

EXPORTING LOCAL PRODUCTS CHALLENGES AND PROPOSED SOLUTIONS



OVERVIEW

Exporting goods from Iraq presents various challenges that hinder the country's ability to tap into global markets. Businesses navigate many complex regulations, grappling with bureaucratic hurdles that threaten to stall their export ambitions. Accessing foreign markets is difficult, with trade barriers and limited entry points complicating the process. Yet, amidst these challenges, opportunities for growth and innovation exist. Through collaboration and strategic partnerships, resilience and ingenuity, Iraqi businesses are poised to overcome obstacles.

STRENGTHENING DIALOGUE BETWEEN PUBLIC AND PRIVATE SECTORS AROUND TRADE

To contribute to the analysis and action plan to tackle barriers to export in Iraq, IOM led a collaborative effort between members of the Chamber of Commerce and Industries, business owners and government stakeholders in Iraq. As part of this process, IOM convened 27 carefully selected small and medium enterprises operating in the agricultural and manufacturing sectors from across eight governorates of Iraq, all approved for grants under IOM's Enterprise Development Fund. Meetings, discussions and communications led to the idea of a broader workshop that would bring the public and private sectors together to identify key barriers to internal trade and export for Iraqi businesses, and to formulate actionable recommendations for unlocking Iraq's export potential.

On 30 November 2023, IOM and representatives of national and regional government bodies joined forces with private sector stakeholders to host a workshop tackling the intricate challenges hindering Iraqi businesses from exporting goods domestically and internationally.

The workshop included a lineup of notable attendees, including the governor of Sulaymaniyah and key officials from governmental ministries (see Annex for a full list of participating institutions). Dr. Haval Abubakir, Governor of Sulaymaniyah, emphasized the vital role of local production in Iraq's economic growth, stressing the importance of supporting Iraqi products. Dr. Yoko Fujimura, Head of IOM Office in the Kurdistan Region of Iraq, highlighted the vast potential of Iraqi exports, citing successes such as honey and pomegranate.

From lively discussions among governmental officials to insights shared by business owners and academics, the workshop was an example of positive collaboration aimed at propelling Iraq's export sector forward. With concerted efforts and strategic partnerships, Iraq can tap into global markets and leverage its abundant resources for economic prosperity.

BARRIERS TO INTERNAL AND EXTERNAL TRADE

1. BARRIERS LIMITING PERSONS AND GOODS MOBILITY

In Iraq's intricate trade landscape, barriers to mobility for both people and goods lead to uncertainty in business operations. The process of transporting goods through checkpoints between Iraqi cities often results in additional costs and delays, with inconsistent procedures causing confusion and pushing some business owners to explore illicit avenues for passage.

Challenges in trade with neighboring countries include the absence of robust agreements and lack of essential laboratories at key border points ensuring compliance with quality standards for food and agricultural products.

Disjointed coordination between export procedures in the Kurdistan Region of Iraq and the rest of Iraq, coupled with the lack of standardized laboratory tests, adds further complexity. These challenges, along with insufficient government investment in transportation infrastructure, impede the free flow of goods and people, creating uncertainty for entrepreneurs.

2. ADMINISTRATIVE BURDEN

The registration and renewal procedures are burdensome, requiring significant time and expense. Business owners must often apply for or renew licenses every three months, adding unnecessary strain. Furthermore, the lack of clear exporting guidelines leaves entrepreneurs to navigate murky waters, leading to individual decisions or hurdles in exporting their products.

Lengthy approval processes, especially for food items, further exacerbate the challenges. Medical clearance reports take one to two months, while customs documents at Iraqi borders require about a week, often conflicting with requirements

of the Kurdistan Regional Government. Insufficient border capacities and infrastructure only add to the delays, hampering timely and effective processing of goods.

Additionally, outdated export laws and regulations need amendments to streamline processes and remove unnecessary barriers, such as the need to renew exporting licenses every three months. The Export Support Fund's inflexible procedures clash with market needs, while cumbersome tax documentation, particularly burdensome at national level, pushes some businesses towards illicit shortcuts. The lack of collaboration and of a unified system between Iraq and Kurdistan Region of Iraq forces businesses to register separately in each region to trade between them, highlighting the need for improved coordination and harmonization efforts.

