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E-commerce: Platforms, E-stores, and the Iraqi Economy Between Reality and Potential

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About

Al-Bayan Center for Planning and Studies is an independent, nonprofit think tank based in Baghdad, Iraq. Its primary mission is to offer an authentic perspective on public and foreign policy issues related to Iraq and the region.

Al-Bayan Center pursues its vision by conducting independent analysis, as well as proposing workable solutions for complex issues that concern policy-makers and academics.

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Abstract:

- **Weak Digital Infrastructure:** Although e-commerce has become an important resource for economic diversification, Iraq still faces weak digital infrastructure. Additionally, there is a lack of trust in digital consumption (digital transactions) and other related factors, such as delivery, access speed, and storage.
- **Primitive Transactions and E-Stores:** In reality, the e-market is underdeveloped, with 80% of e-transactions limited to areas such as food delivery, clothing, and luxury items. These transactions are often conducted through specific applications due to the primitive nature of e-stores in Iraq.
- **A Flexible and Integrated Cross-Border Legal and Legislative System:** Iraq needs to develop flexible legal systems that can adapt to the rapid advancements in e-commerce. This should include measures to ensure electronic cybersecurity that prevents fraud, hacking, forgery, and counterfeiting, while protecting consumers and instilling greater confidence in transactions. The value of these transactions is expected to reach \$655 million by the end of 2025. This also requires the ability to regulate laws in accordance with international trade agreements.
- **Digital Solutions:** The Iraqi market requires secure and reliable digital payment solutions that facilitate commercial and daily transactions in a safe manner.
- **Interventions to Create Awareness:** Relevant authorities must prepare programs to raise social awareness about the use of e-commerce platforms, secure payment methods, and the detection of electronic theft.



- **Central Classified Database:** It is essential to create a classified database that can analyze consumer preferences, track daily transactions, and map the geographical distribution of commercial activities. This will enhance the ability to develop a national strategy for e-commerce and control its future trends, contributing to national development.
- **Reforming the Geographical Digital Gap Between Different Iraqi Regions:** The digital gap, including disparities in internet access, hinders the spread of online commerce evenly. This limitation impedes widespread adoption of e-commerce, particularly in rural or underserved areas.
- **Institutional Integration:** Developing and sustaining e-commerce requires coordinated efforts between ministries and state institutions to activate tools such as electronic payments and digital signatures. It also necessitates establishing links between commercial information systems.
- **Internet Crimes and Trading Rights:** There is an urgent need for legislation addressing internet crimes, including commercial offenses, copyright infringement, trademark violations, and patent rights related to information and data.
- **Review of Internet Pricing Policies:** Iraq ranks among the most expensive countries globally for internet consumption, placing 179th worldwide. To enhance access, it is crucial to develop pricing mechanisms that make the internet more affordable for marginalized and disadvantaged groups.



I. Introduction

E-commerce in Iraq is a modern and growing sector that has started to attract significant interest from both individuals and companies. Despite facing numerous challenges due to the country's economic and political conditions, Iraq has made notable progress in this field. This progress can be attributed to the relative improvements in digital infrastructure, along with the increasing spread of the Internet and smartphones among the population. Additionally, there has been a shift in the behavior of Iraqi consumers, with a growing trend toward online shopping.

However, e-commerce in Iraq still faces major challenges, including a lack of confidence in electronic payment methods, insufficient legislation regulating this sector, and logistical issues related to shipping and delivery. Nonetheless, with government support and a growing interest in digital entrepreneurship, the sector is expected to experience sustainable growth, contributing positively to the national economy.

