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The effect of the phenomenon of commodity dumping on the local food industries and the behavior of the Iraqi consumer

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The policy of commodity dumping since 2003 led to the decline of the Iraqi food industrial sector due to the low competitiveness of Iraqi food products compared with the same imported products offered in the local market. This contributed to the closure of many food factories in the country, the decrease in their production capacity, and high unemployment rates, and that all resulted in the moving of foreign currencies abroad. The study demonstrated that all three food industries sectors that participated in the survey have been affected by different proportions of dumping from 2003 until now, most affected, were dairy and ice cream companies, ready and frozen canned food companies, drinks juices and bottled water companies respectively. The policy of commodity dumping and the offering of imported food products from some countries such as Turkey, Iran, and China on street sidewalks at a reduced price has led also to an increase in the tendency towards consumption by the Iraqi consumer.

Keywords: Dumping, Food industries, Behavior, Iraqi consumer

INTRODUCTION

Iraqi regime change in 2003 led to the destruction of the Iraqi economy and the collapse structures of the central state and their institutions. As a result, the structure of the Iraqi economy in which the state sector and its governmental and mixed companies played a dominant role has been changed into a market economy, where it removed all restrictions on foreign trade and opened Iraqi markets to the invasion of various foreign agricultural and industrial goods without hindrances. While the industrial public companies neglected by not rehabilitating them and keeping their production capacities idle in preparation for their privatization (Alkhafaji et al. 2019), which led to the continuous decline of industrial, agricultural and other productive activities, which allowed imported products, especially from neighboring countries, to sweep the local market at the expense of Iraqi products (Alshawan et al. 2007).

The occupation also led to the lifting of protective measures on the agricultural sector's products and the neglect of this sector. Iraq started importing its food basket from neighboring countries, especially from Iran, Turkey, and other neighboring countries (Alhussaynawi, 2013). And after Iraq was ranked first in the world in the production and export of Iraqi dates, today it imports them

from Iran, Saudi Arabia, and the UAE, which indicates mismanagement of the agricultural and industrial sector (Ragaa, 2009). From 2003 until today the policy of dumping local markets with imported agricultural and industrial products from different countries such as Turkey, Iran, China and other countries without interference has increased steadily annual and without any corrective action, development of laws regulating the process of importing goods or subjecting them to the laws of inspection, standardization, and quality control, and dumping has become a serious problem that requires radical solutions (Hantush et al. 2011).

Commodity dumping can be defined when a country exports a product at a price lower than its usual value (less than its local selling price or less than its production costs) (Thomas and Dewey, 1997). It is a method usually followed by exporting companies that sell in another country's market. The enormous growth in the volume of global production of all commodities has led to the spread of a conflict between the countries of the world to control the markets, according to the theory of devouring the market adopted by some companies (Reuveny et al. 1996). Dumping can be verified in its simplest form when comparing prices in the markets of the importing and exporting countries (Kim et al. 2002).

In Iraq, the phenomenon of commodity dumping is one of the challenges facing the Iraqi economy, especially after 2003, when the Iraqi market witnessed a great openness to imported goods from different countries of the world (Salih, 2018). The policy of commodity dumping affected unemployment rates and an increase in the tendency towards consumption. What contributed to the spread of this phenomenon is the lack of laws regulating imports, the apparent weakness in the control bodies, and the delay of successive governments in developing solutions to this phenomenon (Abdulkareem et al. 2019).

MATERIALS AND METHODS

Research Problem

Because of the weak local production of food commodities compared to imports after 2003 for various reasons, including the increase in the population of Iraq and the change in the consumption pattern as well as the instability of the political and security situation, and the decline of the role of the national product in the local market, allowing Iraqi traders to import many food products from the international markets, especially from neighboring countries such as Turkey and Iran.

Research Importance

Clarify the effects of the commodity dumping policy on the Iraqi economy, as the cheap and bad goods remove the good ones from competition in the local market. The policy of commodity dumping leads to a decline in the food industry sector due to the low competitiveness of Iraqi food products compared with imported, and thus leads to the closure of many factories or a decrease in their production capacity, high unemployment rates, and the transfer of foreign currencies abroad. The commodity dumping policy also leads to a decline in agricultural production due to the inability of Iraqi farms to keep pace with the prices of agricultural products imported from neighboring countries due to their low prices compared to Iraqi products.

Research Objectives

Identifying the volume of commodity dumping of imported food products taking place in the local market and explaining the opinions of local food manufacturers in this phenomenon and its impact on their production, as well as the behavior of the Iraqi consumer towards this phenomenon and finally finding appropriate solutions to overcome this problem, which negatively affected the Iraqi economy and increased unemployment rates.

Research Method

A survey based on questionnaires are used in this research directed to study sample by adopting a descriptive and analytical approach, then interpreting the data and obtaining the results from it.

Research Sample

The research sample included two main group, the first are Iraqi food products manufacturer, which divided into: drinks, juice and bottled water manufacturer, dairy and ice cream manufacturer, and ready and frozen canned food products manufacturer. The second group are consumers. Questionnaire submitted to 10 drinks, juices, and bottled water companies, and 10 dairy and ice cream companies, and 10 ready and frozen canned food companies.

A questionnaire also submitted to 400 consumers to analyze their behavior toward dumping.

Research Limits

The research started on 1/1/2021 and completed on 30/11/2021, covering of research aspects: previous studies, data collection, obtaining results and discussion.

Research Tool

Four questionnaires selected by academic experts and adopted to be as research tool to collect data related to this research. The questionnaires consisted of 24 questions directed to each of three common sector companies included in this research and to the Iraqi consumers. It was requested to the participants in the survey to answer from 1 to 5, when 1 is perfectly not accepted and 5 is perfectly accepted.

Statistical Analysis

Mean and percentage weight used to analyze data collected and obtained the results in this research (SAS, 2012).

RESULTS AND DISCUSSION

We asked ten drinks, juices and bottled water companies participated in the survey about if there is an impact on importing their products, 5/10 of them 50% answered at they perfectly not accepted with this, and this mean that their products is selling good in the market and it required by consumers and meet their desire. More advanced we asked same companies about if the reason on importing mentioned products belong to the demand by consumers, 7/10 70% answered they perfectly not accepted with this, and this also confirm that no effect of these imported products in the local market. About the quality of mentioned products, there is only 1/10 of respondents 10% is perfectly accepted at the quality of the products is the main reason to demand it, and this small percentage cannot be considered. The price of the products is also not considered for demanding by consumers with 7/10 of participants 70% perfectly not accepted. 6/10 60% of the companies participated in the survey thought that not imposing high taxes on imported drinks, juices and bottled water led to their popularity in our local markets (Table 1).

Table 1: Questionnaire to Drinks, juices, and bottled water companies

Question	Mean SD±	%	Grade	P	1	2	3	4	5
1. Does importing beverages, juices, and bottled water have an impact on your company's sales?	1.6 ±0.07	1.06	5	**	5	4	1	0	0
2. Do you think that the reason for importing beverages, juices, and bottled water is the actual market need for it because local companies are unable to meet the demand?	1.9 ±0.11	1.26	4	**	7	0	1	1	1
3. Do you think that the quality of imported drinks, juices, and bottled water is the main reason for the increase in demand for them?	2.3 ±0.17	1.53	3	**	4	2	2	1	1
4. Do you think that the price of imported drinks, juices, and bottled water is lower or competitive with the local price?	1.6 ±0.07	1.06	5	**	7	1	1	1	0
5. Do you think that the method of marketing imported drinks, juices, and bottled water, and advertising has a role in its popularity in our local markets?	3.4 ±0.28	2.26	2	**	3	0	1	2	4
6. Do you think that not imposing high taxes on imported drinks, juices and bottled water led to their popularity in our local markets?	3.9 ±0.28	2.60	1	**	1	2	0	1	6
LSD Value	*0.872	-	-	-	-	-	-	-	-
*(P ≤ 0.05) moral significance									
** (P ≤ 0.01) moral significance									

1 Perfectly not accepted, 5 perfectly accepted

The same questions mentioned in Table 1 addressed to each of dairy and ice cream companies, and to ready and frozen canned food companies participated in the survey. In the question of if there is an impact on importing same products to our market, 6/10 of dairy products companies 60% answered that they perfectly accepted with this, and this mean that imported products is with a competence with local products, and this mean that dumping by these products founded in our market. Less percentage 30% from ready and frozen canned food companies were perfectly accepted with this, and this mean that they are less effected by dumping.

We asked both companies about is the reason for importing similar products to our market is the need for it because local companies are unable to meet the demand.4/10 from dairy and ice cream companies 40% were perfectly accepted, and 4/10 40% from ready and frozen canned food companies were only accepted.

About the question of quality of imported products

addressed to both companies. Dairy and ice cream products answered with 40% perfectly accepted while 20% from ready and frozen canned food companies were perfectly accepted. And about the price of imported similar products is lower or competitive with the local price. Both of dairy and ice cream companies and ready and frozen canned food companies answered with 10% perfectly accepted (Table 2, 3).

Table 2: Questionnaire to Dairy and ice cream companies

Question	Mean SD±	%	Grade	P		1	2	3	4	5
1. Does importing dairy and ice cream have an impact on your company's sales?	4.1 ±0.37	2.73	2	**		1	0	2	1	6
2. Do you think that the reason for importing dairy and ice cream is the actual market need for it because local companies are unable to meet the demand?	3.7 ±0.22	2.46	4	**		1	1	2	2	4
3. Do you think that the quality of dairy and ice cream is the main reason for the increase in demand for them?	3.5 ±0.28	2.33	5	**		2	1	1	2	4
4. Do you think that the price of imported dairy and ice cream is lower or competitive with the local price?	2.4 ±0.19	1.60	6	**		3	3	2	1	1
5. Do you think that the method of marketing imported, dairy and ice cream and advertising has a role in its popularity in our local markets?	4.2 ±0.30	2.80	1	**		1	1	0	1	7
6. Do you think that not imposing high taxes on imported dairy and ice cream led to their popularity in our local markets?	4.0 ±0.28	2.66	3	**		1	0	2	2	5
LSD Value	*0.866	-	-	-		-	-	-	-	-
* (P ≤ 0.05) moral significance										
** (P ≤ 0.01) moral significance										