3. ECONOMIC BARRIERS

Economic barriers include costs and inefficiencies hindering trade flows by limiting the competitiveness of Iraqi businesses. While Iraq's exports increased from \$97.6 billion in 2018 to \$133.9 billion in 2022, with a growth rate of 8.2%, oil exports accounted for more than 95% of total exports according to figures from the Government of Iraq's Ministry of Planning. Many Iraqi producers struggle against foreign competition in local and global markets. Factory production costs soar due to inadequate support amidst market instability driven by currency fluctuations. Production shortfalls and storage shortages exacerbate logistical difficulties, while tax disparities between regions and misaligned import policies obscure the regulatory landscape, hindering growth and investment. A lack of local skilled workers and restrictions on the employment of foreign and migrant workers impose a further constraint on productivity. Opaque custom fees add to the financial strain, alongside high export costs, including fees, taxes and transportation expenses.

4. KNOWLEDGE BARRIERS

Knowledge barriers hinder trade by limiting access to relevant information and coordinated action among private and public sector stakeholders. These include a lack of effective government-regional coordination and a failure to enforce laws protecting local products. Additionally, inadequate awareness campaigns leave some businesses uninformed about available resources and export requirements. Businesses lack resources that would help them to identify and target specific export markets, and guidelines setting clear production standards for Iraqi products. Addressing these gaps is crucial for fostering business growth and economic development in Iraq.

POLICY RECOMMENDATIONS

SHORT-TERM RECOMMENDATIONS

Facilitating persons and good mobility

- Agreements with neighboring countries to allow mutual entry of trucks.
- Simplification of customs procedures to reduce fees and processing time for the import of raw materials in strategic export industries.
- Enforcement of existing laws and regulations facilitating the free and unhindered movement of goods within Iraq.

Simplifying administrative procedures

- Unification of registration and approval mechanisms for export licenses.

Addressing economic barriers

- Development of an action plan to reduce the cost of agricultural inputs and services, including energy and transportation, to improve the competitiveness of Iraqi farmers.
- Tax and customs exemptions for the import of raw materials and the export of products in strategic sectors.

Promoting awareness and access to information

- Awareness campaigns on exports led by the Government and the private sector, international exhibitions, conferences and fairs.
- Coordinated promotion of Iraqi products abroad by the private and public sector, learning from past initiatives.

- Sensitization of business owners regarding international specification and certificates.
- Improve access to information related to loans, customs exemptions and import of raw materials.

LONG-TERM RECOMMENDATIONS

Facilitating persons and good mobility

- Implementation of and compliance with international trade agreements in cooperation with relevant partners, such as the International Trade Centre.
- Establishment of internationally recognized laboratories for quality testing of food and agricultural products inside Iraq and at borders.
- Completion of strategic logistical infrastructure, such as Al-Faw Grand Port and Iraq Development Road, as outlined in the Government of Iraq's National Development Plan 2024-2028.

Simplifying administrative procedures

- Introduction of technological solutions to facilitate and speed up the approval of administrative procedures.
- Introduction of a digital platform to unify certificates, export and laboratory licenses.
- Issuance of barcodes specifically related to local product rights.
- Revision and simplification of existing regulations related to production and export, including the removal of the three-month export license renewal requirement.

Addressing economic barriers

- Revision, activation, and application of the Export Support Fund Law No. 6 of 1969.
- Introduction of a coherent policy for the training and improvement of the national workforce to increase labour productivity and the competitiveness of Iraqi producers in international markets.
- Establishment of a coordinated industrial policy for sustainable value chain development covering infrastructural expansion, production capacity and standards, packaging, transportation and marketing to increase international trust in Iraqi products.

Promoting awareness and access to information

- Establishment of a database of Iraqi exporters to enhance collaboration and exchange.
- Development of coordinated national policies for the marketing of Iraqi products by relevant ministries and a strategic action plan in collaboration with private sector representatives.



ANNEX: PARTICIPANTS IN THE WORKSHOP HELD IN SULAYMANIYAH

Governor of Sulaymaniyah

Council of Ministers Secretariat, Committee for the Simplification of Government Procedures

Ministry of Planning, Department of Economic Policies

Ministry of Trade, Commerce and Export Development Directorate

Ministry of Industry, General Directorate of Industrial Development

Ministry of Finance, Economic Department

Ministry of Health, Department of Public Health

KRG Ministry of Trade and Industry, Directorate General of Commerce

KRG Ministry of Trade and Industry, Erbil Directorate of Industrial Development

KRG Ministry of Finance and Economy, Senior Advisor

KRG Ministry of Health, Directorate of Food Monitoring

KRG Ministry of Agriculture and Water Resources, Directorate of Agriculture Services

Iraqi Chambers of Commerce Union

Iraqi Federation of Industries

Iraqi Private Milling Union

Baghdad Chambers of Commerce

Union of Iraqi Importers and Exporters in the Kurdistan Region

Sulaimani Polytechnic University

Eleven business owners from across Iraq

International Organization for Migration

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A2F Access to
Finance



Implemented by:

