

Economic diversification in Iraq opportunities and possibilities

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Abstract : The issue of economic diversification occupies a wide resonance at the global level and has a major role in revitalizing most of the global economies, especially oil ones, with a one-sided economy such as Iraq, So the study focused on the importance of economic diversification in Iraq and indicated the most important opportunities and possibilities available for Iraq after 2004, The gross domestic product of Iraq and the structure and volume of its foreign trade. The study emphasized the importance of economic diversification and its role in avoiding economic shocks and crises The study concluded that the gross domestic product of Iraq suffers from fluctuation as a result of its dependence on crude oil revenues at a rate of up to (96%) of the total revenues, in addition to the low economic diversification in Iraq and the dominance of the extractive sector in the formation of Gross Domestic Product. The study recommended the need to diversify the country's public revenues and sources of income and not rely on crude oil as the only source of income. It also recommended limiting imports, especially luxury ones, encouraging the import of productive goods that support and stimulate local production, and the need to eliminate financial and administrative corruption in all state institutions.

Keywords: the gross domestic product of Iraq, the structure of foreign trade for Iraq, the trade balance of Iraq, the commercial exposure of Iraq, the economic diversification of Iraq.

INTRODUCTION: Iraq is considered one of the rentier countries par excellence, and this special nature placed it in relying in its financing sources on the proceeds of oil exports, at a rate that sometimes reaches (99%), which made it subject to the effects of unexpected oil shocks. The efforts exerted did not succeed in diversifying the sources of income in Iraq. The percentages of the contribution of the commodity sectors that remained under the dominance of the extractive sector and the low percentages of the contribution of other productive commodity and service sectors, and the surplus in the trade balance does not reflect the reality of the productive development in Iraq. The rate of commercial exposure in Iraq is high, reflecting the rentier nature of the Iraqi economy.

The importance of the research: The importance of research stems from the following

1. The research occupied its importance in dealing with the issue of the economic components of Iraq after 2004 and indicating the strengths and weaknesses of the Iraqi economy.
2. Clarify the importance of economic diversification in Iraq and its role in avoiding shocks and economic crises.
3. Statement of the size and structure of exports and imports in Iraq after 2004.
4. Clarifying the importance of economic diversification in Iraq and explaining its role in avoiding shocks and economic crises.

Research problem: The research problem is embodied in Iraq's dependence on crude oil revenues as a major source of public revenues, which is one of the revenues characterized by instability, which negatively affected its federal budget and the structure of its foreign trade Because of the lack of diversification of public revenues .

An objective: To shed light on the nature of the Iraqi economy, which depends on a unilateral resource , and to review the structure and size of its domestic product.

Research methodology: The analytical descriptive approach was used in the research by addressing the statement of indicators of the Iraqi economy.

The research hypothesis: The Iraqi economy relies on a renter nature in the formation of its domestic product (Crude oil revenues), and this nature is unable to create opportunities for economic diversification, which reflected negatively on the structure of its foreign trade and its federal budget.

The research division: The research was divided into several points to achieve the goal in light of the research hypothesis, as follows:

First: The size and structure of Iraq's GDP after 2004

1. The size of the gross domestic product

Gross Domestic Product is defined as (1) "the nominal value of all final goods and services produced during a specific period of time, usually a year". It is also a monetary measure, meaning that it is measured by (money), and specifically represents the market value of all goods and services produced in an economy. It is also bought and sold in the market and not according to the cost value. The market value is usually referred to as current prices. It is also taken that the

calculation of the gross domestic product is the value of goods and services produced during the year in its final form that goes for the purposes of final use and does not include intermediate and primary goods and services or that were allocated for other transformational operations during the process. Productivity: Gross Domestic Product is a measure of the level of performance and achievement of an economy over a period of time, which is the year. Measuring the gross domestic product is of great importance, including estimating the success of the state's economic policy, studying some important aspects of the country's economic structure, examining the distribution of income between factors of production, and measuring the level of well-being of individuals.

The Iraqi economy, after the US occupation in 2003, suffered from several interrelated structural imbalances, and what distinguishes these imbalances is that they took the nature of continuity and repetition and produced almost chronic problems on the country's gross domestic product, and the main reason for that is

Failure to pursue appropriate economic reform, and this was reflected in the failure to achieve sustainable, balanced and lasting economic development ⁽²⁾.

The decline in economic development has led to the addition of new problems to the problems of the economy before the occupation, which included marginalized economic sectors, a collapsing local currency, destroyed infrastructure, a backward health and education system, rampant poverty, widespread government corruption and poor public services, in addition to large external debts and the almost complete dependence of its economy on the sale of crude oil (3).

⁽¹⁾ For more on the concepts of GDP; look:

- Hoshyar Maarouf, *Macroeconomic Analysis*, Dar Safaa for Printing and Publishing, Amman, Jordan, 1st edition, 2005, p. 73

- Muhammad bin Abdullah Al-Jarrah, Ahmed bin Abdul Karim Al-Muhaimid, *Principles of Macroeconomics, Concepts and Fundamentals*, Dar Al-Mawsoo'ah for Publishing and Distribution, 7th edition, 2020, p. 23.

-Mustafa Salman and others, *Principles of Macroeconomics*, Dar Al Masirah for Publishing, Distribution and Printing, 1st Edition, Jordan, 2000, p. 31.

⁽²⁾ Ferial Musharraf Aidan, *Structural imbalances in the Iraqi economy after 2003 and ways to address them*, *The Political and International Journal*, Al-Mustansiriyah University, College of Political Science, Volume 2016, Issue 33_34, 31 December 2016, p. 505.

⁽³⁾ Muhammad Ali Zaini, *The Iraqi Economy, Past, Present, and Future Options*, Dar Al Malak for Arts, Literature and Publishing, Baghdad, Iraq, 3rd edition, 2009, p. 440.

In order to evaluate the economic performance of Iraq, the gross domestic product will be studied from 2004 to 2021, as it is the best indicator of the level of economic activity of the country, and analyzing its structure and growth is one of the basics to know its strengths and weaknesses, and it is clear from the data of Table No. (1) that the output The Iraqi gross domestic product has witnessed fluctuations and clear variation for the period (2004-2021), as it reached (36638) million dollars in 2004, and the average per capita share of it reached (1349.9) dollars, after which it gradually increased as a result of the improvement that occurred in the security and economic situation in Iraq and the increase in crude oil revenues. And the increase in its global price, which was clearly reflected in the gross domestic product, and in 2005 it reached (49955) million dollars, with a positive annual change rate of (36.35%), which is the highest positive annual change rate during the study period, and with it the average per capita GDP rose to reach (1786.6) dollars, and this increase continued until 2013, when the gross domestic product reached (236438) million dollars, with an average per capita GDP of (6736.1), which is the largest domestic product.

The total and average per capita share during the study period, due to the rise in crude oil prices after the price of a barrel recorded about (105.87) dollars ⁽¹⁾.

In the year 2014, the gross domestic product decreased to (228,491) million dollars, at a negative annual rate of change (3.36%), with an average per capita share of (6,562) dollars, due to the control of (ISIS) gangs over a number of Iraqi governorates, and as a result, Iraqi oil exports decreased and the decline continued. In the following two years, its value in 2015 was about (17646) million dollars, with a negative annual rate of change (22.95%) and an average per capita share of (4999.8) dollars, which is the highest negative annual change rate during the study period (2004-2021), and in 2016 it was about (166274) One million dollars, at a negative annual rate of change (5.55%), with an average per capita share of (4597) dollars.

