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The Role of The Iraqi Private Sector in Taking Advantage of International Economic Integration Opportunities

Baydaa Jawad Kazem^{*1}

1. College of Administration and Economics, University of Wasit

* Correspondence: baydaagawad@gmail.com

Abstract: The Iraqi private sector has tremendous potential to capitalize on international economic integration opportunities by enhancing its competitiveness, expanding its exports, attracting foreign investment, and contributing to infrastructure development and knowledge transfer. However, the Iraqi private sector faces significant challenges that require concerted efforts between the public and private sectors to overcome. These challenges include the unstable security and political situation, bureaucratic corruption, weak infrastructure, and difficulty accessing financing. To overcome these obstacles and maximize the private sector's benefits from economic integration, the study recommends that the Iraqi government improve the business environment, facilitate procedures, provide investment incentives, develop infrastructure, support small and medium-sized enterprises, and combat corruption. The study also emphasizes the importance of the private sector itself developing its capabilities, investing in innovation and quality, and building strategic partnerships with international companies. Activating the role of the private sector and enabling it to exploit international economic integration opportunities represents a crucial step toward achieving sustainable economic development and a prosperous future for Iraq.

Keywords: Iraqi Private Sector, Economic Integration, Foreign Investment, Infrastructure Development, Sustainable Economic Development

1. Introduction

The aim of the research:

This research aims to identify and analyze the role played by the Iraqi private sector in taking advantage of the opportunities available as a result of Iraq's integration into the international economy, highlighting the challenges it faces and providing recommendations to enhance its contribution in this context.

Research problem:

Despite Iraq's efforts to integrate into the international economy through trade openness and participation in economic agreements, the role of the Iraqi private sector in exploiting the opportunities arising from this integration remains relatively limited. The private sector faces structural, operational, and environmental challenges that may hinder its ability to compete in global markets, attract foreign investment, and benefit from knowledge and technology transfer. This raises questions about the nature of this role, the factors that limit its effectiveness, and the mechanisms necessary to enhance its contribution to achieving Iraq's economic integration goals.

Main research hypothesis:

The study assumes that the Iraqi private sector's ability to capitalize on international economic integration opportunities is significantly influenced by internal factors (such as

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competitiveness, innovation, and corporate infrastructure) and external factors (such as the business environment, legislation, government support, and security and political stability). The study also assumes that enhancing the role of the private sector requires adopting integrated strategies to address challenges, stimulate investment, and develop capabilities.

The first section: The theoretical framework (concept - objectives - stages - effects)

First: - The concept of international economic integration [1]

International economic integration can be defined as a process by which the economies of two or more countries are combined by removing existing economic barriers between them, with the aim of achieving greater economic efficiency, growth, and shared prosperity.

More specifically, economic integration refers to the unification of economic policies among several countries through the partial or complete elimination of tariff and non-tariff restrictions on trade, the free movement of factors of production (capital and labor), the coordination of monetary and fiscal policies, and, in some cases, the unification of currencies.

Second: The objectives of international economic integration [2]

Through economic integration, countries seek to achieve a set of goals, the most prominent of which are:

- a. Increased trade volume: By removing tariff and non-tariff barriers, trade exchange between member states is facilitated, leading to increased exports and imports.
- b. Improving economic efficiency: Integration leads to a better allocation of economic resources, as investments and production are directed towards the most competitive sectors in member states.
- c. Achieving economies of scale: The larger market resulting from the merger allows companies to achieve economies of scale in production, which reduces costs and increases competitiveness.
- d. Attracting foreign direct investment: The single market creates a more attractive environment for foreign investment, as companies can access a broader consumer base and benefit from the resources available in member states.
- e. Promoting economic growth: By increasing trade and investment and improving efficiency, economic integration contributes to accelerating the economic growth of member states.
- f. Increased negotiating power: The economic bloc gives member states greater negotiating power in international forums and with other countries.
- g. Enhancing political and security stability: Economic integration can contribute to building trust and enhancing political and security cooperation among member states.

Third: Stages of international economic integration [3]

Economic integration typically develops through several stages, each characterized by a deeper degree of integration:

- a. Preferential Trade Area: In this stage, member countries grant each other tariff reductions on certain products, while maintaining trade barriers towards other countries.
- b. Free Trade Area: Each nation retains its own separate trade policy with non-member states, while member states eliminate all tariff and non-tariff trade obstacles among themselves. The North American Free Trade Area (NAFTA) is one example.
- c. 3. Customs Union: Member states agree to remove trade barriers among themselves and apply a unified customs tariff to non-member states.
- d. Common Market: The common market permits the free flow of labor and capital, the two main components of production, between member states, in addition to the features of a customs union.

- e. Economic Union: In addition to having all the features of a common market, this stage also involves member states coordinating their fiscal and monetary policies.
- f. 6.Total Economic Integration: The highest stage of integration, where all economic policies are unified, including the adoption of a single currency and the establishment of a supranational economic authority. Example: the European Union (in some aspects)

Fourth: The effects of international economic integration [4]

Economic integration has various effects, which can be classified as:

- Economic effects:
 - a. Trade-creating effects: Integration shifts production from less efficient domestic producers to more efficient producers in other member states.
 - b. Trade diversion effects: Integration may lead to the diversion of imports from more efficient non-member countries to less efficient member countries due to tariff advantages.
 - c. Increased competition: Mergers open up markets to greater competition, encouraging companies to improve their efficiency and offer better products at lower prices.
 - d. Income distribution: Integration may have different effects on income distribution within Member States, with some sectors and regions benefiting more than others.
- Political and social effects:
 - a. Enhancing political cooperation: Economic integration can enhance dialogue and political cooperation among member states.
 - b. Convergence of legal systems: Integration often requires convergence of systems and laws between member states.
 - c. Impact on national identity: Integration may raise issues related to national identity and sovereignty.

Examples of international economic integration blocs [5]

There are many economic blocs around the world, differing in their stages of development and objectives, the most prominent of which are:

- The European Union (EU): It is considered one of the most developed economic blocs, having reached an advanced stage of economic and political integration.
- Association of Southeast Asian Nations (ASEAN): aims to enhance economic, political and security cooperation among Southeast Asian countries.
- Common Market of South America (Mercosur): It includes countries in South America and seeks to achieve economic integration.
- North American Free Trade Agreement (NAFTA) / United States-Mexico-Canada Agreement (USMCA): A free trade area between the United States, Canada, and Mexico.

The Gulf Cooperation Council (GCC): aims to achieve economic integration and cooperation in various fields among the Gulf Arab states.

The second section: The reality of integration into the Iraqi economy [6]

Mergers and acquisitions in the Iraqi economy are still in their relatively early stages, compared to other countries in the region or globally. However, there are some indicators and trends worth noting:

- Banking sector: The Iraqi banking sector is witnessing growing interest in the issue of mergers. The Central Bank of Iraq believes that merging some banks may be necessary to enhance their financial capacity, expand their services, and keep pace with international standards. Some controls and procedures related to bank mergers have already been issued.
- Private Sector: Outside of the banking sector, mergers and acquisitions in the private sector remain relatively limited. This is due to several factors, including the nature of the Iraqi economy, which relies heavily on the public sector; the size of private

companies, which are often small or medium-sized; and the legal and procedural challenges and business environment in general.

- Foreign Investment: Some foreign companies may resort to acquiring existing Iraqi companies as a way to enter the market more quickly and reduce risks, but these operations are not yet widespread.

Motives for integration into the Iraqi economy (potential and future)

Despite the limitations of current operations, there are several incentives that may encourage greater integration into the Iraqi economy in the future:

- Enhancing competitiveness: As Iraq seeks to open up to the global economy and join the World Trade Organization, Iraqi companies may need to merge to increase their size and ability to compete with regional and international companies.
- Improving operational efficiency: Mergers can help companies consolidate operations, reduce costs, and improve overall efficiency.
- Expanding markets and services: Mergers can allow companies to access new markets or offer a wider range of products and services.
- Dealing with distressed companies: Mergers may be a solution to save some distressed or bankrupt companies.
- Central Bank Requirements: As mentioned, the Central Bank encourages bank mergers to strengthen the financial sector.

Challenges of integration into the Iraqi economy [7]

Mergers in the Iraqi economy face several challenges:

- Legal and procedural environment: The laws and procedures related to mergers and acquisitions may be complex or unclear in some aspects, which hinders these processes.
- Company Valuation: It can be difficult to accurately evaluate Iraqi companies due to a lack of transparency in financial statements and governance challenges.
- Corporate culture: There may be significant differences in corporate culture and work systems, making cultural integration difficult.
- Employee resistance: As is the case anywhere, a merger may face resistance from employees for fear of losing their jobs or changing their working conditions.
- Economic and political conditions: Economic and political instability in the country can discourage mergers and acquisitions.
- Dominant public sector: Public sector dominance may reduce opportunities for integration in some sectors.

Possible examples of integration in Iraq [8]

Given the early stage, there are no large-scale examples of major mergers in Iraq. However, some possible future scenarios can be envisioned:

- Merger between small or medium-sized private banks: to increase capital and enhance competitiveness.
- Acquisition of Iraqi banks by regional or international banks: to enter the Iraqi market and take advantage of potential growth opportunities.
- Mergers between companies in sectors such as telecommunications or food industries: to increase market share and achieve economies of scale.

The role of the state and regulatory bodies

The state and regulatory bodies play a crucial role in facilitating and encouraging mergers that serve the national economy. This can include:

- Developing and updating laws and regulations: to make mergers and acquisitions processes clearer and smoother.
- Providing incentives: Encourage companies to integrate into priority sectors.
- Ensuring fair competition: to prevent mergers that may lead to monopoly or reduce competition.
- Providing technical and advisory support: to companies planning to merge.

In general, it can be said that integration into the Iraqi economy represents an important opportunity to achieve growth and development, but it requires addressing existing challenges and creating an attractive and supportive business environment for this process.

2. Conclusion

- a. The Iraqi private sector has great potential to benefit from international economic integration opportunities, but it faces many challenges that limit its ability to achieve this.
- b. Strengthening the role of the private sector requires providing an attractive business environment for investment, characterized by political and economic stability, the rule of law, transparency, and ease of procedures.
- c. An effective public-private partnership is essential to achieving economic integration goals, where the government can provide the appropriate legal and regulatory framework, while the private sector implements projects and develops businesses.
- d. International economic integration represents an opportunity to diversify the Iraqi economy and reduce its dependence on oil by developing other sectors such as industry, agriculture, and tourism.

Recommendations

- a. The Iraqi government must work to improve the business environment by facilitating company registration procedures, protecting property rights, combating corruption, and developing infrastructure.
- b. Financial and technical support should be provided to small and medium-sized enterprises to enhance their competitiveness and enable them to take advantage of international trade opportunities.
- c. Trade agreements signed with other countries must be activated, and efforts must be made to conclude new agreements that open additional markets for Iraqi exports.
- d. Steps should be taken to attract foreign direct investment by providing incentives and facilities to foreign investors.
- e. Investment must be made in developing the skills and capabilities of private sector workers to enable them to compete in global markets.
- f. It is essential to enhance transparency and governance in public and private institutions to build trust and attract investment.
- g. Innovation and entrepreneurship must be supported by providing funding, training and mentorship to startups.

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