II. The Reality of E-commerce in Iraq

The reality of e-commerce in Iraq has evolved in recent years, although it still lags behind some of its regional counterparts. Iraq has seen substantial growth in Internet access and mobile phone usage, both of which are crucial sectors for the development of e-commerce. In 2023, the size of the e-commerce market in Iraq reached \$528.4 million and is projected to grow to \$654.6 million by the end of 2025. The penetration rate of e-commerce users has also increased, with the average user rate at 61.7%.¹

1- Fawzi, W. (2023). Digital commerce in Iraq: Challenges and opportunities. Al-Bayan Center for Studies and Planning. Retrieved from <https://www.bayancenter.org/wp-content/uploads/2023/07/765t44.pdf>

E-commerce development in Iraq can be observed across several areas. One of the key developments has been the emergence of e-commerce platforms that offer online shopping experiences and connect businesses with consumers. Notably, social e-commerce accounts for 80% of the total e-commerce activity, with online food delivery services gaining significant popularity. Additionally, mobile wallets and digital payment solutions are beginning to facilitate secure transactions, further enhancing digital trade exchanges. Social media platforms, such as Facebook and Instagram, are also playing a significant role in marketing and selling products, as companies leverage these platforms for online promotions.

III. The Legal Framework for E-commerce in Iraq

The Iraqi Trade Information Center was established to keep pace with global economic developments, aiming to contribute to the advancement of the Iraqi economy and support economic growth. The Private Sector Development Department of the Ministry of Trade works to develop this center and promote international trade activities, aligning with technological advancements in the field of e-commerce.

In 2019, the electronic platform for the Iraq International Trade Point was launched. This platform is designed to provide information and technical support to businessmen and investors, helping them find trade partners and open new markets for production, export projects, and small and medium-sized enterprises through electronic promotion and services across global networks.²

2- Kadhim, A. Y. (2025). Tax evasion in e-commerce with reference to the Iraqi experience. *Journal of Juridical and Political Science*, 9(2), 355-419. <https://doi.org/10.55716/jjps.2020.9.2.10>



Iraq's Electronic Signature and Electronic Transactions Law No. (78) of 2012 has provided the legal framework for the use of electronic means in conducting transactions. This law grants legal validity to electronic transactions and signatures, regulating their provisions and enhancing confidence in their authenticity and integrity. The availability of a legal framework is crucial in legitimizing electronic business for several reasons, which can be summarized as follows:³

- A. Providing Rules and Standards: The legal framework offers specific rules and standards for electronic transactions and contracts, ensuring that all parties operate within a unified and understandable system.
- B. Ensuring Legal Recognition: The framework grants electronic signatures and contracts legal legitimacy, which simplifies their implementation and protects the rights of all parties involved.
- C. Protecting Consumers: The legal framework includes provisions that protect consumers in electronic business, ensuring access to safe and fair products and services.
- D. Enhancing Trust and Transparency: The legal framework increases the level of trust among the parties involved and fosters transparency in electronic commercial operations, which is vital for the growth of the sector.

3- Al-Dulaimi, R. Y. (2022). The impact of e-commerce on the development of banking services in private banks in Baghdad. *Journal of Baghdad College of Economic Sciences University*, 2022(67), 145-163. <https://search.emarefa.net/detail/BIM-1399317>

IV. Technological Infrastructure for E-Commerce in Iraq

Infrastructure is fundamental to the development of e-commerce, but it poses a challenge in Iraq due to the technical difficulties the country faces. However, there has been notable progress in recent years within the e-commerce sector in Iraq, which can be seen in the following areas:⁴

- a. **Communications and Internet:** The availability of fast communication networks and high-speed Internet is essential for the growth of e-commerce. In Iraq, ongoing efforts are being made to improve communication networks and provide advanced Internet capabilities.
- b. **Electronic Payment:** Secure and reliable payment solutions are critical for the growth of e-commerce. In Iraq, there has been progress in adopting electronic payment methods that enable consumers and merchants to conduct transactions securely.
- c. **Electronic Security:** Cybersecurity plays a crucial role in the technological infrastructure of e-commerce. It protects against electronic threats and ensures the integrity of personal information and data.
- d. **Electronic Platforms and Applications:** Electronic platforms and applications are the primary channels for conducting e-commerce, such as online stores, digital marketplaces, and online shopping platforms.