After that, it increased during the following three years, in 2017 towards (187,534) million dollars, at a positive rate of change of (12.79%), in 2018 towards (227,512) million dollars, and in 2019 towards (233,636) million dollars, at a positive annual rate of change of (21.32%). and (2.69%) respectively, as oil exports increased in these years with the liberation of lands from the control of (ISIS) gangs, after which the gross domestic product decreased in 2020 to (185930) million dollars, at a negative annual rate of change (20.42%) as a result of the drop in oil prices due to the outbreak of the (covid-19) pandemic, then it increased in 2021 to (207,889) million dollars, with a positive annual rate of change of (11.81%), and an average per capita share of (5047) dollars, as a result of lifting restrictions, increasing monthly quotas for OPEC decisions, and rising oil prices. Crude as a result of the increase in global demand for it and the decrease in the number of infections with (covid-19), due to the global expansion in receiving vaccines for it.

(1) OPEC, Annual Statistical Bulletin, 2014, p.82.

Table (1) The GDP of Iraq and the average per capita share of it at current market prices for the period (2004-2021)

Years	GDP at current market price * (Million USD)	Change in GDP %	Population	(Million USD)
				Average per capita (USD)
2004	36638	-	27.14	1349.9
2005	49955	36.35	27.96	1786.6
2006	64805	29.73	28.81	2249.3
2007	86125	32.9	29.68	2901.1
2008	102144	18.6	30.58	3340.2
2009	110968	8.64	31.66	3504.9
2010	138517	24.83	32.49	4263.3
2011	185750	34.1	33.34	5571.3
2012	216044	16.31	34.21	6315.2
2013	236438	9.44	35.10	6736.1
2014	228491	***(-3.36)	34.82	6562
2015	176046	***(-22.95)	35.21	4999.8
2016	166274	***(-5.55)	36.17	4597
2017	187534	12.79	37.14	5049.4
2018	227512	21.32	38.12	5968.3
2019	233636	2.69	39.13	5970.8
2020	185930	***(-20.42)	40.15	4630.9
2021	207889	11.81	41.19	5047

- It was prepared based on:

Sources:

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2008, p.11
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2014, p.15
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2018, p.17
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2022, p.16

*The annual rate of change in the GDP was calculated based on the mathematical formula
Annual rate of change = present value - previous value ÷ previous value x 100

** The average per capita GDP was calculated based on the mathematical formula

Average per capita GDP = GDP ÷ Population

*** (numbers in brackets are negative)

This fluctuation in the gross domestic product in Iraq is mainly due to the fact that Iraq's economy depends entirely on oil revenues, which in many years amount to about (96%) of the total gross revenues of Iraq, despite the tendency of countries at the present time to diversify sources of income to achieve strength And the durability of the national economy, in order to help create sectors that achieve growth for the gross domestic product and improve the level of real income per capita, and future projections indicate that

Iraq possesses a lot of capabilities and resources, which, if exploited, would have resulted in real diversification in the Iraqi economy, which would contribute to the growth and diversification of sources of gross domestic product.

2. The structure of the GDP

By observing the following tables No. (2) and No. (3), it becomes clear to us the contribution of the economic sectors in the formation of the gross domestic product in Iraq, as follows:

A- Commodity sectors: These sectors occupied the largest percentage in the composition of the gross domestic product in 2004 by (86%) and in 2021 by (56.85%), and they include the agriculture, forestry, fishing, mining and extractive industries sector, the manufacturing sector, the electricity, water and gas sector. Mining and extractive industries are the largest percentage, due to the heavy dependence on crude oil, as it is the main source of public revenues in Iraq, and accordingly, Iraq has become a rentier country par excellence.

B- Productive distribution sectors: It comes in second place in the composition of the gross domestic product of Iraq in 2004, with a rate of (11.5%), and ranked third in 2021, with a rate of (19.75%).

C - Social service sectors: It ranked third in the composition of the gross domestic product of Iraq in 2004, with a rate of (2.5%), and ranked second in 2021, with a rate of (23.4%). It includes the housing sectors, the government services sector, and other services.

