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STRUCTURAL IMBALANCES IN THE IRAQI ECONOMY AFTER 2003: CAUSES, EFFECTS AND TREATMENT METHODS

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ABSTRACT

The Iraqi economy suffers from multiple structural imbalances, and this is attributed to several reasons, especially its dependence on crude oil, in addition to the weak coordination between economic policies, and the dominance of the public sector, which suffers from backward management methods, as well as the spread of the phenomenon of administrative and financial corruption. The research was based on the problem that the Iraqi economy is a rentier economy, meaning that it depends on the oil sector in terms of the gross domestic product and the general budget. Any fluctuation in oil prices will lead to a decline in the gross domestic product and a deficit in the general budget, and weak economic activities. The research hypothesis lies in the fact that the Iraqi economy is directly affected by fluctuations in global markets due to its rentier nature. The research concluded that the Iraqi economy is a rentier economy as it depends on the crude oil sector in terms of oil revenues, which constitute more than (95%) of total public revenues, and oil production constitutes more than (50%) of the gross domestic product, which made it more vulnerable to external fluctuations in global oil markets. The researcher recommends that it is necessary to strive to reform the tax system and advance it to a level that achieves the required economic goals, foremost of which is financing the deficit in the general budget, and then achieving economic and financial stability.

KEYWORDS

Iraqi Economy, Structural Imbalances, GDP, Fiscal Policy.

INTRODUCTION

A rentier economy is an economy that depends on a specific economic source or sector, such as (oil), for example, as is the case in oil-exporting countries, including Iraq. Its economy depends on the oil sector in terms of oil revenues, which constitute more than (95%) of the total general revenues of the general budget. In comparison, oil production constitutes more than (50-60%) of the gross domestic product of the Iraqi economy, which made the country more vulnerable to fluctuations in global oil markets and thus led to internal and external borrowing in times of financial crises and a decline in oil revenues to finance the public deficit and support economic activities.

Importance of the Study

The importance of the research comes from the role of the economy in oil production and owning the third largest oil reserves in the world, and the Iraqi economy is more vulnerable to external fluctuations due to reliance on the crude oil sector and the weakness of other economic sectors (agriculture, industry, and tourism).

Problem of the Study

The research problem lies in the fact that the Iraqi economy is a rentier economy, i.e., it depends on the oil sector in terms of GDP and the general budget, so any fluctuation in oil prices will lead to a decline in GDP and a deficit in the general budget, and weak economic activities.

Research Objectives

1. Analyze the general indicators of the Iraqi economy for the period (2004-2023).
2. Follow the most important necessary methods to address the structural imbalances of the Iraqi economy.

Hypothesis of the Study

The research is based on the hypothesis that the Iraqi economy is directly affected by fluctuations in global markets due to its rentier nature.

Methodology of the Study

The study used the inductive and general descriptive-analytical approaches.

Section One: Characteristics of the Iraqi Economy

First: The high contribution of the oil sector

The oil sector constitutes the largest part of the GDP, reaching approximately (54%), and the revenues of this sector constitute more than (95%) of the revenues of the general budget (Central Bank of Iraq, 2022).

Second: The dominance of the public sector The dominance of the oil sector over the Iraqi economy was the reason for the state's control over the joints of economic activity, as it controls the oil revenues intended to develop the rest of the other sectors. However, the procedures adopted in developing the sectors failed due to the comprehensive policies in managing economic resources. The state became the dominant sector and disposed of most economic activities. As for the other sectors, which were not far from the state's dominance over their activities, the role of the private sector was reduced and had no

influence, except in small economic activities that are often under the state's control and supervision (Marza, 2014, p. 18). The focus on the private sector had a marginal role that prevented it from implementing large investments. It became closely related to the government's consumer activity and the rapid collection of profits, moving away from the areas of developing real investment. This is expressed by the emergence of the phenomenon of the rapid development of consumer goods trade and consumer financing in the most extreme possible form and the decline in private productive activity. On this basis, the economic system was characterized by the prevalence of rent collection, which is the focus of what the activity thinks about today. The private sector deals with its economic activity and its intertwining with the government's economic activity (Saleh, 2013, pp. 202-203).

Third: Reliance on the comprehensive economic model:

The concentration of financial resources from oil exports in the hands of the state led to reliance on comprehensive central policies in the process of allocating these resources to develop other sectors, and what helped in the misallocation of resources was their use in military issues and activities due to the circumstances that prevailed during the past four decades, as those circumstances led to the state dominating economic resources to give priority in allocation to military issues, i.e., increasing military

spending at the expense of investment spending and spending in important sectors such as (health and education) (Al-Rawi, 2009, p. 324).

Fourth: Weakness of the private sector:

The dominance of the rentier state over resources led to the marginalization of the role of the private sector; although the private sector had an important impact on some productive and service activities, especially in agricultural activity, internal trade, and services, the activity of this sector faced several obstacles, which are (Al-Rawi, 2010, p. 4):

1. The ambiguity of the investment climate and the prevalence of mistrust in the state's policies towards the private sector resulted from the state nationalizing many private sector projects in the sixties of the last century.
2. The state's control and semi-direct supervision of the private sector through a network of instructions and controls that the state imposed on the private sector.
3. The state's dominance over banking policies in Iraq and its monopoly of banking activity, although the private sector was allowed to establish private banks, prevented the private sector from playing its role in mobilizing individuals' savings to invest in large investment projects.

