول أبرز التحديات مثل عدم الاستقرار السياسي، الاعتماد على النفط، وضعف المؤسسات. كما تتطرق إلى تأثير هذه الخطوة على إقليم كردستان، وتنتهي بتوصيات لتحقيق اندماج ناجح في السوق العالمية.

الكلمات المفتاحية: العراق، منظمة التجارة العالمية، تنويع الاقتصاد، الاستثمار الأجنبي، التحديات السياسية، إقليم كردستان، التكامل التجاري.

پیشہ کی

نہم توئیژینہومیہ خویندنہومیہ کہ سبارمت به چوونی عیراق بو ناو رینکخراوی بازارگانی جیہانی (WTO) و کاریگرمیہ چاومروانکراومکانی لہسمر نابووری دولمت. لہم توئیژینہومیہ، سوود و مہترسیہمیہکانی نہم بابہتہ دمکرنیت، وک زیادبوونی بازارگانی، راکیشانی سرمایہی بیانی، و بہہمہمچورکردنی نابووری و سمر بہمخوکردنی، نہموکو تہنہا و ہستان لہسمر نہوت. لہمگمل نہم بابہتہمہندا، کاریگرمیہکانی لہسمر ہمریمی کوردستان پاس دمکرنیت لہمگرمی بوون بہمہندام، ہاوشان لہمگمل کو تاییہانتی توئیژینہومیہ کہ بہمچند پیشنیارنیک بو سمرکوتن بہسمر ہموو نہو ناستہنگانہی دینہ ری و گمیانندی نابووری ولات بہ بازاری جیہانی.

وشہ کلیلہکان: عیراق، WTO، ہمہمچمینی نابووری، سرمایہی بیانی، ہمریمی کوردستان، ہمگرتنی بازارگانی.

List of Acronyms

WTO	World Trade Organization
KRI	Kurdistan Region of Iraq
KRG	Kurdistan Regional Government
FDI	Foreign Direct Investment
IPR	Intellectual Property Rights
TFA	Trade Facilitation Agreement
MFN	Most-Favored-Nation
SPS	Sanitary and Phytosanitary (Measures)
UNDP	United Nations Development Programme
IMF	International Monetary Fund
SMEs	Small and Medium-Sized Enterprises

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Introduction

This research explores Iraq's pursuit of World Trade Organization (WTO) membership, examining its potential to enhance economic growth through free trade, increased foreign investment, and global market integration. It highlights Iraq's economic landscape and the strategic significance of WTO accession while addressing the political, economic, and institutional challenges impeding progress, including regulatory adjustments and compliance with WTO standards. The study emphasizes the need for comprehensive reforms to overcome these barriers and balance the benefits of expanded trade opportunities with the risks of intensified competition and economic adaptation, offering a nuanced analysis of Iraq's path to global trade integration.

Research Importance

Given Iraq's complex economic landscape, marked by historical challenges and opportunities, understanding the implications of WTO membership is essential for policymakers, businesses, and stakeholders. This study not only highlights the potential economic benefits, such as increased trade and foreign investment, but also addresses the significant political and institutional hurdles that Iraq must overcome. By providing a comprehensive analysis of these factors, this research aims to inform strategic decision-making and foster discussions on the necessary reforms for successful integration into the global trading system, ultimately contributing to Iraq's long-term economic growth and stability.

Research Objective

This study not only highlights the potential economic benefits, such as increased trade and foreign investment, but also addresses the significant political and institutional hurdles that Iraq must overcome. By providing a comprehensive analysis of these factors, this research aims to inform strategic decision-making and foster

discussions on the necessary reforms for successful integration into the global trading system, ultimately contributing to Iraq's long-term economic growth and stability.

Research Scope

The scope of this research focuses on several key areas: an evaluation of Iraq's current economic conditions, including the impacts of historical conflicts and sanctions; a comprehensive examination of the political, economic, and institutional barriers that hinder the accession process; an analysis of the anticipated economic benefits associated with WTO membership, such as increased trade, investment, and market access; and a critical assessment of the risks and challenges that may arise, including competition from foreign markets and necessary regulatory reforms. The research will also consider the broader context of international trade dynamics and how Iraq's accession may affect its relationships with other nations..

Research Issue

Despite the potential for significant economic benefits, such as enhanced trade, increased foreign investment, and improved economic growth, Iraq faces considerable political, economic, and institutional barriers that complicate its accession efforts. These issues include ongoing political instability, a lack of effective governance and regulatory frameworks, and the need for comprehensive economic reforms. Additionally, the potential risks associated with WTO membership, including increased competition from global markets and the pressure to meet international standards, raise concerns about the capacity of Iraq's domestic industries to adapt and thrive. This research seeks to address these critical issues by examining the implications of WTO membership for Iraq's economic integration and stability, ultimately providing insights into the necessary steps to overcome these challenges and leverage the benefits of global trade integration.

Research Methodology

The research methodology employs a qualitative approach, utilizing both descriptive and analytical methods. Secondary data from academic literature, reports from international organizations, and government documents will be analyzed to assess Iraq's economic landscape and the WTO accession process. A descriptive analysis will provide an overview of Iraq's political, economic, and institutional conditions, while a comparative analysis will examine the experiences of other countries with similar challenges in WTO accession. The study will also evaluate the potential risks and benefits of WTO membership for Iraq, offering insights into the opportunities and obstacles the country may face during the accession process.

Research Plan

The research plan begins with a thorough review of literature on the World Trade Organization (WTO) and its role in global economic integration, which will be incorporated into the Introduction. In Chapter 1, the study will analyze Iraq's current economic and political landscape, highlighting the strategic importance of WTO membership while identifying the barriers and challenges Iraq faces in the accession process. Chapter 2 will focus on evaluating the potential economic benefits of WTO membership for Iraq, such as increased trade and investment, as well as the risks and challenges posed by competition and regulatory reforms. The research will conclude with strategic recommendations for policymakers on how to navigate the accession process, ensuring Iraq can fully leverage the advantages of global economic integration.

CHAPTER ONE

Iraq's Accession to the WTO: Strategic Importance and Challenges

1.1: Iraq's Economic Landscape and the Need for Global Integration

Iraq's economy grapples with longstanding challenges, stemming from decades of political instability, economic sanctions, and an excessive reliance on oil revenues. Oil constitutes around 85% of government revenue and 99% of exports, making Iraq highly vulnerable to global oil price fluctuations. This dependency has stifled economic diversification, limiting development opportunities in non-oil sectors and exposing the economy to external shocks.¹ Membership in the WTO offers a strategic opportunity for Iraq to integrate into the global economy and reduce its reliance on oil by fostering a more diversified economic structure. This would necessitate aligning Iraq's trade policies with international standards, thereby modernizing trade practices and supporting sustainable economic growth.² WTO accession can bolster Iraq's global credibility, attract foreign investment, and create a more stable trade environment. By joining the WTO, Iraq could reduce trade barriers, gain access to new markets, and strengthen economic relations with trading partners. Access to a rules-based trading system could also open doors for domestic industries to expand beyond national borders. What is said here is that there is a global impact when becoming a WTO member. WTO provides a structured and rules-based framework for international trade, allowing member countries to benefit from reduced trade barriers, dispute resolution mechanisms, and improved access to global markets. Numerous countries have experienced transformative economic growth through WTO membership. For instance, Vietnam's accession in 2007³ helped the country

¹ World Bank, "Iraq Economic Monitor Reemerging Pressures: Iraq's Recovery at Risk", Spring/Summer 2023. See more: <https://documents1.worldbank.org/curated/en/099453507282342287/pdf/IDU0b9f5dc440cf2f047f9098e202d3dab0861c7.pdf> (accessed October 12, 2024).

² WTO's Accession Process — see more: https://www.wto.org/english/thewto_e/acc_e/acc_e.htm (accessed October 12, 2024).

³ Viet Nam and the WTO: "Viet Nam has been a member of the WTO since 11 January 2007." See more: https://www.wto.org/english/thewto_e/countries_e/vietnam_e.htm (accessed October 12, 2024).

transition from an agrarian economy to a more diversified, export-driven economy. Its exports increased significantly, contributing to a steady rise in GDP and attracting substantial foreign direct investment (FDI) across various sectors.⁴ Similarly, Jordan, which joined the WTO in 2000,⁵ saw its economy become more diversified and globally competitive, benefiting from new trade partnerships and increased investor confidence. Iraq, with its reliance on oil and challenges related to economic diversity, would similarly leverage WTO membership to achieve structural transformation and attract global investment. The heavy reliance on oil, although providing a stable revenue source, has led to several critical issues, including economic vulnerability, limited job creation, and a narrow industrial base. Oil dependency has caused economic imbalances, with minimal investment in other sectors like agriculture, manufacturing, and services. This dependency not only ties Iraq's economic health to volatile oil prices but also contributes to high unemployment, especially among young people, and limits opportunities for broader economic development⁶ coupled with political instability and decades of conflict have further constrained Iraq's economic potential. Challenges such as infrastructure deficits, corruption, and regulatory inefficiencies hinder growth in non-oil sectors; which is exactly why Iraq faces difficulties in attracting foreign direct investment (FDI) outside the oil sector.⁷ These issues underscore Iraq's need for economic reform and global integration to foster stability and sustainable growth. Accession would require Iraq to reform its trade policies, promote transparency, and establish a more predictable and investor-

⁴ Jean-pierre Cling, Moham Ed Ali Marouani, Mireille Razafindrakoto, Anne-sop Hie Rob Illiard and François Roub Aud, “*The Distributive Impact Of Vietnam’s Accession to the WTO*”, *Économie Internationale* 118 (2009), pp. 43-71. <https://shs.cairn.info/revue-economie-internationale-2009-2-page-43?lang=fr#> (accessed October 12, 2024).

⁵ Jordan and the WTO: “Jordan has been a member of WTO since 11 April 2000.” — See more: https://www.wto.org/english/thewto_e/countries_e/jordan_e.htm (accessed October 15, 2024).

⁶ World Bank, “The World Bank in Iraq: Overview”, (June 2022). See more: <https://www.worldbank.org/en/country/iraq/overview>. (Accessed October 15, 2024)

⁷ UNDP, “Human Development Report on Iraq”, (2022). See more: <https://www.iq.undp.org/content/iraq/en/home.html>. (Accessed in October 15, 2024).

friendly regulatory environment.⁸ Modernizing its trade framework through WTO membership would also make Iraq a more attractive destination for international investors by reducing perceived risks associated with political and economic instability.⁹ Access to the WTO's *dispute resolution mechanism* would also allow Iraq to protect its trade interests and manage conflicts within a structured, rules-based system. This mechanism is crucial for Iraq as it integrates into the global economy, providing a fair process to address trade disputes without risking economic retaliation or isolation. For instance, if another country imposes unjust tariffs or restrictions on Iraqi exports, Iraq could use the WTO framework to seek resolution and prevent unilateral actions that might harm its economy.¹⁰ Moreover, the dispute mechanism supports Iraq's credibility on the international stage, as adherence to WTO protocols demonstrates a commitment to transparent, fair trade practices.¹¹ This system has proven effective for many developing countries, enabling them to secure fair outcomes in conflicts with larger trading partners.¹² And as mentioned earlier, Investors often seek out markets with stable and predictable trade policies; being part of a system that guarantees dispute resolution through multilateral arbitration would make Iraq a more attractive destination. The mechanism thus not only safeguards Iraq's exports but also boosts its credibility and appeal as an investment hub by showing adherence to international standards and practices since Iraq.¹³

⁸ IMF, "Country Report: Iraq", (2022). See more: <https://www.imf.org/en/Countries/IRQ> (accessed October 16, 2024).

⁹ International Crisis Group, "Iraq: Staving Off Instability in the Near and Distant Futures", (2023). See more: <https://www.crisisgroup.org/> (Accessed October 19, 2024); "Through field research, advocacy and engagement with all sides, we urge countries involved in the anti-ISIS campaign to support security sector and institutional reform in Iraq as well".

¹⁰ World Trade Organization, "Dispute Settlement: Overview", (2023), https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm (accessed October 21, 2024).

¹¹ International Trade Centre, "The WTO Dispute Settlement Mechanism and Developing Countries", ITC, (2021).

¹² Chad Bown and Douglas A. Irwin, "The GATT's Dispute Settlement Mechanism in Action", Princeton University, (2022).

¹³ Bernard Hoekman, "The WTO Dispute Settlement Mechanism and Investment Climate", Brookings Institution, (2022).