Table (2) the contribution of the economic sectors in the formation of the gross domestic product of Iraq at current prices for the year 2004

(Million USD)

commodity sectors						
Agriculture, forestry and hunting	Extractive industries	Transformative Industries	Building and Construction	Electricity, water and gas	Total	Contribution to GDP %
3191	31319	651	232	62	35456	86
Contribution %					Total %	
9	88.33	1.84	0.65	0.17	100	
Productive distribution sectors						
Trade, restaurants and hotels	Transportation and storage		Finance, insurance and banking		Total	Contribution to GDP %
2108	2612		44		4764	11.5
Contribution %					Total %	
44.25	54.83		0.92		100	
Social service sectors						
Housing and facilities	Government services		Other services		Total	Contribution to GDP %
207	807		0		1014	2.5
Contribution %					Total %	
20.41	79.59		0		100	
Total summation					41234	100

- **It was prepared based on:**

Source:

Arab Monetary Fund, Unified Arab Economic Report 2005, Appendix (2/3), p.27

- The ratios were extracted based on the mathematical formula

The sector's contribution rate = the value of the sector's contribution x 100 ÷ GDP

We also notice from the previous table, which shows the size and percentage of the contribution of the economic sectors in the formation of the gross domestic product of Iraq for the year 2004, that (commodity sectors) dominate very clearly in the structure of the gross domestic product, as the volume of its contribution amounted to (35456) million dollars, at a rate of (86%). The extractive industries had the largest share with a value of (31319) million dollars, and their contribution to the total production of commodity sectors amounted to about (88.33%), and this is a reflection of the almost complete dependence of the Iraqi economy on crude oil, while the contribution of the rest of the commodity sectors combined was only (4136). One million dollars, with a contribution rate of (11.67%) of the total contribution of the commodity sectors.

As for the (productive distribution sectors), it contributed about (11.5%) of the gross domestic product for the year 2004 and amounted to about (4764) million dollars. (%), as for the finance, insurance and banking sector, its contribution was about (0.92%), which is a very low percentage, and in the last place came (the social service sectors), and it contributed about (2.5%) of the GDP for the year 2004 with (1764) million dollars, most of which came from the sector Government services by (79.59%) and (20.41%) for the housing and utilities sector. It is noticeable that the contribution of the productive distribution sectors and the social services sectors is very low and reflects the very deteriorating reality of these sectors after the US occupation of Iraq in (2003).

Table (3) the contribution of the economic sectors in the formation of the gross domestic product of Iraq at current prices for the year 2021

(Million USD)

commodity sectors						
Agriculture, forestry and hunting	Extractive industries	Transformative Industries	Building and Construction	Electricity, water and gas	Total	Contribution to GDP %
10477	92880	4008	4887	5619	117872	56.85
Contribution %					Total %	
8.89	78.8	3.4	4.15	4.77	100	
Productive distribution sectors						
Trade, restaurants and hotels	Transportation and storage		Finance, insurance and banking		Total	Contribution to GDP %
18916	20557		1482		40955	19.75
Contribution %					Total %	
44.25	54.83		0.92		100	
Social service sectors						
Housing and facilities	Government services		Other services		Total	Contribution to GDP %
11597	30019		6901		48517	23.4
Contribution %					Total %	
20.41	79.59		0		100	
Total summation					207344	100

- It was prepared based on:

Source:

Arab Monetary Fund, Unified Arab Economic Report 2022, Appendix (2/3), p.335

- The ratios were extracted based on the mathematical formula

The sector's contribution rate = the value of the sector's contribution x 100 ÷ GDP

It appears from the previous table that (commodity sectors) are still dominant in the volume of contribution to the GDP of Iraq for the year 2021, but the percentage of the contribution of these sectors decreased to (56.85%) of the total GDP after it was (86%) in 2004, and The matter was not much different, as the extractive industries still occupy the lead with a value of (92880) million dollars and a contribution rate of (78.8%), after it was in 2004 with a value of (31319) million dollars and a contribution rate of (88.33%) of the total contribution of the commodity sectors, and the rest of the commodity sectors did not constitute Combined, except for the value of (24991) million dollars, with a contribution rate of about (21.2%) of the total contribution of commodity sectors to the formation of the gross domestic product for the year 2021 after its value was (4136) million dollars, and with a contribution rate of (11.67%) in 2004, which means that These sectors are still lagging behind compared to the extractive sectors.

As for the (productive distribution sectors), the situation has improved in 2021 compared to what it was in 2004, as the value of its contribution to the GDP for the year 2021 amounted to (40955) million dollars, with a contribution rate of (19.75%), after it was (4764) million dollars, with a contribution rate (11.5%) in 2004. It is noticeable that the transport, communications, storage, trade, restaurants and hotels sectors are still in the lead with a contribution rate of about (50.19%) and (46.19%), respectively. As for the finance, insurance and banking sectors, they only contributed about (3.62%) of The total contribution of the productive distribution sectors to the GDP for the year 2021.

The same applies to (social service sectors), which also improved in 2021 from what it was in 2004, as it amounted to about (48517) million dollars, with a contribution rate of (23.4%), after it was in 2004, which amounted to about (1764) million dollars, with a contribution rate. (2.5%) of the gross domestic product.

The great development that took place in the services sector is mainly due to the decision of the Central Bank to continue its initiative to support the liquidity of the housing sector (the Housing Fund and the Real Estate Bank) in order to mitigate the effects of the housing crisis in the country by lending to those wishing to buy or build housing units throughout Iraq ⁽¹⁾

We conclude from the foregoing that the commodity sectors, especially the extractive ones, which are limited to crude oil in Iraq, are dominant over the rest of the sectors, and that the Iraqi economy is almost entirely dependent on the

extraction of crude oil, and despite the improvement in the distribution and service sectors in 2021 compared to 2004, there is a discrepancy and imbalance clear between them and the commodity sectors.

These imbalances are impossible to get rid of in the short and medium term, because the country does not have sources of financing for reconstruction and development in the rest of the other sectors except by increasing the production and export of crude oil, which deepens the structural imbalances in the short term, and therefore it must go to the optimal use of oil revenues And generating new incomes through added values and projects based on sound criteria to address the imbalance in the long term.

Second: The volume and structure of Iraq's foreign trade after 2004

⁽¹⁾ Central Bank of Iraq, Statistics and Research Department, Iraqi Economic Prospects Report - Chapter One, 2021, Introduction.

A- The total exports

B- Volume: Total exports include both commodity and service exports. It is noted from the data of Table No. (4) that follows, that Iraqi exports have increased significantly following the (American-British) occupation after an economic blockade for the period (1990-2003), starting from 2004. It amounted to (18490) million dollars until the year 2008, when it reached (63726) million dollars, with an annual change rate of (61.27%). It continued to rise after that until 2013, when it declined to (93066) million dollars, at a negative annual rate of change of (1.4%), and the decline also continued.

During the years (2014_2016) due to military operations against gangs (ISIS) and the disruption of roads in some commercial routes, then it rose again in 2017 with a value of (63314) million dollars at a positive annual rate of change of (32.9%) and the increase continued in 2018 with a value of (92831) million dollars With the decline in crude oil prices in 2019 and 2020, the volume of Iraqi exports decreased to (88903) million dollars in 2019, at a negative annual rate of change of (4.23%), and (50613) million dollars in 2020, at a negative annual rate of change of (43.07%), and with improvement The health situation in 2021 increased Iraqi exports to (86298) million dollars, with a positive annual rate of change (70.51%), which is the highest positive annual change rate during the study period, so that the relative change rate during the study period (2004-2021) is about (366.73%)

Table (4) the volume of total commodity exports to Iraq during the period (2004_2021)

(Million USD)

Years	Export volume	Change %	Years	Export volume	Change %
2004	18490	-	2013	93066	*(1.4)
2005	23697	28.16	2014	88112	*(5.32)
2006	30529	28.83	2015	57577	*(34.65)
2007	39516	29.44	2016	47642	*(17.26)
2008	63726	61.27	2017	63314	32.9
2009	42405	*(33.46)	2018	92831	46.62
2010	52483	23.77	2019	88903	*(4.23)
2011	83226	58.58	2020	50613	*(43.07)
2012	94392	13.42	2021	86298	70.51

- **It was prepared based on:**

Sources:

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2005, p.14
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2009, p.16
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2012, p.16
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2015, p.16
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2018, p.19
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2022, p.17

* (numbers in brackets are negative)

A- Structure: The Iraqi economy is characterized by its limited and relative lack of diversification in the production pattern of the commodity supply, on the other hand, its demand is characterized by diversity, and the dominant feature of exports

Iraqi exports are crude oil products, as their percentage exceeds (99%) of total exports, while non-oil merchandise exports do not represent even (1%) of total exports (1).