Fifth: Foreign trade imbalance:

The trade balance appears with the inflation of crude oil export revenues from the exports of productive sectors, so the trade balance gains great importance inspired by the export of oil, which is the main

component of the country's exports, and the provision of hard currency to cover the value of imports. What should be emphasized is that the increase in imports in the country is attributed to the inability of the local product to meet the growing local demand resulting from the weakness of the production apparatus (Ministry of Planning, 2022, p. 98). Even before the destruction of the infrastructure after 2003, Iraq relied heavily on imports to meet its needs for food, medicine, machinery, spare parts, and raw materials, and the imbalance in foreign trade is the result of the neglect of previous economic policies of economic diversification policies and reliance on oil exports (Dakhil, 2015, p. 334). Sixth: Weakness of the tax and taxation apparatus

The tax apparatus in Iraq faces many challenges and obstacles that hinder the activation of tax policy as a tributary to the budget and a tool to stimulate growth and economic stability in Iraq. The most prominent obstacles to tax collection can be summarized as follows (Ministry of Finance, 2012, pp. 13-14):

1. Reliance on the oil sector to finance the general budget and thus the weak incentive to activate taxes as an alternative source to finance public spending for political and social purposes.
2. Weakness of the tax administration in collecting taxes led to a decline in tax revenues due to the severe lack of information and data necessary to accurately identify taxpayers and the spread of administrative and financial corruption in all administrative circles of the

tax apparatus, in addition to the large number of tax exemptions and incentives that Iraq witnessed, randomly and unstudied, especially after (2003).

3. Lack of commitment to submit periodic statements and pay the tax required by the taxpayer to pay it.
4. more information about the taxpayer's income in the tax return and its non-inclusion must be included.
5. Taxpayers' ignorance of tax laws.
6. The length of tax procedures related to transferring returned checks to the judiciary.
7. The length of the judicial ruling related to collecting tax checks and the delay in adjudicating court cases.
8. Failure to apply deterrent penalties for tax evasion.
9. Lack of speed in applying the penalty of travel ban, precautionary and executive seizure of tax evaders, and its executive promise in collecting the tax.
10. The tax system in Iraq, despite the scarcity of tax laws, suffers from many amendments, exemptions, and allowances that affect tax revenues. We note that the objectives of these economic procedures are often only sometimes achieved.
11. The low cultural level and awareness of the importance of taxes and their role in raising the level of services due to the loss of confidence in the government and its ability to exploit tax revenues in the best possible way, which has increased the recurrence of financial and administrative corruption scandals witnessed by successive Iraqi governments after (2003).

Seventh: Financial and administrative corruption in Iraq

Financial and administrative corruption is one of the most prominent obstacles facing growth in the Iraqi economy. It constitutes a serious challenge that can contribute to the delegation of strongholds of power and the loss of development opportunities, in addition to the destruction it causes to the societal environment through the loss of noble socially inherited values and the creation of a state of social classism as a result of the waste of public money in a way that establishes a culture of unequal opportunities.

Financial and administrative corruption has become so clear that the highest executive bodies in the state are talking about it. Most prime ministers have referred to it explicitly and in front of the media. However, the main problem lies in the difficulty of determining the actual size of corruption, despite what many reports have indicated about its indicators and clarified its aspects. The annual reports issued by the Iraqi Integrity Commission have indicated the recovery of approximately (10) billion dollars for the period from (2009 to 2019) out of the amounts allocated by the Commission itself, while the United Nations report on corruption indicated that (17) billion dollars were stolen only through oil smuggling, as well as fictitious companies and projects that were not implemented (Hassan, 2020, p. 7). Eighth: Limited sources of non-oil revenues:

The structure of the Iraqi economy has become deeply rooted in its increasing dependence on the crude oil sector, the continuous neglect of productive sectors

such as (agriculture and industry), and the low levels of investment in non-oil productive activities. Iraq is the country most dependent on oil in the Middle East and North Africa region, as it has proven oil reserves of up to (143) billion barrels that can be increased, making it the third largest oil-producing country after Saudi Arabia and Russia. Low production costs characterize this large reserve.

The oil sector is the main source of general revenues for the general budget in the Iraqi economy, as it is the source of almost all of its revenues, representing more than (95%) of the central government's revenues and (99%) of total exports. In addition, this sector is the main element in stimulating the economy and financing government activity and the state budget. It is the main tool in financing to the extent that the movement of economic development has become dependent on the movement of oil revenues. Accordingly, the Iraqi economy has become more vulnerable to external fluctuations resulting from changes in international oil prices.