1.2: Barriers to Iraq's WTO Accession - Political, Economic, and Institutional Challenges

Iraq's path to WTO accession is marked by considerable challenges across political, economic, and institutional dimensions. These barriers hinder its capacity to comply with WTO requirements and complicate efforts to establish a stable and transparent trade environment, which is essential for membership.

1.2.1: Political Challenges

A significant obstacle to Iraq's WTO accession is its persistent political instability. Years of conflict, including the 2003 invasion of Iraq and the subsequent ISIS insurgency, have severely disrupted governance and policymaking processes, making it difficult to formulate coherent trade policies.¹⁴ Such conflicts have undermined central authority, leading to fragmented power structures that result in policy inconsistencies, which jeopardize the regulatory coherence necessary for adherence to WTO standards.¹⁵ Additionally, sectarian divides and regional power struggles create major impediments, as these political fractures delay the implementation of crucial trade and regulatory reforms.¹⁶ The historical backdrop of sectarian divisions in Iraq has profound impacts on the governance and economic policy-making in the Kurdistan Region.¹⁷ Corruption on another hand exacerbates Iraq's political challenges, as it is ranked among the most corrupt countries in the world, with

¹⁴ United States Institute of Peace, "Iraq Timeline: Since the 2003 War", (2020), see more: <https://www.usip.org/iraq-timeline-2003-war> (accessed October 21, 2024).

¹⁵, Luay Al-Khatteeb and Harry Istepanian, "*Iraq's Political Economy and the Developmental State*", The Brookings Institution, (2022), p. 12.

¹⁶ Toby Dodge, "*Iraq: From War to a New Authoritarianism*", Routledge, (2021), p. 57.

¹⁷ Fanar Haddad, "*Sectarianism in Iraq: Antagonistic Visions of Unity*", Columbia University Press, (2011), pp. 87-103.

corruption deeply entrenched in both public and private sectors.¹⁸ Although the WTO Agreements do not contain provisions explicitly forbidding corruption, there is longstanding evidence that WTO membership goes hand in hand with higher institutional quality and efficiency, greater transparency, and reduction of bribery and other forms of corruption.¹⁹ Many of the WTO agreements include specific transparency provisions, such as mandating clear disclosures of applicable standards, regulations, taxes, fees, or other commercial requirements at the national and multilateral level (e.g., through publication in official government journals and/or through formal notifications to the WTO), making it more difficult for agencies or officials to demand additional corrupt payments not referenced under such disclosures.²⁰ This pervasive corruption obstructs the establishment of transparent regulatory frameworks, which are vital for meeting WTO compliance requirements. Transparency is considered a core principle of the WTO agreements, aiming to enhance clarity, predictability, and access to information regarding the trade policies, rules, and regulations of its members.²¹ The extended WTO accession processes of countries such as China (15 years) and the Russian Federation (18 years), along with other nations that have joined since 2000, highlight that corruption frequently emerges as a significant challenge during bilateral WTO negotiations and in the subsequent trade policy reviews conducted by the WTO. For instance, Russia's 18-

¹⁸ For further information see: <https://www.transparency.org/en/countries/iraq> “Scoring 180 countries around the world, the Corruption Perceptions Index is the leading global indicator of public sector corruption. Iraq has a score of 23 this year, with a change of 0 since last year, meaning it ranks 154 out of 180 countries” (accessed October 23, 2024).

¹⁹ Drabek, Zdenek, and Marc Bacchetta. “Tracing the Effects of WTO Accession on Policy-Making in Sovereign States: Preliminary Lessons from the Recent Experience of Transition Countries.” *The World Economy*, vol. 27, no. 7, (2004), p. 1096, <https://doi.org/10.1111/j.0378-5920.2004.00639> (accessed October 23, 2024).

²⁰ Ibid; “For example, the WTO Agreement on Sanitary and Phytosanitary Measures (the “SPS Agreement”) includes transparency requirements under Article 7 and in Annex B (titled “Transparency of sanitary and phytosanitary regulations”), which helps ensure corrupt officials cannot demand additional payment for technical requirements not notified and published in an open and transparent manner and applied to all transactions on a non-discriminatory basis.”

²¹ WTO, “Trade Policy Reviews: Ensuring Transparency“ See: https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm11_e.htm (accessed October 24, 2024).

year journey to WTO accession was the longest of any country, and corruption within the ministries involved in WTO negotiations seems to have been a contributing factor to the delays in the process.²² Indeed *“The political situation which is unstable in Iraq and internal sectarian conflicts caused the suspension of Iraq’s efforts towards WTO affiliation for a long time. Unfortunately in Iraq, stability continues to evade the political arena; differences between political parties in Iraq become increasingly complex by the day, deepening into sectarian and national conflicts.”*²³ While the situation has shown some improvement in recent times, challenges persist, as domestic stability has improved, yet Iraq remains vulnerable to fiscal imbalances and its reliance on oil revenues.²⁴

1.2.2: Economic Challenges

Iraq’s economic framework presents significant barriers to WTO accession, primarily due to its overwhelming reliance on oil, which constitutes approximately 99% of exports, 85% of government budget and and 42% of gross domestic product (GDP).²⁵ This dependence not only exposes Iraq to fluctuations in global oil prices but also limits the necessary diversification for a resilient economy that aligns with WTO standards. The WTO advocates for economic diversification to foster balanced trade portfolios; however, Iraq’s insufficient investment in non-oil sectors such as agriculture, manufacturing, and services restricts its ability to fulfill these

²² Anders Aslund, *“Why Doesn’t Russia Join the WTO?”*, The Washington Quarterly, vol. 33, no. 1, (2010), pp. 49-57. See also: Pamela Jordan, *“Diminishing Returns: Russia’s Participation in the World Trade Organization”*, Post-Soviet Affairs, vol. 33, no. 5, (2017), p. 452.

²³ Dr. Ali Taha Akrem Toughramachi, *“Reformation of the Iraqi Intellectual Property Law After 2003 as an Attempt Towards Joining the World Trade Organization - A Comparative Study”*, PhD Thesis, Near East University, (2023), p. 113.

²⁴ IMF, *“Iraq: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Iraq”*, (May 16, 2024), <https://www.imf.org/en/Publications/CR/Issues/2024/05/15/Iraq-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-Executive-549028> (accessed October 27, 2024).