It is noted from Tables No. (5), (6) that shows the commodity structure of Iraq's exports according to the international classification (S.I.T.C). * The fourth classification (mineral fuels and related lubricating oils) is dominant

in the export structure, as its average contribution amounted to (99.54%) during the period The study (2004-2021), which is a reflection of the Iraqi rentier economy, which depends mainly on the export of unprocessed (raw) raw materials, which deprives the country of the added value if it is manufactured.

The classification (foodstuffs and live materials) ranked second with an average contribution rate of (0.15%), and the classification (machinery and transport equipment) ranked third equally with the classification (non-food raw materials except fuel) with an average contribution rate of (0.11%) for both, and the classification (Manufactured goods classified according to material) ranked fourth with an average contribution rate of (0.08%), and the classification (commodities and transactions not classified according to type) ranked fifth with an average contribution rate of (0.01%) during the study period (2004-2021), and due to the small size of the classification of chemicals It amounted to (37) million dollars throughout the study period (2004-2021) compared to the total of the people, which amounted to (1,053,348) million dollars, for which no percentage was shown, and three classifications did not contribute any percentage of contribution, as they did not export any products and their contribution to the export structure was (zero). They are (beverages and tobacco), (animal and vegetable oils and fats), and (various manufactures).

⁽¹⁾ Mayeh Shabib Al-Shammari, Osama Nizar Al-Haddad, Economic Freedom and the External Sector and Ways to Advance It in Iraq, College of Administration and Economics / University of Kufa, Issue 63, December 2021, p. 45.

* It is an acronym (Standard International Trade Classification) and means the standard international trade classification. It is a statistical classification of commodities entering foreign trade and is designed to provide the required commodity aggregates for the purposes of economic analysis and to facilitate the international comparison of commodity trade data.

Table (5) Structure of total commodity exports to Iraq for the period (2004_2021)

(Million USD)

Name Section	Food & Live Animals	Beverages & Tobacco	Crude Materials Inedible Except Fuels	Mineral Fuels, Lubricants & Related Materials	Animals & Vegetable Oils And Fats	Chemicals	Manufactured Goods Classified Chiefly By Material	Machinery & Transport Equipment	Miscellaneous Manufactured Articles	Commodities & Transactions Not Classified According To Kind	Total
Years											
2004	35.6	0	53.4	17703.2	0	0	17.8	0	0	0	17810
2005	60	0	44	23578	0	0	15	0	0	0	23697
2006	86	0	46	30298	0	2	16	72	0	8	30528
2007	119	0	79	39270	0	0	40	79	0	0	39587
2008	191	0	128	63216	0	0	64	127	0	0	63726
2009	110	0	59	39131	0	4	20	95	0	8	39427
2010	145	0	78	51376	0	5	26	124	0	10	51764
2011	223	0	120	79083	0	8	40	191	0	16	79681
2012	264	0	141	93503	0	9	47	226	0	19	94209
2013	251	0	135	89096	0	9	45	215	0	18	89769
2014	8	0	102	85209	0	0	50	0	0	0	85369
2015	4	0	8	51313	0	0	3	0	0	0	51328
2016	1	0	4	41292	0	0	1	0	0	0	41298
2017	28	0	13	57489	0	0	1	28	0	0	57559
2018	6	0	16	86258	0	0	75	5	0	0	86360
2019	16	0	29	81412	0	0	128	0	0	0	81585
2020	12	0	33	46692	0	0	92	0	0	0	46829
2021	22	0	51	72603	0	0	146	0	0	0	72822
Average	0.15	0	0.11	99.54	0	0	0.08	0.11	0	0.01	100