Ninth: Imbalance of production structures and weak production of real sectors:

One of the features that characterize the economies of developing countries is the imbalance of production structures, which is intended to specialize in primary production, and is often within the circle of production or extractive and mining activities, in contrast to the shortcomings and limitations of industrial activities. This is what appears clearly in any follow-up of the

economies of developing countries, including Iraq. We find that the Iraqi economy suffers from an imbalance in the economic and production structure in general, as it suffers from deep distortions in the structural structure of the Iraqi economy, as it revolves around the production and export of oil without any serious effort to employ oil revenues in expanding productive investment and non-oil production capacities. Accordingly, we find that the Iraqi economy is divided into two sectors, one of which is developed and includes the oil extraction sector and its projects and is characterized by its high contribution, while backwardness is evident in the rest of the economic activities, reflecting their low contribution to the gross domestic product, which has caused a lack of opportunities for economic diversification and made it more vulnerable to sharp economic fluctuations in global oil markets through global oil prices (Yasser, 2013, p. 8). Tenth: Excessive reliance on imports in the Iraqi economy: Rentier countries are characterized by high import rates due to their weak production capacity to meet local demand for consumer goods on the one hand, and the high marginal propensity to import on the other hand. The heavy reliance on the oil sector and its high contribution to the gross domestic product, the imbalance in the structure of the general budget, and the imbalance in total government spending, in addition to the leakage rates from the income cycle to public spending have negatively affected the movement of economic activity in these

countries (Abdul Redha, 2016, p. 50). Eleventh: The growth of internal and external debt: For many years, the problem of the Iraqi economy has been the issue of paying off those debts. The wars that Iraq went through and the economic sanctions led to an increase in the external public debt from (42) billion dollars in the year (1991) to more than (128) billion dollars in the year (2003) due to the interest resulting from that debt. However, after the year (2003) and after the UN Security Council resolutions allowed the legitimacy of the American occupation of Iraq, the United States of America had to dismantle the structures of the central economy and remove the obstacles to the transition to a market economy. The option that Iraq was forced to take was to implement the economic reform programs adopted by major international institutions, most notably the International Monetary Fund and the World Bank. The case of Iraq was not an exception in the history of the debt issue. In the year (2004), (18) creditor countries from the members of the Paris Club agreed, under an agreement with Iraq, to reduce the amount of (80%) of the debts owed to them by Iraq in stages, and to give Iraq a grace period of six years. During this grace period, no amount is paid during the first three years, and a percentage of Interest during the remaining three years, and there is a debt resulting from the decline in oil prices in June (2014) and its repercussions on the conditions of Iraqi society (Abu Hat, 2004, p. 3).

Twelve: Increase in the percentage of consumer expenditures and decrease in investment expenditures. The general budget after (2003) and until now has been characterized by deviant behavior in the path of allocating rent revenues towards operating (consumption) expenditures at the expense of investment expenditures, as consumer expenditures constituted the largest percentage of total public expenditures, reaching (89.7%), while the percentage of investment expenditures contributed (10.3%) of total public expenditures in 2022. (Central Bank of Iraq, 2022, p. 41) These percentages show the large difference in the allocation of public expenditures.

The second section: Analysis of the indicators of the Iraqi economy for the period (2004-2023)

Includes the macroeconomic variables of the Iraqi economy (Gross Domestic Product, Oil GDP, Trade Balance, Exchange Rate, etc.):

1. Analysis of the GDP in the Iraqi economy for the period (2004-2023)

This can be observed in the following Table (1):

It is noted from the data in Table (1) that the GDP has increased from (53.235) billion dinars in the year (2004) to (73.533) billion dinars in the year (2005) with an annual change rate of (38.12%) due to the rise in crude oil prices in global markets, which led to an increase in the production and export of crude oil in various countries, and then to raising the growth rates of the GDP, and the value of the commodity sectors increased from (36.572) million dinars to (51.473) million dinars

with a contribution rate of (68.70%, 70%) respectively. As for the distribution sectors, they increased from (7.559) billion dinars to (11.029) billion dinars, with contribution rates of (14.20% and 14.99%) respectively. As for the service sectors, they increased from (3.779) billion dinars to (11.471) billion dinars, with contribution rates of (7.09% and 15.59%) respectively. As for the years (2006, 2007, and 2008), the gross domestic product recorded a continuous increase to reach (95.588, 111.455, and 157.026) billion dinars, respectively, with annual change rates of (29.9%, 16.59%, 40.88%), due to the continuous increase in crude oil prices, which reached (88.8) dollars per barrel, as a result of the increase in global demand for crude oil, which led to an increase in the production and export of crude oil, in addition to the government adopting an expansionary financial policy by increasing current and investment public spending through increasing financial allocations for investment spending to support productive projects to increase production capacity and achieve the goal of economic growth. In 2009, the GDP witnessed a decrease to (130.642) billion dinars with an annual change rate of (16.80-%) due to the decrease in crude oil prices in the world markets as a result of the negative effects of the global financial crisis that affected the world oil markets, which negatively affected the global economy in general and the Iraqi economy in particular. The commodity sectors increased to (74.908) billion dinars with a contribution rate of

(57.33%) due to the increase in local production of some non-oil economic sectors (industry, agriculture, forestry and fishing) as a result of the decrease in the contribution of the oil sector, and the distribution sectors increased to (28.046) billion dinars with a contribution rate of (21.46%), and the service sectors reached (37.204) billion dinars with a contribution rate of (28.47%). As for the year (2010), it recorded an increase of (167.093) billion dinars, with an annual change rate of (27.90%) due to the return of the rise in crude oil prices in global markets once again, which led to an increase in the production and export of crude oil. Then, it continued to rise until (2013) to reach (273.587) billion dinars due to the continued rise in oil prices in global markets and the increase in public investment spending to support economic activities to raise economic growth rates. As for the years (2014-2015), the GDP witnessed a decrease of (266.420 194.680) billion dinars respectively, with annual change rates of (2.61% and 26.920%, respectively) due to the deterioration of the economic situation as a result of the collapse of crude oil prices in global markets, which reached less than (50) dollars per barrel, which led to a deficit in the general budget, as well as the deterioration of the security situation in the western regions, represented by the entry of ISIS terrorist gangs and the bombing of oil pipelines, which led to the difficulty of producing and exporting oil. In the year (2016), it recorded an increase of (196.924) billion dinars, with an annual change rate of (1.15%) due to the

government's move to support the economic sectors and the recovery witnessed by the Iraqi economy. Therefore, despite the decline in oil prices and the deterioration of the security situation, the government achieved a high rate in the GDP. It also recorded an increase for the years (2017-2018-2019) to reach (225.722, 251.064, 277.884) billion dinars respectively, with annual change rates of (14.62%, 11.22%, 10.68%) respectively, and the main reason for this increase is due to the rise in crude oil prices, which led to an increase in the contribution of the oil sector, as well as the recovery in non-oil sectors, especially the agriculture and electricity sectors. It witnessed a decrease to (198.774) billion dinars in the year (2020) with an annual change rate of (28.46-%) due to the decline in crude oil prices in global markets, which led to a deficit in the general budget due to the spread of the Corona pandemic, the imposition of a comprehensive curfew, and the disruption of projects, which negatively affected the decline in GDP growth and the rise in unemployment rates. It recorded an increase of (301.439) billion dinars in the year (2021) with an annual change rate of (51.64%) due to the recovery witnessed by the Iraqi economy, especially after the rise in crude oil prices in global markets and the achievement of a surplus in the general budget. Development of the structure of the gross domestic product at current prices for the Iraqi economy for the period (2004-2022) (billion dinars)

Annual rate of %change	gross domestic product	contribution %6	Service sectors	contribution %4	Distribution sectors	Contribution rate%2	Commodity sectors	Years
---	53.235	7.09	3.779	14.20	7.559	68.70	36.572	2004
38.12	73.533	15.59	11.471	14.99	11.029	70	51.473	2005
29.99	95.588	18.19	17.397	14.39	13.764	67.19	64.235	2006
16.59	111.455	13.90	15.500	3.76	4.200	25.66	28.600	2007
40.88	157.026	10.25	16.100	3.56	5.600	20.25	31.800	2008
-16.80	130.642	28.47	37.204	21.46	28.046	57.33	74.908	2009
27.90	167.093	24.27	40.566	22.47	37.559	56.80	94.920	2010
30.06	217.327	19.86	43.179	12.44	27.044	65.35	142.031	2011
16.97	254.225	41.40	54.409	12.12	30.834	63.39	161.175	2012
7.61	273.587	21.70	59.382	14.42	39.462	63.52	173.787	2013
-2.61	266.420	21.12	56.277	15.26	40.666	62.26	165.898	2014
-26.92	194.680	15.47	30.129	15.74	30.650	62.87	122.400	2015
1.15	196.924	33.63	66.241	20.45	40.272	46.07	90.728	2016
14.62	225.722	25.91	58.504	20.65	46.618	54.30	122.588	2017
11.22	251.064	23.06	57.910	20.23	50.806	58.01	145.649	2018
10.68	277.884	24.38	67.763	18.56	51.594	52.85	146.883	2019
-28.46	198.774	32.77	65.150	21.48	42.698	46.98	93.400	2020
51.64	301.439	23.70	71.467	15.87	47.847	34.43	103.804	2021
0.51	303.000	24.75	75.000	16.17	49.000	34.65	105.000	2022
-30.14	211.669	18.17	38.754	16.27	34.458	65.41	138.457	2023

Annual reports of the Central Bank of Iraq, Directorate of Statistics and Research, various years.

1. Development of the oil GDP in Iraq for the period (2004-2023):

The oil sector in Iraq represents the main pillar in building and growing the national economy, as the revenues of this sector constitute the largest percentage of total public revenues. In addition, specific quantities of crude oil are refined

in existing Iraqi refineries to produce various petroleum derivatives to cover local consumption requirements such as (fuel for transportation, power stations and industrial projects), in addition to the fact that Iraq is distinguished by its huge oil reserves and low production costs in this sector with low depth in wells compared to other countries.

Table (2)

Development of the oil GDP in Iraq for the period (2004-2023) (billion dinars)

Contribution Rate	Gross Domestic Product	Annual Rate Of Change	Oil GDP	Years
69.60	53.235	---	37.052	2004
64.22	73.533	27.44	47.223	2005
64.74	95.588	27.44	61.893	2006
68.28	111.455	22.97	76.112	2007
49.77	157.026	2.69	78.166	2008
43.04	130.642	-28.06	56.231	2009
44.98	167.093	29.65	72.905	2010
53.14	217.327	58.40	115.488	2011
49.73	254.225	9.47	126.435	2012
46.96	273.587	-0.53	125.573	2013
43.89	266.420	-6.68	116.940	2014
30.52	194.680	-47.86	60.965	2015
29.75	196.924	- 0.51	60.653	2016
37.96	225.722	41.59	85.794	2017
34.30	251.064	0.37	86.119	2018
43.50	277.884	32.03	114.386	2019
31.86	198.774	-44.63	63.335	2020



45.67	301.439	117.73	137.673	2021
48.20	303.936	6.42	146.521	2022
59.99	211.669	-13.32	127.001	2023

Source: Annual reports of the Central Bank of Iraq, Directorate of Statistics and Research, various years.

1. Development of oil revenues in the Iraqi economy for the period (2004-2023)

It is noted by following Table (3):

We note from the data in Table (3) that oil revenues recorded a continuous increase for the years (2004, 2005, 2006, 2007) to reach (32.627, 39.480, 46.534, 53.162) billion dinars respectively, with annual change rates of (21%, 17.86%, 14.24%) respectively, and with contribution rates to public revenues of (98.92, 97.47%, 94.47%, 97.36%) due to the continuous increase in crude oil prices, which led to an increase in crude oil production and export, in addition to lifting economic sanctions on Iraq and allowing it to increase production and export of large quantities of crude oil. It also rose to (79.131) billion dinars in the year (2008) with a change rate of (55.93%) due to the rise in oil prices in the international market, which led to an increase in oil revenues, an increase in public revenues, and the achievement of a continuous financial surplus, which was reflected in an increase in the growth rates of the Iraqi economy, while it recorded a decrease of (51.190) billion dinars in the year (2009) due to the commodity concentration suffered by the structure of Iraqi exports and the transfer of the effects of the global financial crisis in (2008) from developed

countries to the countries of the world, including Iraq. For the years (2010, 2011, and 2012), they recorded a continuous increase to reach (66.819, 98.090, 116.597) billion dinars, respectively. With annual change rates of (29.19%, 46.79%, and 18.86%) due to the increase in oil prices, which was reflected in an increase in oil revenues, which led to investment and an increase in the growth rates of the economic sectors of the Iraqi economy. However, it recorded a decrease of (110.677) billion dinars in (2013) with an annual change rate of (5.07%) due to the decline in crude oil prices in global markets from (107) dollars per barrel to (103) dollars per barrel, then continued to decline to reach (44.267) billion dinars in (2016), due to the decline in oil prices, especially in the first half of (2014) due to the entry of ISIS gangs into Iraq and their negative repercussions on oil prices, which was reflected in the decline in oil revenues, the decline in public revenues, the occurrence of a deficit in the general budget, the deterioration of economic conditions and the decline in the level of economic activity, but it recorded an increase again in the years (2017-2018) due to the rise in crude oil prices to more than (50) dollars per barrel after the elimination of ISIS terrorist gangs, and after the new OPEC agreement to reduce the cost of crude

oil production, while it recorded a decrease for the years (2019-2020) to (99.216, 54.448) billion dinars respectively, with annual change rates of (3.76%, 45.12% respectively) due to the return of the decline in oil prices to (60) dollars per barrel in the global market, in addition to the spread of the Corona pandemic and the decline in global demand for crude oil, which led to a deficit in the general budget (Ministry of Finance, 2004 - 2009).

But it recorded an increase in the years (2021-2022) amounting to (95.270 117.475) billion dinars, respectively, with annual change rates of (74.97% and 23.30%) due to the rise in crude oil prices in global markets, which led to an increase in demand for crude oil, in addition to the improvement of the health situation after the decrease in the number of infections with the Corona epidemic.

Table (3)

Development of oil revenues in the Iraqi economy for the period (2004 - 2023) (billion dinars)

Oil revenues to general % revenues	General revenues	Annual rate of %change	Oil revenues	Years
98.92	32.982	****	32.627	2004
97.47	40.502	21	39.480	2005
94.84	49.063	17.86	46.534	2006
97.36	54.599	14.24	53.162	2007
98.60	80.252	55.93	79.131	2008
91.92	47.112	-12.45	43.309	2009
95.21	70.178	29.19	66.819	2010
90.15	108.807	46.79	98.090	2011
97.31	119.817	18.86	116.597	2012
97.22	113.840	-5.07	110.677	2013
91.91	105.609	-12.29	97.072	2014
77.19	66.470	-47.13	51.312	2015
81.35	54.409	-13.73	44.267	2016
84.14	77.335	46.99	65.071	2017
89.72	106.569	46.94	95.619	2018
92.23	107.566	3.76	99.216	2019
86.15	63.199	-45.12	54.448	2020
87.33	109.081	74.97	95.270	2021
48.23	161.697	23.30	117.475	2022



82.38	135.681	- 4.84	111.783	2023
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Source: Annual reports of the Central Bank of Iraq, Directorate of Statistics and Research, various years.

Third: The development of the exchange rate in the Iraqi economy for the period (2004-2023)

After the year (2003), the Central Bank of Iraq established a window for selling foreign currency (currency auction) to announce the end of the application of fixed and multiple exchange rates in Iraq and the resulting deep structural imbalances due to the importance of the exchange rate in the Iraqi economy.

The exchange rate was the goal of monetary policy as a tool to control inflation rates resulting from the application of the import system without external transfer and printing currency without any restrictions or conditions, as the need arose to establish a foreign currency auction to improve the value of the Iraqi dinar (Dagher, 2012, p. 10).

As the data in Table (4) indicate, the official exchange rate has decreased to (1896) dinars for one US dollar, while the parallel (market) exchange rate increased to (1936) dinars in the year (2003) with an annual change rate of (1.07-%) due to the adjustment of the exchange rate of the Iraqi dinar against one US dollar by the Central Bank of Iraq. Still, it increased to (1453) dinars in the year (2004) the official rate as well as the parallel rate, and with an annual change rate of (24.94-%) due to the efforts of the Central Bank of Iraq to improve the value of the Iraqi dinar through the foreign currency sale window (buying and selling the dollar). Also, in the

year (2005) the official exchange rate decreased to (1469) dinars for one US dollar and the parallel rate to (1472) dinars due to the deterioration of the security situation and the increase in cases of travel and migration abroad, which led to an increase in demand for the US dollar. Then, the parallel exchange rate rose to reach (1475) dinars in the year (2006) due to the closure of the Iraqi borders with neighboring countries due to the deterioration of the security situation. Still, it witnessed an improvement during the period (2007-2011) to reach (1255, 1193, 1170, 1170, 1170) dinars for one dollar, respectively, with annual change rates of (14.45-%, 4.94-%, 1.92-%), and the parallel also reached (1267, 1203, 1182, 1186, 1196) with annual change rates of (14.10-%, 5.05-%, 1.74-%, 0.33%, 0.84%) respectively due to supporting the cash reserve at the Central Bank of Iraq from the dollar by reducing Iraq's debts by approximately (500-600) billion dollars to what Approximately (120) billion dollars in addition to the auctions conducted by the Central Bank of Iraq to control the foreign exchange market to support and strengthen the value of the Iraqi dinar against the US dollar and avoid the inflationary gap. In the year (2012), the Central Bank of Iraq adjusted the official exchange rate to (1166) dinars and continued until the year (2014). The parallel reached dinars (1233, 1232, and 1214), respectively, due to the Central Bank of Iraq

continuing to support and strengthen the value of the Iraqi dinar against the US dollar. While in (2015) the Central Bank of Iraq adjusted the official exchange rate to (1190) and continued until (2020), the parallel rate decreased to (1247) with an annual change rate of (2.71%) after it was (1214) dinars in (2014) due to the increasing demand resulting from speculative operations, then decreased to (1275) dinars in (2016).

Still, it witnessed an improvement during the period (2017, 2018, and 2019) to reach (1258, 1209, and 1196) dinars, respectively, due to the Central Bank of Iraq diversifying its investments to support and stabilize the value of the Iraqi dinar and stimulate the economy and achieve financial and monetary stability, which reflects the success of the monetary policy of the Central Bank.

Table (4)

Development of the exchange rate in the Iraqi economy (Dinar per 1 US dollar)

Annual Rate Of Change%	Parallel Exchange Rate	Annual Rate Of Change%	Official Exchange Rate	Years
-----	1453	---	1453	2004
1.30	1472	1.10	1469	2005
0.20	1475	-0.13	1467	2006
-14.10	1267	-14.45	1255	2007
-5.05	1203	-4.94	1193	2008
- 1.74	1182	-1.92	1170	2009
0.33	1186	0	1170	2010
0.84	1196	0	1170	2011
3.09	1233	-0.34	1166	2012
-0.08	1232	0	1166	2013
-1.46	1214	0	1166	2014
2.71	1247	2.05	1190	2015
2.24	1275	0	1190	2016
-1.33	1258	0	1190	2017
-3.89	1209	0	1190	2018
-1.07	1196	0	1190	2019
3.69	1234	1.76	1211	2020
18.26	1470	19.73	1450	2021
0.60	1480	0	1450	2022



- 1.89	1452	- 8.68	1324	2023
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Source: Annual reports of the Central Bank, Directorate of Statistics and Research, various years.

As for the year (2020), the official exchange rate rose to (1211) dinars and the parallel exchange rate to (1243) dinars due to the Central Bank's efforts to change the dollar to finance the deficit in the general budget in light of the collapse of oil prices and the spread of the Corona pandemic.

It also rose to (1450) dinars per dollar in the years (2021 - 2022), and the parallel rate reached (1470 - 1485) dinars due to speculation in the foreign exchange market. In the year (2023), the official rate was reduced to (1320) dinars per dollar due to the decision of the Central Bank of Iraq.

Section Three: Ways to address structural imbalances in the Iraqi economy

First: Reforming the agricultural sector of the Iraqi economy

The gateway to developing the agricultural sector is to increase agricultural production rates and raise the level of its contribution to the gross domestic product, then diversify sources of national income. The main components for advancing the agricultural reality and the measures that the government must take can be summarized (Al-Bu Ali and Shaaban, 2020, p. 88):

1. Work on developing comprehensive strategic plans to advance the agricultural reality in Iraq, primarily the responsibility of the Ministries of Planning, Agriculture,

and Water Resources, in cooperation with local governments.

2. It is necessary to encourage investments in this sector and create a stimulating investment environment.

3. a level of protection for agricultural products for a specific period, especially for crops, to encourage their cultivation.

4. The necessity of eliminating dumping due to the resulting negative effects on local products due to unplanned import openness.

5. Providing customs facilities for imported inputs to produce agricultural goods and services.

6. Developing human capital in line with modern technology methods in the agricultural field.

7. Disseminating agricultural technologies to raise the level of agricultural production through scientific research and agricultural extension centers by disseminating modern irrigation technologies to reduce waste in water use, and disseminating technological technologies to produce improved seeds and innovative varieties, as well as disseminating chemical technologies such as (fertilizers and agricultural pest control materials).

8. Modern technology must be introduced widely in all stages of the agricultural field and modern agricultural mechanization to save effort, workforce, and time, in

addition to ensuring the quality of the agricultural crop produced and increasing its quantity.

Second: Reforming the industrial sector of the Iraqi economy:

The industrial sector plays an important and major role in the economic development process, as it is the main sector contributing to financing development programs and developing other economic sectors. Despite the importance of this national sector in Iraq, it has become faltering and has yet to achieve its desired economic and social goals.

The productive structure of the Iraqi industrial sector suffers from the dominance of the extractive industry for raw materials and the small size of the gross domestic product, in addition to the fact that the industrial sector depends on final-stage industries, such as the assembly industry based on importing all or some of the production requirements, i.e., heavy reliance on abroad (Mohammed Ali, 1985, p. 36). The industrial sector has suffered from the destruction and disruption of industrial facilities and infrastructure, whether in the public or private sector, in light of the new circumstances witnessed by the Iraqi economy after the year (2003), as the productive capabilities of this sector deteriorated. Its level of contribution to the formation of the gross domestic product decreased. Some multiple objective procedures and measures must be taken, the most important of which are (Abdul Sahib, 2007, p. 9):

1. Organizing a comprehensive national campaign to encourage citizens and government institutions and stimulate the national drive to acquire local products, promote Iraqi industrial facilities, and rehabilitate those facilities that enjoy economic feasibility.
2. Involving local and foreign investors in rehabilitating facilities that need large sums of money, expertise, and high technologies within the framework of partnership mechanisms between the state and the private sector.
3. Reconsider imports and limit the entry of imported goods into the Iraqi market with local alternatives.
4. Increase investment allocations within the budget and then increase the amounts allocated to develop the industrial sector according to a specific strategy with priorities and according to importance.
5. Work on restructuring companies and factories according to the market economy and try to identify projects that can be allocated.
6. Determine the investment map in coordination with the provincial councils in light of its nature, the availability of natural resources, and their competitive advantage to promote new industries through local and foreign investors, create new job opportunities, and develop the national industry.

Third: Reforming the tourism sector for the Iraqi economy

Tourism represents one of the most important activities in the modern era. Today's era of tourism investment is an important element in developing national wealth and diversifying its sources of income.

It is a prominent economic and digital prosperity feature if the appropriate conditions for this sector are available. There are many distinctive tourism components available in Iraq; if they are invested in a sound scientific and programmed manner, they will achieve extremely important economic progress.

Statistics issued by the World Tourism and Travel Councils indicate that the tourism sector contributes directly and indirectly by more than (10%) to the gross domestic product. Iraq occupies an advanced position among developing countries in terms of tourism, as it has a comparative advantage in this field, especially religious tourism; despite Iraq's possession of the elements to advance the tourism sector, it has not been able to achieve its mission in economic development programs, and Iraq can rely on the tourism sector to advance the process of economic and social development and increase public revenues and contribute to creating a sector capable of having a positive impact on the joints of the national economy through (Obeid, 2020, p. 157):

1. Enhancing tourism attraction and restructuring the institutions responsible for tourism activity and heritage monuments, such as (establishing a Supreme Council for Tourism) to ensure unity of decisions and single tourism thought.
2. Strive to revive and rehabilitate archaeological and cultural sites subjected to destruction, theft, and vandalism and return the antiquities stolen and smuggled abroad after the year (2003).

3. Government agencies should increase financial resources directed to the tourism sector to improve its deteriorating reality and encourage the local and foreign private sector to invest in this sector, which was reflected in the development of this sector so that it could play its role in diversifying the economic base and developing sources of income for the Iraqi economy (Nima, 2016, p. 466).

4. Activating the role of religious tourism because it generates an important return for the Iraqi economy and exploiting the resources of this activity to activate local demand in the holy cities (Najaf, Karbala, Samarra, Kadhimiya) and providing services and infrastructure areas and basic services to serve visitors to these governorates, especially on religious occasions. Advancing the tourism sector by paying attention to hotels, restaurants, and tourism professions prevalent in the tourism sector, whether in hotels, restaurants, or tourism transportation (Khader, 2016, 551).

5. Motivating the private sector to enter this sector encourages it to invest in tourism.

Fourth: Rationalization of public spending in the general budget:

The reforming of public spending in Iraq targets current and investment spending. Still, the share of investment spending in expansion is usually much less than current spending due to the state's commitment to society to provide what achieves economic and social development, such as (salaries and wages). Despite the expansion in achieving the goals that the

state seeks to achieve, the state should reduce the size of current government spending according to practical measures to achieve economic, political, and social goals at the same time by directing the reform process as follows (Kamel, 2009, p. 176):

1. Determining the priority of public spending in its investment and current aspects, as government spending focuses on providing priority services such as (education and health), while investment spending is directed towards successful investments that provide greater added value in the economy.
2. Working to evaluate the government's financial performance, verify its guidance to its goals, and activate the role of oversight.
3. Working to establish several standards and rules that limit the spending of financial resources on economic activities that the private sector can perform better and directing the role of the state to take upon itself the achievement of its basic functions, which are represented in defending the homeland, protecting its borders, achieving justice through the judiciary, and providing social services.

Fifth: Developing the banking sector of the Iraqi economy

The banking sector plays a major role in mobilizing economic resources, financing economic development, and achieving financial and monetary stability for modern economies. Although the Iraqi banking sector is one of the oldest systems in the Arab

region, it remains a traditional system in its work and slow in its development.

The war conditions that Iraq went through and the economic philosophy that prevailed in the Iraqi economy all cast their shadows on the banking sector in the country, leaving a legacy, work contexts, and laws that created a large gap between it and the prevailing systems in the region and the world. The Iraqi banking system consists of (the Central Bank of Iraq), in addition to six government banks (Rashid Bank, Rafidain Bank, Trade Bank of Iraq, Agricultural Bank, Industrial Bank, Real Estate Bank), in addition to (30) private banks in addition to (15) branches of foreign banks.

The Banking Law No. (94) of the year (2004), and the instructions issued under it allowed foreign banks to participate in the capital of Iraqi banks. This participation ranged between (45%) and even more than (85%) in some banks (Al-Taama); the process of reforming the banking system in Iraq is a developmental goal, as it was and still suffers from major distortions in the policy followed as a result of the absence of strategic directives that caused a decline in its performance in providing the facilities and services that the banking system must undertake, and to advance the Iraqi banking reality and make it a real contributor to the economic development process, a set of reforms must be carried out, which we summarize as follows (Shandi, 2015, p. 313):

1. It is necessary to review the legislative structure of banking work, especially Banking Law No. (94) of the year (2004).

2. Providing a safe and stable political, economic, and social environment for banking work.

3. Banking reform must be linked to the economic reform program.

4. A strategic plan should be developed to develop the technology used in the banking system according to the available capabilities and to link banks to a communications network with the Central Bank.

5. Adherence to international standards, including the capital adequacy standard and financial disclosure for banks, reflects greater transparency in Iraqi banking work.

6. Accelerating the use of the latest banking methods and innovations in employing banking tools that create new banking services provided by global banks and financial institutions, such as electronic payment methods.

CONCLUSIONS AND RECOMMENDATIONS

First: Conclusions

1. The Iraqi economy is a rentier economy, as it depends on the crude oil sector in terms of oil revenues, which constitute more than (95%) of total public revenues, and oil production constitutes more than (50%) of the gross domestic product, which made it more vulnerable to external fluctuations in global oil markets.

2. Tax revenues contribute a low percentage of public revenues, which range between (3-4%) due to the weak efficiency of the tax system and tax administration and the high incidence of administrative and financial corruption.

3. The Iraqi economy has witnessed many fluctuations that have negatively affected its sectors, including (oil price fluctuations, the general budget deficit, the entry of ISIS terrorists, and the spread of the Corona pandemic).

Second: Recommendations:

1. Seek to reform the tax system and advance it to a level that achieves the required economic goals, most notably financing the general budget deficit and then achieving economic and financial stability.

2. Develop tax revenues by imposing additional taxes on imported goods to reduce imports and encourage exports that increase the surplus in the trade balance and balance of payments.

3. Close unofficial border crossings used by parties outside the law by coordinating with the security services responsible for protecting the borders to reduce the depletion of financial resources and increase state revenues.

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