²⁵ World Bank, *“Iraq Overview”*, (2024) see more: <https://www.worldbank.org/en/country/iraq/overview> (accessed October 27, 2024) quoting from the overview; *“This excessive dependence on oil exposes the country to macroeconomic volatility, while budget rigidities restrict fiscal space and any opportunity for countercyclical policy.”*

requirements.²⁶ High unemployment, especially among youth, remains a significant challenge for Iraq.²⁷ With a large portion of its population under the age of 30, the lack of job opportunities exacerbates the country's socio-economic instability. Iraq's limited economic base restricts job creation, particularly in sectors beyond oil production. Joining the WTO typically requires countries to lessen protectionist policies and encourage an open economy, which presents difficulties for Iraq due to its current economic vulnerabilities. The private sector in Iraq faces numerous challenges that hinder its growth and competitiveness. The regulatory environment remains opaque and burdensome, with complicated processes for starting and running businesses. Corruption is pervasive, further discouraging both local entrepreneurship and foreign investment. Additionally, there is a lack of financial instruments and mechanisms that would allow businesses to grow or innovate, particularly in non-oil industries. Without a robust financial sector, small and medium-sized enterprises (SMEs) struggle to access credit or investment, stifling innovation and economic diversification.²⁸

1.2.3: Institutional Challenges

Iraq's institutional weaknesses present significant obstacles to its accession to the WTO. The current regulatory framework is outdated and frequently fails to align with international standards for transparency and efficiency in trade practices. Membership in the WTO necessitates a solid legal framework that upholds transparency, intellectual property rights, and investor protection—areas where Iraq faces

²⁶ ITC, “Economic Diversification and Trade Opportunities in Iraq”, 2024, see more: <https://www.intracen.org/our-work/regions-and-countries/middle-east-and-north-africa/iraq> (accessed November 3, 2024).

²⁷ UNDP, “Youth Unemployment and the Economic Outlook in Iraq”, (2024) see: <https://www.undp.org/ku/node/382051> (accessed in November 2024); “*Youth unemployment stands at 18 per cent, compared to the overall formal unemployment rate of 8.2 per cent, with women fairsing significantly worse.*”

²⁸ BTI, “Country Report: Iraq”, (2024), <https://bti-project.org/en/reports/country-dashboard/IRQ> (accessed November 3, 2024).

considerable deficiencies and is described as “*inadequate*”²⁹ unlike in the Kurdistan Region.³⁰ The lack of adequate intellectual property protections discourages foreign investment and technology sharing, as companies fear losing their competitive edge due to weak enforcement mechanisms.³¹ Additionally, Iraq's customs and border management systems are often plagued by inefficiencies, characterized by cumbersome procedures that hinder the smooth flow of goods.³² The WTO's Trade Facilitation Agreement (TFA) underscores the importance of streamlined customs operations, a benchmark that Iraq currently struggles to achieve.³³ High levels of bureaucracy, coupled with insufficient training in trade regulations, further complicate Iraq's efforts to align with WTO standards. These institutional barriers impede Iraq's participation in a global rules-based trading system, thus limiting its competitiveness and trade potential. The interplay of political, economic, and institutional challenges creates a cycle of interconnected obstacles that hinder Iraq's WTO accession efforts. Political instability adversely impacts economic growth,

²⁹ U.S. State Department, “2024 Investment Climate Statements: Iraq”, (2024) <https://www.state.gov/reports/2024-investment-climate-statements/iraq/> (accessed November 3, 2024); “Legal systems that protect intellectual property (IP) rights in Iraq are inadequate, and infringement is common”.

³⁰ *ibid.*, “the IKR’s friendlier investment climate...and a more commercial-friendly legal framework appeal to many U.S. firms and franchises”.

³¹ Doaa Abd AL-Hadi Mohameed, Rabaa M. Shaker, Walid B. AlRashidi, Mohammed Kadhim Abbas Al-Maenit, Tawfeeq Alghazalis, Imad Ibrahim Dawood, Mohammed Yousif Oudah Al-Muttar, Mohammed Yaseen Mousa, “*Violation of Patent and Intellectual Property in Iraq: A Perspective of Cybercrimes, International Journal of Cyber Criminology*”, vol. 16, no. 2, 2022, p. 72, see: <https://cybercrimejournal.com/menuscrypt/index.php/cybercrimejournal/article/view/77/17> (Accessed November 3, 2024); “...more than 77% of new startups are not satisfied with the government's legal protection of their business ideas”.

³² World Bank Group, “Doing Business in Iraq: Customs and Border Procedures”, (2024) <https://archive.doingbusiness.org/en/data/exploreconomies/iraq> (accessed November 8, 2024).

³³ WTO, “Trade Facilitation Agreement: Overview and Benefits”, 2017, see: https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm#:~:text= (accessed November 8, 2024) — “The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit”.

which in turn restricts the resources available for institutional reform.³⁴ Without cohesive governance and a strong commitment to combating corruption, Iraq's policy inconsistencies obstruct the establishment of a solid foundation for global trade. Furthermore, the country's heavy reliance on oil and lack of sectoral diversity complicate its ability to present a balanced trade portfolio, as required by the WTO.³⁵ In another hand, The recent regulation implemented by the Kurdistan Regional Government stipulates that 75% of the workforce must be comprised of local employees, allowing only 25% to be foreign workers.³⁶ This policy raises concerns regarding Iraq's potential accession to the WTO, as it may contradict fundamental WTO principles, particularly those related to non-discrimination and market access. WTO members are obligated to treat both foreign and domestic workers and businesses equitably, fostering fair competition. By enforcing such quotas on foreign workers, the KRG could inadvertently hinder foreign investment and trade, thereby jeopardizing the commitment to open markets and equal treatment—essential prerequisites for WTO membership. Institutional inefficiencies, such as outdated regulations and sluggish customs processes, further inhibit Iraq's integration into the global trading system, because as Dr. Robert Looney³⁷ quoted; *“Finding ways to solve technocratic problems is easier than finding the will. The greatest challenge facing Iraq’s transition to a stable free-market democracy will be sustaining support for reform.”*³⁸

³⁴ Ari Aisen and Francisco José Veiga, “How Does Political Instability Affect Economic Growth?”, *European Journal of Political Economy*, vol. 29, 2013, pp. 151-167, <https://doi.org/10.1016/j.ejpoleco.2012.11.001> (accessed November 10, 2024).

³⁵ WTO, “Economic Diversification: Lessons from Practice”, *Aid for Trade at a Glance 2019*, (2019), see: https://www.wto.org/english/res_e/booksp_e/aid4trade19_chap5_e.pdf (accessed November 10, 2024).

³⁶ Kurdistan Regional Government (KRG) Regulation no. 172 of September 9, 2022.

³⁷ Robert E. Looney is a Distinguished Professor at the Naval Postgraduate School, Monterey, California. He specializes in issues relating to energy security and economic development in the Middle East, Africa, South Asia, and Latin America.

³⁸ Robert Looney, “Iraq as a Transition Economy”, Calhoun: The NPS Institutional Archive, p. 11, 2004, <https://core.ac.uk/download/pdf/36730861.pdf> (accessed November 11, 2024).

CHAPTER TWO

Economic Impact of WTO Membership on Iraq

2.1: Economic Gains – Trade, Investment, and Sustainable Growth

WTO membership will bring significant economic gains to Iraq, facilitating its integration into the global economy and positioning it for sustained economic growth. By joining the WTO, Iraq will benefit from reduced tariffs and trade barriers, allowing it to engage more actively in international trade networks. This access to global markets under WTO regulations will enhance Iraq's export capabilities, particularly in non-oil sectors.³⁹ Iraq's commitment to WTO principles, including the most-favored-nation (MFN)⁴⁰ treatment, will ensure that its goods and services receive the same preferential access as other member states, effectively increasing its market reach and competitiveness.⁴¹ Trade expansion is a critical area where Iraq stands to benefit. By aligning its trade policies with WTO standards, Iraq will be able to boost its export of diverse products, establishing a foundation for economic diversification.⁴² In particular, sectors like agriculture, construction materials, and light manufacturing are expected to thrive in a more open trade environment. Evidence from other newly joined members, such as Cambodia and Vietnam, shows

³⁹ Bernard Hoekman and Michel M. Kostecki, "The Political Economy of the World Trading System", Oxford University Press, 2009, <https://global.oup.com/academic/product/the-political-economy-of-the-world-trading-system-9780199553761?cc=us&lang=en&> (accessed November 13, 2024).

⁴⁰ "A most-favored-nation (MFN) clause requires a country providing a trade concession to one trading partner to extend the same treatment to all. Used in trade treaties for hundreds of years, the MFN clause and its principle of universal equal treatment underpin the World Trade Organization." For further information see: <https://www.investopedia.com/terms/m/mostfavorednation.asp> (accessed November 17, 2024).

⁴¹ Mitsuo Matsushita, Thomas J. Schoenbaum, Petros C. Mavroidis and Michael Hahn, "The World Trade Organization: Law, Practice, and Policy", Oxford University Press, (2015), <https://scholarship.law.columbia.edu/books/131/> (accessed November 17, 2024).

⁴² "Economic diversification is the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets. Traditionally, it has been applied as a strategy to encourage positive economic growth and development." For further information see: <https://unfccc.int/topics/resilience/resources/economic-diversification> (accessed November 17, 2024).

that WTO membership accelerates trade growth, fostering industry competitiveness and economic resilience.⁴³ For Iraq, this means more stable and diversified sources of revenue beyond oil, reducing the impact of oil market fluctuations.

Foreign direct investment (FDI)⁴⁴ is another major benefit that will be unlocked by Iraq's WTO membership. A stable, transparent regulatory framework aligned with WTO norms will reassure investors of Iraq's commitment to economic reform and long-term stability, attracting capital inflows into critical sectors.⁴⁵ WTO membership acts as a signal to international investors that Iraq is a reliable partner in trade and business. Countries like Jordan and Morocco have seen substantial increases in FDI following their WTO accession, resulting in expanded infrastructure, job creation, and technology transfer, all of which Iraq can similarly expect to benefit from.⁴⁶ For example, FDI will play an essential role in modernizing Iraq's infrastructure, upgrading its agricultural sector, and expanding industrial capacity, creating employment and improving living standards.⁴⁷ Additionally, WTO membership will drive Iraq's transition from an oil-dependent economy to a diversified economic structure since with over 85% of government revenue currently derived from oil, Iraq

⁴³ Kingdom of Cambodia National Region Bank, "Cambodia Trade Integration Strategy 2019-2023", (2023), <https://cambodiancorner.com/wp-content/uploads/2019/12/cambodia-trade-integratio-strategy-2019-2023-1.pdf> (accessed November 23, 2024); "Cambodia has, for the last two decades, enjoyed exceptional economic growth of around 7.2% per annum, ranking as one of the fastest growing economies in the world".

⁴⁴ Foreign Direct Investment (FDI) refers to an investment made by a foreign entity in a business or assets in another country, typically involving the acquisition of a significant ownership stake or the establishment of new operations such as subsidiaries or joint ventures. FDI is crucial for economic growth, providing capital, technology, and expertise to the recipient country. See: WTO, "Foreign Direct Investment, Trade and Economic Development: An Overview," https://www.wto.org/english/res_e/reser_e/ersd202311_e.htm (accessed November 25, 2024).

⁴⁵ Jeswald Salacuse, *"The Law of Investment Treaties"*, Oxford University Press, 2015.

⁴⁶ Robert Lipsey and Fredrik Sjöholm, "FDI and Economic Growth in Developing Countries," *Journal of Economic Development*, vol. 36, no. 3, (2015), pp. 56-72.

⁴⁷ Magnus Blomström and Ari Kokko, "How Foreign Investment Affects Host Countries", Policy Research Working Paper, The World Bank, (1997).

is extremely vulnerable to oil price shocks.⁴⁸ By encouraging the development of non-oil industries, WTO membership will stabilize Iraq's economy, reduce fiscal dependency on oil, and create sustainable growth opportunities. For Iraq, this economic transformation will also strengthen domestic industries and stimulate small- and medium-sized enterprises (SMEs), which are essential for job creation and innovation.⁴⁹

2.2: Risks and Challenges Towards Iraq

The decision to pursue WTO membership represents a transformative opportunity for Iraq's economy. However, this path entails substantial challenges requiring strategic planning and foresight. Iraq must prepare to address risks associated with economic liberalization, regulatory compliance, institutional development, and social equity to realize the benefits of global trade integration. These challenges are multifaceted and have both immediate and long-term implications for Iraq's socio-economic fabric.

2.2.1: Competitive Pressures and Market Liberalization

One of the most immediate and significant risks of WTO membership is the competitive pressure that arises from market liberalization. Iraq's local industries, many of which are heavily reliant on government subsidies and protective tariffs, will struggle to compete against highly efficient and technologically advanced international competitors.⁵⁰ The agricultural sector, for instance, remains underdeveloped, relying on outdated techniques and limited infrastructure. Countries such as Turkey and Iran, with mechanized farming and lower production costs, could

⁴⁸ Justin Salhani, "Iraq's overreliance on oil threatens economic, political strife", Al Jazeera, (2024), <https://www.aljazeera.com/news/2024/3/28/iraqs-overreliance-on-oil-threatens-economic-political-strife> (accessed December 2, 2024).

⁴⁹ Daron Acemoglu and James A. Robinson, "Why Nations Fail: The Origins of Power, Prosperity, and Poverty", Crown Publishing, (2012), see: <https://www.wcfia.harvard.edu/publications/why-nations-fail-origins-power-prosperity-and-poverty> (accessed December 2, 2024).

⁵⁰ Majid Kazemi Najaf Abadi, Ashwaq Natiq Maseeh, Zeina Alsharkas, Syed Mehdi Hassan, "Iraq Economic Monitor : Reemerging Pressures - Iraq's Recovery at Risk (English)", World Bank Group, (2023), <http://documents.worldbank.org/curated/en/099453507282342287/IDU0b9f5dc440cf2f047f9098e202d3dab0861c7> (accessed December 3, 2024).

flood Iraq's markets with cheaper imports, threatening the livelihoods of small-scale farmers.⁵¹ Similarly, Iraq's nascent manufacturing sector may face difficulties in competing with established global players in terms of quality, pricing, and supply chain efficiency.⁵² Such pressures could lead to de-industrialization and job losses in fragile economic sectors. Leveraging local strengths such as date farming, traditional crafts, or unique mineral resources could help Iraq establish specialized export markets rather than attempting to compete broadly.⁵³ Bhutan's strategy of capitalizing on high-value, niche exports serves as a relevant example.⁵⁴ Regulatory challenges and compliance costs further complicate Iraq's WTO accession. Membership requires rigorous adherence to international standards in areas such as product quality, safety, environmental sustainability, and intellectual property rights (IPR).⁵⁵ While compliance ensures access to global markets, the associated costs can be prohibitive for a country with limited institutional capacity. Iraq's customs systems and border procedures are particularly inefficient and riddled with corruption. Implementing the WTO's Trade Facilitation Agreement (TFA) would necessitate investments in technology, personnel training, and anti-corruption measures. For example, Kenya's adoption of electronic customs clearance systems post-WTO accession significantly reduced delays and costs, a model Iraq could emulate.⁵⁶

⁵¹ Iran International, "Iranian MP Warns Of Losing Iraq Market Share To Turkey, Saudi Arabia", March 7, 2024, <https://www.iranintl.com/en/202403073785> (accessed December 5, 2024).

⁵² Bernard Hoekman and Michel Kostecki, *The Political Economy of the World Trading System*, 3rd edition, Oxford University Press, 2009, pp. 231-237.

⁵³ Ricardo Hausmann and Dani Rodrik, "Economic Development as Self-Discovery", *Journal of Development Economics*, vol. 72, no. 2, 2003, pp. 603-633.

⁵⁴ Royal Government of Bhutan, "Economic Development Policy 2016", (2016), pp. 15-17, quoting: "The Economic Development Policy 2016 emphasizes Bhutan's commitment to sustainable growth through strategic sectoral development, environmental conservation, and promotion of Gross National Happiness."

⁵⁵ WTO, *Trade Facilitation Agreement: Implementation Strategies*, Geneva, 2019, pp. 23-25.

⁵⁶ Kenya Revenue Authority, "Impact of Electronic Customs Systems", *African Development Review*, vol. 32, no. 1, 2020, pp. 120-134.

2.2.2: Socio-Economic Implications

Ensuring compliance with phytosanitary (SPS) measures presents another challenge.⁵⁷ Iraq's agricultural exports, such as dates, are often rejected in international markets due to non-compliance with these standards.⁵⁸ Developing modern testing laboratories and certification bodies will be essential to enhance export competitiveness. Similarly, Iraq's weak enforcement of IPR discourages technology transfers and foreign investment—Thailand's introduction of IPR enforcement units to support its tech sector post-WTO membership provides a valuable lesson for Iraq in fostering a more conducive environment for innovation and investment.⁵⁹ Iraq's institutional weaknesses and government barriers to the successful implementation of WTO policies. Inefficiencies, corruption, and lack of coherence characterize Iraq's institutional frameworks and coupled with the divide between the federal government and the Kurdistan Regional Government (KRG),⁶⁰ exacerbating these challenges. While the KRG has implemented business-friendly policies,⁶¹ inconsistencies between regional and national regulations undermine Iraq's ability to present a unified trade policy. For example, differing labor laws, such as the KRG's quota on foreign workers,⁶² may conflict with WTO principles of non-discrimination. Additionally, frequent political leadership changes and the lack of a long-term economic strategy create a volatile policy environment—Institutional reforms prioritizing transparency, continuity, and accountability are crucial to overcoming

⁵⁷ Abbas Alnasrawi, *Iraq's Burdens: Oil, Sanctions, and Underdevelopment*, Greenwood Publishing Group, 2002, pp. 98-103, <https://www.bloomsbury.com/us/iraqs-burdens-9780313013768/> (accessed December 8, 2024).

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ Denise Natali, *The Kurdish Quasi-State: Development and Dependency in Post-Gulf War Iraq*, *Middle East Journal*, vol. 63, no. 4, 2009, pp. 52-74, <https://www.jstor.org/stable/j.ctt1j5dg75> (accessed December 8, 2024).

⁶¹ U.S. State Department, "2024 Investment Climate Statements: Iraq", (2024) <https://www.state.gov/reports/2024-investment-climate-statements/iraq/> (accessed December 9, 2024).