1 Perfectly not accepted, 5 perfectly accepted

Table 3: Questionnaire to ready and frozen canned food companies

Question	Mean SD±	%	Grade	P		1	2	3	4	5
1. Does importing ready and frozen canned food have an impact on your company's sales?	3.3 ±0.19	2.20	3	*		2	1	2	2	3
2. Do you think that the reason for importing ready and frozen canned food is the actual market need for it because local companies are unable to meet the demand?	2.8 ±0.16	1.86	4	**		2	2	2	4	0
3. Do you think that the quality of ready and frozen canned food is the main reason for the increase in demand for them?	2.8 ±0.16	1.86	4	*		3	2	1	2	2
4. Do you think that the price of imported ready and frozen canned food is lower or competitive with the local price?	2.6 ±0.14	1.73	5	*		2	3	3	1	1
5. Do you think that the method of marketing	3.7 ±0.28	2.46	2	**		1				

imported, ready and frozen canned food and advertising has a role in its popularity in our local markets?						1	2	2	4
6. Do you think that not imposing high taxes on imported ready and frozen canned food led to their popularity in our local markets?	3.9 ±0.25	2.60	1	**	1	0	2	3	4
LSD Value	* 0.771	-	-	-	-	-	-	-	-
* P (≤ 0.05) moral significance									
** P (≤ 0.01) moral significance									

1 Perfectly not accepted, 5 perfectly accepted

About consumers, a questionnaire submitted to 400 consumers in the city of Baghdad-Aljadria, asking them some questions about their shopping of food products offered in our local market, their answer were as following: 28% were perfectly accepted that when shopping, it is best to buy imported food products than local ones, and 14.75% were perfectly not accepted with that. About the quality of imported food products, their answer were 30.75% perfectly accepted, and 11.5% were perfectly not accepted. About the availability of imported food products

in the local markets with a special offer encourage shopping it, participants in the survey answered with 46.75% perfectly accepted that, and 8.25% perfectly not accepted. The most important issue for consumer, we asked them about the price. 52% from consumers participants in the survey answered that they do shopping when they find good price, and only 7.5% were perfectly not accepted with that (Table 4).

Table 4: Questionnaire to consumers

Question	Mean± SD±	%	Grade	P	1	2	3	4	5
1. When shopping, it is best to buy imported food products than local ones.	3.38 ±0.27	90.26	4	**	59	50	81	98	112
2. It is best to buy imported food products than the local due to their high quality.	3.46 ±0.22	92.26	3	**	46	62	77	92	123
3. I shop the imported food product because there is no similar local product.	3.35 ±0.31	89.33	5	**	57	61	69	111	102
4. I often shop imported food product because it is available in the local markets and has a special offer.	3.96 ±0.42	105.80	2	**	33	25	51	104	187
5. I shop for both local and imported food products when I think they meet my desires.	3.96 ±0.42	105.80	2	**	19	32	65	111	173
6. What is important to me on shopping food products is the good price.	3.99 ±0.37	106.60	1	**	30	28	63	71	208
LSD Value									
* P (≤ 0.05) moral significance									
** P (≤ 0.01) moral significance									

1 Perfectly not accepted, 5 perfectly accepted

CONCLUSION

The research demonstrated that the commodity dumping policy that Iraq witnessed since 2003 led to a decline in the industrial and agricultural sector in general and the national food industries sector in particular, as well as, an increase in unemployment rates, and increase in the tendency towards consumption than it was previously. The lack of laws regulating import, the apparent weakness in the regulatory and control bodies, as well as the delay of successive governments in developing solutions to this phenomenon have been contributed to the spread of it. In conclusion, dumping in Iraq can be described as:

1. Commodity dumping is a dangerous phenomenon that aims to control the local market and weaken the country's industrial base.

2. The failure to activate the laws regulated import and control caused of dumping in the Iraqi market.

3. The openness in the Iraqi market has led some countries and companies practicing unfair competition that harms national food products.

4. The rise in the income level of the Iraqi citizen after 2003 led to an increase in consumption and indirectly contributed supporting commodity dumping in the country.

5. The deterioration of the private sector for food industry companies and their failure in developing has led to the dumping of the local market with food products missed and in high demand by consumers

CONFLICT OF INTEREST

The author declared that present study was performed in absence of any conflict of interest.

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AUTHOR CONTRIBUTIONS

MAJ was responsible in the design of the research, contributed to the data collection, and wrote the manuscript, also reviewed the manuscript and read and approved the final version.

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