Despite the challenges, Iraq is experiencing gradual progress in its e-commerce technology infrastructure. This development paves the way for further opportunities to enhance online business activities in the future. When analyzing the indicators of e-commerce infrastructure in Iraq, it is important to consider several key factors, including Internet connectivity, electronic financial services, technological infrastructure, and legal legislation.

4- Al-Khafaji, H., & Ahmed, R. (2021). Payment systems in e-commerce and their suitability for Iraq according to its infrastructure. *Journal of Al-Rafidain University College for Sciences*, 28(2), 37-52. <https://doi.org/10.55562/jruacs.v28i2.388>



V. Internet Usage Index

Understanding the reality of e-commerce in Iraq is closely tied to the number of Internet users, as this indirectly reflects the state of e-commerce. Iraq has experienced rapid and continuous growth in Internet usage, which is a key component of e-commerce infrastructure. However, Iraq's aspirations to transition to e-commerce differ from those of Arab and developed countries. Despite efforts by specialized entities in e-commerce, the mechanisms for collecting relevant information remain weak and require further development.

In 2016, 21% of individuals in Iraq used the Internet, ranking the country 132nd globally in terms of Internet users. By 2019, the percentage had increased to 49%, and Iraq had risen to 129th in the global rankings. In 2022, the number of Internet users in Iraq reached approximately 20.58 million, and by 2023, this number had grown to 33.72 million.⁵ This indicates a significant increase in Internet usage from 2016 to the present, albeit with ongoing challenges.

VI. Risks Regarding E-Commerce in Iraq

Despite the positive impacts of e-commerce, there are several concerns and challenges that hinder its development in Iraq, including:⁶

- 1. Concerns Related to Cybersecurity:** E-commerce involves the exchange of sensitive personal and financial information, making it susceptible to risks such as data breaches, identity theft, and financial fraud. Ensuring cybersecurity measures requires vigilance from both consumers and businesses, with the adoption of safeguards to minimize the risk of falling victim to fraud.

5- Statista. World wide e-commerce: statistics & facts. <https://www.statista.com/topics/871/online-shopping/>

6- Hassan, J. Q., & Abdel Salam, M. (2021). AMF E-commerce book 2021: For review (Version 2) [PDF]. Arab Monetary Fund. https://www.amf.org.ae/sites/default/files/publications/2022-02/AMF_E-Commerce%20Book%202021_For%20Review_V2%20%281%29.pdf

- 2.** Lack of a Clear Legal Framework for Online Transactions: Although Iraq has laws to protect consumers, there is no specific legislation that addresses the details of e-commerce transactions.

- 3.** Digital Divide: Access to reliable Internet connectivity varies significantly, depending on the technology infrastructure in different regions. This digital divide hinders the balanced growth of online commerce. Limited access to the Internet, especially in rural or underdeveloped areas, presents a major barrier to the widespread adoption of e-commerce.

- 4.** Regulatory Environment: E-commerce operates across borders, and the regulations governing it can differ from one country to another. Inconsistent or overly complex regulations can create barriers to cross-border transactions, which slows the growth of e-commerce in Iraq.

- 5.** Payment Systems and Financial Inclusion: Secure and accessible payment systems are crucial for the success of e-commerce. In areas where financial infrastructure is lacking—such as regions where a significant portion of the population does not engage with banks, let alone use online banking—there is limited potential for e-commerce success. In Iraq, providing comprehensive and accessible payment options is a significant challenge that can also enhance financial inclusion.



6. **Adaptation and Digital Transformation:** The digital transformation process requires several key components to reach comprehensive e-governance. One of the most important is the establishment of an economy that relies on e-commerce. This also involves encouraging and supporting companies in their digital transformation journey, providing access to necessary resources, fostering confidence in innovation, and engaging all relevant sectors.

VII. **Obstacles to E-Commerce**

Despite the positive progress made in facilitating economic activities through the electronic domain in Iraq, significant obstacles within cyberspace persist, requiring continuous attention to overcome them. The most pressing issues include infrastructure challenges, such as unequal access to the Internet, and the need for e-commerce to be recognized as a reliable shopping platform. Consumers must also become accustomed to using online payment gateways. Efforts to address these concerns are critical to building greater trust in digital commerce, spreading awareness, and educating the public on the security and benefits of digital transactions. Additionally, promoting the adoption of digital shopping across all segments of society is essential.

It is also important to note that accurately measuring the volume of Iraqi digital sales remains a significant challenge for both the private and public sectors. This issue is compounded by the absence of a comprehensive legal and regulatory framework that governs and standardizes all types of digital commerce in Iraq.⁷

7- Al-Rubaie, R. K. A. M. (2013). The role of electronic commerce in the promotion of economic performance (U.S.-Iraq model). *Al Kut Journal of Economics and Administrative Sciences*, 5(11), 145-168. Retrieved from <https://kjeas.uowasit.edu.iq/index.php/kjeas/article/view/127>



VIII. The Possibility of Implementing E-Commerce in Iraq

Given the economic importance of e-commerce and the lessons drawn from international and regional experiences, many countries are swiftly embracing the advantages of information technology and the revolution in communications. It is clear that no nation can afford to maintain a closed economy or remain isolated from global changes, which will inevitably influence its economic, social, and even political direction.

E-commerce in Iraq is an emerging field with substantial growth potential. Despite the considerable challenges it faces, the country has made significant strides in the sector.

IX. Evaluation of Iraq's Readiness to Adopt E-Commerce

The e-commerce sector in Iraq is growing rapidly and holds significant potential, driven primarily by the burgeoning communications and information technology sectors. In addition, Iraq benefits from a growing middle-income consumer base where the culture of e-shopping has begun to take root. In 2019, the Ministry of Trade and the Ministry of Communications held a high-level dialogue session in Baghdad on Iraq's e-commerce readiness assessment program, in cooperation with the United Nations Conference on Trade and Development (UNCTAD), aimed at developing the digital economy and e-commerce in Iraq. Several key areas were identified as critical to enhancing and developing e-commerce, serving as the starting points for these assessments:⁸

8- Abdul Hassan, M. S., & Abdul Ghaffar, H. D. (2022, April 4). Assessing Iraq's readiness to enter e-commerce. *Iraqi Journal of Economic Sciences*, 19(69). Retrieved from <https://ecournal.uomustansiriyah.edu.iq/index.php/ecournal/article/view/650>



1. Platform Indicator: This refers to the existence of a national framework and mechanism specialized in developing policies and strategies for e-commerce. In Iraq, the electronic platform for the Iraq International Trade Point was launched by the Private Sector Development Department at the Baghdad International Fairgrounds. The Iraq International Trade Point, located within the Private Sector Development Department at the Ministry of Trade, is tasked with providing information and technical support to business investors, helping them find trade partners and open new markets for productive and export sectors, as well as small and medium enterprises. This is achieved through the electronic promotion of products and services via traditional global networks, both locally and internationally. The platform plays a crucial role in developing e-commerce transactions to support the Iraqi economy globally, through its membership in the Federal Union of World Trade Points.

The practical nature of developing and sustaining e-commerce often requires coordinated efforts among ministries and state institutions to activate the use of e-commerce tools such as electronic payments, settlements, and electronic signatures. It also requires establishing connections within commercial information systems. Private, public, and mixed-sector companies, as well as industrial establishments, were invited to register on the electronic platform of the Iraq International Trade Point, which facilitates access to local and international commercial and investment opportunities provided by the Trade Point. The launch of the electronic point website, designed to achieve numerous benefits, has had a significant impact on advancing the reality of the Iraqi economy and its integration into global markets. These benefits are realized by creating a comprehensive database that facilitates e-commerce activities, including marketing products, displaying tenders, outlining methods of buying and selling, and covering all aspects of domestic and foreign trade.



2. National E-Commerce Strategy Index: Iraq currently lacks a clear, national vision and strategy for adopting e-commerce. While there have been some early-stage initiatives in both the private and public sectors, they are not yet comparable to global standards. The development of e-commerce in Iraq is still in its infancy.

3. Index of Institutions Participating in the Development of E-Government Policies: There is coordination between the Iraqi Ministry of Communications, the Iraqi Ministry of Trade, the Iraqi Communications and Media Commission, and the Central Bank of Iraq. This coordination focuses on increasing the effectiveness of e-commerce usage and, as a result, enhancing the provision of e-services in state institutions in an efficient manner.

4. Index of Internet Costs and Affordability: According to a study conducted by Akamai Internet Corporation, Iraq ranks among the most expensive countries for Internet service. The corporation, which specializes in measuring global Internet speeds, including upload and download rates, surveyed 185 countries. Iraq ranked 179th, with a download speed of 0.75 megabytes per second. The cost of Internet service in Iraq varies depending on the type of service and provider, placing the country behind Afghanistan, which ranked 167th, and Sudan, which ranked 173rd. The study also reported that the available Internet speed does not meet the required quality standards.⁹

5. Indicators of Electronic Payment Methods for E-Commerce: The use of electronic payment methods in Iraq is limited due to a scarcity of platforms and sites that facilitate such transactions. The reliance on cash payments, compounded by consumer mistrust of electronic

9- Ibid.



payment methods and the limited availability of automated teller machines (ATMs) and points of sale (POS) at retail outlets, further hinders the expansion of e-commerce in the country.

6. Indicator of a Secure Electronic Field for E-Commerce Transactions: Iraq lacks specific legislation regarding internet crimes, and there is a regulatory gap when it comes to issues like copyright, trademark, and patent protection for digital information and data.

X. Future Ambitions to Increase the Effectiveness of E-Commerce

The current stage requires benefiting from the experiences of countries that have made positive progress in the field of e-commerce development across all their institutions, whether European or Arab. Specifically, we highlight the recent developments in e-commerce in the United Arab Emirates, Qatar, and other Arab countries. This prompts the Iraqi government to conduct a thorough review of how to establish appropriate mechanisms that would increase the effectiveness of e-commerce and its potential use in state institutions, in order to achieve advanced levels of development for the Iraqi economy across its various sectors. In this regard, proposals must be put forward to increase future ambition and improve the effectiveness of e-commerce. The most important of these proposals and solutions can be summarized as follows:

1. Formulating legal frameworks and providing electronic services to create an effective environment that facilitates e-commerce.
2. Creating a secure infrastructure to ensure the flow of information across the World Wide Web, gaining users' trust, and creating a suitable environment for e-commerce.



- 3.** Raising awareness among individuals and employees in government institutions about the importance of e-commerce in the national economy and the benefits it can bring to individuals and institutions.
- 4.** Encouraging the banking sector to take measures that would enhance electronic payment operations by developing electronic applications for banks and electronic payment companies.
- 5.** Reviewing the technological infrastructure, especially in the banking sector, and developing the skills of its employees.
- 6.** Expanding the electronic payment mechanism through electronic cards, particularly via mobile phones, to reach the required level.
- 7.** Preparing special programs with appropriate plans to increase banking awareness among society members to improve customer confidence in modern electronic payment systems.
- 8.** Taking the necessary measures to increase the branches of private and government banks in all governorates in order to increase the percentage of banking density and achieve financial inclusion.



XI. Conclusion

One of the diversification policies adopted by countries worldwide to achieve the highest levels of job creation and expand trade transactions is e-commerce, including the development of platforms and e-stores, as well as the ability to access and deliver services and facilitate electronic payments. Iraq will face the challenge of creating an integrated environment that enables electronic transactions. This will only be achieved if the relationship between the seller and the virtual buyer (Virtual Transactions) is regulated, and all parties involved are protected. Trade has become one of the key drivers of global growth, with the potential to shorten the time needed to reach and realize benefits. This is something Iraq should work towards in the future.

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