⁶² Kurdistan Regional Government (KRG) Regulation no. 172 of September 9, 2022.

these obstacles.⁶³ Macroeconomic vulnerabilities further complicate Iraq's path to WTO as the economy's over-reliance on oil exports leaves it exposed to external shocks, meaning a sudden downturn in global oil demand, could destabilize Iraq's fiscal health as diversification efforts remain nascent. Lessons from Saudi Arabia's Vision 2030 plan, which emphasizes economic diversification to reduce oil dependency, are highly relevant.⁶⁴ Iraq must prioritize similar reforms to strengthen economic resilience. Furthermore, trade liberalization risks exacerbating Dutch Disease, where resources curve up exchange rates and make non-oil exports uncompetitive.⁶⁵ Addressing this requires a combination of fiscal discipline, investments in non-oil sectors, and monetary policies that stabilize exchange rates. The socio-economic implications of WTO membership are equally significant. Urban centered and Erbil may benefit from increased trade and investment, while rural areas risk marginalization as rural agricultural workers, for instance, could lose their livelihoods due to competition from imported goods. Policies such as targeted subsidies, rural infrastructure development, and vocational training programs are essential to prevent social unrest. Moreover, the liberalization of services and investment flows could lead to an influx of foreign placing local workers. Addressing labor market pressures will require investments in education and workforce development, particularly in emerging sectors such as renewable energy and technology. Iraq's strategic location and political history expose it to unique geopolitical risks. The country's trade is heavily tied with neighboring nations like

⁶³ Paul Collier, "The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It", Oxford University Press, 2007, https://treasury.gov.au/sites/default/files/2019-03/05_The_bottom_billion.pdf (accessed December 9, 2024).

⁶⁴ "Project 2030 is a government program launched by Saudi Arabia which aims to achieve the goal of increased diversification economically, socially, and culturally—It was first announced on 25 April 2016 by the Saudi Government." For further information see: <https://www.vision2030.gov.sa/en> (accessed December 9, 2024).

⁶⁵ Christine Ebrahim-Zadeh, "Dutch Disease: Too Much Wealth Managed Unwisely", Finance & Development, vol. 40, no. 1, March 2003, <https://www.imf.org/external/pubs/ft/fandd/2003/03/ebra.htm> (accessed December 22, 2024).

Iran⁶⁶ and Turkey⁶⁷ increasing its dependency on these partners. This could allow them to exert undue influence on Iraq's economic policies post-WTO accession. Diversifying trade partnerships, particularly with Asian and European markets, will be critical for mitigating such risks. WTO membership might as well expose Iraq to international pressure on sensitive political issues, as disputes over subsidies, tariffs, or labor policies could become leverage points for other WTO members. Establishing robust domestic dispute resolution mechanisms will be essential for safeguarding national interests. And although the challenges of WTO membership are formidable, they are not insuperable. By adopting a phased approach, prioritizing institutional reforming diversification, Iraq can transform these challenges into opportunities. Success will depend on sustained political will, strategic investments, and inclusive policies that balance global integration with domestic resilience. Hence it can be said that WTO membership is not merely a gateway to economic integration but a test of Iraq's capacity to navigate the complexities of globalization.

2.3: What Kurdistan Can Expect from WTO Membership

The prospective accession of Iraq to the WTO poses a multifaceted array of economic and regulatory challenges for the Kurdistan Region. The primary concern revolves around the reconciliation of economic disparities and integration between the federal government of Iraq and the KRI. For decades, the economic landscape of Iraq has been marked by a dual customs regime, where the KRI has operated under its tariff and trade policies, distinct from those of federal Iraq. This setup has allowed KRI to maintain a degree of economic independence, particularly in sectors like oil and agriculture.⁶⁸ However, WTO accession would necessitate the harmonization of these

⁶⁶ Tehran Times, "Iran and Iraq Set \$20 Billion Annual Trade Target", (December 18, 2024) <https://www.tehrantimes.com/news/507641/Iran-exports-non-oil-goods-worth-8-3b-to-Iraq-in-8-months> (accessed December 22, 2024)

⁶⁷ Türkiye Ministry of Foreign Affairs, "Türkiye-Iraq Economic and Trade Relations" see: <https://www.mfa.gov.tr/turkiye-iraq-economic-and-trade-relations.en.mfa> (accessed December 22, 2024)

⁶⁸ David Butter, "Iraq's Economic Challenges: Investment, Jobs and the Private Sector," Chatham House, (March 2015) see: https://www.chathamhouse.org/sites/default/files/field/field_document/20150303IraqEconomicChallengesButter.pdf (accessed December 22, 2024).

policies, potentially leading to significant economic adjustments for KRI. The unification of customs policies could disrupt local industries within KRI, as they adapt to new tariff rates and trading practices that align with WTO standards. This shift might not only impact the cost structures of local businesses but could also alter competitive dynamics within the region, where local enterprises might find themselves at a disadvantage against more established or efficient international competitors. The process of adapting to these changes could lead to short-term economic turbulence, with possible job losses or the need for businesses to restructure or even close down if they cannot compete in the new environment.⁶⁹ Regulatory harmonization poses significant challenges for Iraq and the Kurdistan Region in aligning their trade laws and practices with WTO standards. The KRI's semi-autonomous status has led to the development of its own legislative and regulatory systems, tailored to its specific needs and socio-economic conditions. Aligning these with WTO requirements would necessitate comprehensive revisions across multiple sectors, including intellectual property rights and labor standards.⁷⁰ Such changes could disrupt local business operations and demand substantial capacity building in legal and administrative sectors. Additionally, WTO accession could lead to increased centralization of economic policies under Baghdad, potentially diminishing the KRI's economic autonomy. This shift might affect the region's ability to independently negotiate trade deals or manage border trade, particularly with neighboring countries like Turkey. The KRI has historically leveraged its autonomy to engage in direct economic partnerships, especially in the oil and gas sector.⁷¹ A move towards centralization could reduce its leverage in these

⁶⁹ World Bank Group, "Iraq Economic Monitor: Toward Reconstruction, Recovery, and Reform," World Bank, (2018) <http://documents.worldbank.org/curated/en/913231524878783168/pdf/125679-WP-PUBLIC-24-4-2018-12-33-5-IraqEconomicMonitorSpring2018FINAL.pdf> (accessed December 22, 2024).

⁷⁰ Bernard Hoekman and Aaditya Mattoo, "Services Trade and Growth", World Bank, (2008), see: <https://documents1.worldbank.org/curated/fr/117601468178449072/pdf/wps4461.pdf> (accessed December 22, 2024).

⁷¹ Chatham House, "Iraq's Political and Economic Future", Roundtable Summary, (June 2013), https://www.chathamhouse.org/sites/default/files/public/Research/Middle%20East/0613ir_rtsummary.pdf (accessed December 22, 2024).

negotiations, potentially impacting economic stability and growth. Moreover, aligning with WTO standards would require significant reforms in areas such as transparency, anti-corruption measures, and trade facilitation. Given the historical context of corruption and bureaucratic inefficiencies in Iraq, including the KRI, these reforms could face resistance and implementation challenges. The transition to a more transparent and efficient regulatory environment would also test the KRI's administrative capabilities and political will to enact and enforce these changes.

The KRI has traditionally managed its oil and gas revenues independently from Baghdad, leading to potential conflicts with WTO-mandated transparent and equitable revenue-sharing mechanisms. This shift could impact the KRI's fiscal autonomy and its capacity to fund essential public services and infrastructure projects. Additionally, aligning with WTO standards necessitates substantial enhancements in trade infrastructure, including modernizing customs procedures, upgrading transportation networks, and improving border management systems. ⁷²Given the KRI's current infrastructure limitations and the need to integrate with federal Iraqi systems, these upgrades would require significant investment in both physical infrastructure and human capital. Market access and competition present further complexities. While WTO accession could theoretically provide the KRI with improved access to global markets, it would also expose local industries to increased international competition. Sectors such as agriculture and manufacturing, which may not be as competitive as their international counterparts, could face challenges. Local businesses would need to adapt by investing in technology, quality improvements, or new business models to remain competitive. The influx of cheaper or higher-quality imports could lead to market saturation or displacement of local products, affecting employment and economic stability in the KRI. Moreover, economic changes resulting from WTO accession could alter the socio-economic fabric of the KRI,

⁷² United Nations Development Programme, "Iraq's Post-Conflict Economic Recovery: Rebuilding with Integrity," UNDP Iraq, 2019, accessed December 22, 2024, https://www.iq.undp.org/content/iraq/en/home/library/crisis_prevention_and_recovery/iraq-s-post-conflict-economic-recovery.html (accessed December 22, 2024).

influencing employment rates, income distribution, and regional stability. Economic downturns or mismanaged transitions could lead to social unrest or provide fertile ground for security threats, including terrorism, which has been a concern in the region. The KRG would need to balance economic reforms with maintaining security, ensuring that economic policies do not exacerbate existing tensions or create new ones. However, amidst these hurdles, there can be a potential turning point. Kurdistan can uniquely gain benefits from Iraq's succession to the WTO by enhancing its economic opportunities and attracting foreign investments. As Iraq integrates into the global trading system, Kurdistan can position itself as a key player in the region, taking advantage of the reduced trade barriers and improved market access that come with WTO membership. This could lead to increased exports of local products, such as agricultural goods and handicrafts, allowing Kurdistan to diversify its economy and reduce reliance on oil revenues. Additionally, the establishment of trade agreements and adherence to international standards can improve the quality of products produced in Kurdistan, making them more competitive in global markets. Another advantage is the potential for agricultural development. Kurdistan has fertile land and a favorable climate for various crops. With access to international markets, local farmers can export their products, leading to increased income and investment in agriculture. This could also encourage the adoption of modern agricultural techniques and technologies, improving productivity and sustainability in the sector. Furthermore, WTO membership would provide Kurdistan with a stronger voice in global trade discussions, allowing the region to advocate for policies that address its unique economic needs. While political tensions with Baghdad complicate full involvement, the KRI could leverage its position to push for favorable trade provisions, especially in sectors like oil. The increased competition from international markets would push local businesses to innovate, adopt new technologies, and improve product quality, fostering long-term growth. And by gaining access to diverse markets Kurdistan could diversify its economy, reducing its reliance on oil revenues and strengthening its economic resilience through expanded industries and job creation. Overall, these opportunities can contribute to economic diversification and resilience in the face of global market fluctuations.

Conclusions

Iraq's accession to the WTO holds transformative potential for its economy, signaling a significant shift towards global economic integration. WTO membership would offer Iraq a platform to diversify its economy, enhance its export capabilities, and attract foreign direct investment by fostering a transparent and rule-based trade environment. However, the journey towards accession is fraught with complex challenges across political, economic, and institutional dimensions. The heavy reliance on oil revenue, which exposes Iraq to global price fluctuations, underscores the urgent need for economic diversification. WTO membership could catalyze this transformation by encouraging investment in non-oil sectors, enhancing industrial competitiveness, and modernizing the country's regulatory frameworks. Lessons from other nations, such as Vietnam and Jordan, illustrate that WTO membership can spur economic growth and attract FDI by signaling stability and compliance with international trade norms. At the same time, Iraq faces significant risks. Political instability, corruption, and weak institutional frameworks pose major obstacles to aligning its policies with WTO standards. The transition to a liberalized trade environment could challenge domestic industries, particularly in agriculture and manufacturing, which may struggle to compete with international competitors. Addressing these vulnerabilities will require targeted reforms in governance, infrastructure, and capacity-building. For the KRI, WTO membership offers both opportunities and challenges. The harmonization of customs policies and regulatory frameworks with federal Iraq may disrupt local industries but also provides a pathway to improved market access and foreign investment. The KRI's fertile agricultural landscape and potential for export-oriented industries could position it as a key beneficiary of Iraq's WTO accession, provided it adapts to the new competitive dynamics.

Recommendations

- **Economic Diversification:** Iraq should reduce its dependence on oil by fostering investment in non-oil sectors, including agriculture, manufacturing, and services. Supporting small- and medium-sized enterprises (SMEs) and promoting export-oriented industries will be crucial for creating a resilient and diversified economy.
- **Institutional Reforms:** Modernize trade policies to align with WTO standards by enhancing transparency, reducing corruption, and improving governance. Strengthening intellectual property rights (IPR) enforcement and streamlining customs procedures will create a more predictable and investor-friendly regulatory environment.
- **Capacity Building:** Train government officials and local businesses on WTO compliance requirements to build institutional and sectoral capacity. Education and workforce development programs should focus on preparing Iraq's population for new opportunities in a liberalized economy.
- **Policy Harmonization Between Baghdad and KRI:** Align customs and regulatory policies between the federal government and the Kurdistan Region to ensure compliance with WTO standards. Establish mechanisms for coordination in trade policy and revenue-sharing to mitigate internal conflicts.
- **Phased Liberalization:** Adopt a gradual approach to market liberalization, allowing domestic industries to adapt to international competition. During the accession process, negotiate transitional measures to protect vulnerable sectors and ensure a smooth economic adjustment.

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