- **It was prepared based on:**

Source:

- Central Bank of Iraq, Annual Statistical Bulletin, 2004, p. 44.
- Central Bank of Iraq, Annual Statistical Bulletin, 2006, p. 62.
- Central Bank of Iraq, Annual Statistical Bulletin, 2009, p. 71.
- Central Bank of Iraq, Annual Statistical Bulletin, 2013, p. 95.
- Central Bank of Iraq, Annual Statistical Bulletin, 2017, p. 95.

- Central Bank of Iraq, Annual Statistical Bulletin, 2021, p. 96.

Table (6) The relative importance of exports to Iraq for the period (2004_2021)

(%)

Name Section	Food & Live Animals	Beverages & Tobacco	Crude Materials Inedible Except Fuels	Mineral Fuels, Lubricants & Related Materials	Animals & Vegetable Oils And Fats	Chemicals	Manufactured Goods Classified Chiefly By Material	Machinery & Transport Equipment	Miscellaneous Manufactured Articles	Commodities & Transactions Not Classified According To Kind	Total
Years											
2004	0.200	0	0.300	99.400	0	0	0.100	0	0	0	100
2005	0.253	0	0.186	99.498	0	0	0.063	0	0	0	100
2006		0			0	0.007		0.236	0	0.026	100
	0.282		0.151	99.247			0.052				
2007	0.301	0	0.200	99.199	0	0	0.101	0.200	0	0	100
2008	0.300	0	0.201	99.200	0	0	0.100	0.245	0	0	100
2009	0.279	0	0.150	99.249	0	0.010	0.051	0.119	0	0.020	100
2010	0.280	0	0.151	99.250	0	0.010	0.050	0.132	0	0.019	100
2011	0.280	0	0.151	99.250	0	0.010	0.050	0.213	0	0.020	100
2012	0.280	0	0.150	99.251	0	0.010	0.050	0.200	0	0.020	100
2013	0.280	0	0.150	99.250	0	0.010	0.050	0.245	0	0.020	100
2014	0.009	0	0.119	99.813	0	0	0.059	0	0	0	100
2015	0.008	0	0.016	99.971	0	0	0.006	0	0	0	100
2016	0.002	0	0.010	99.985	0	0	0.002	0	0	0	100
2017	0.049	0	0.023	99.878	0	0	0.002	0.049	0	0	100
2018	0.007	0	0.019	99.882	0	0	0.087	0.006	0	0	100
2019	0.020	0	0.036	99.788	0	0	0.157	0	0	0	100
2020	0.026	0	0.070	99.707	0	0	0.196	0	0	0	100
2021	0.030	0	0.070	99.699	0	0	0.200	0	0	0	100
Average	0.15	0	0.11	99.54	0	0	0.08	0.11	0	0.01	100

- **It was prepared based on:**

Source:

- Central Bank of Iraq, Annual Statistical Bulletin, 2004, p. 44.
- Central Bank of Iraq, Annual Statistical Bulletin, 2006, p. 62.
- Central Bank of Iraq, Annual Statistical Bulletin, 2009, p. 71.
- Central Bank of Iraq, Annual Statistical Bulletin, 2013, p. 95.
- Central Bank of Iraq, Annual Statistical Bulletin, 2017, p. 95.
- Central Bank of Iraq, Annual Statistical Bulletin, 2021, p. 96.

The small contribution of these classifications resulted in a weakness in the structure of exports and the absence of economic diversification. The main reason is the government's neglect of it, pouring full attention on the oil sector and its products, and discouraging the private sector, which led to weak investment in alternative competitive industries for imported goods, as well as neglect of the agricultural sector, which all led to a decline. The country's exports opened the door wide for imports to bridge the large gap between growing consumer demand and domestic production.

We conclude from the aforementioned that the Iraqi economy suffers from an imbalance in the external sector caused by the inflexibility of exports as a result of the dominance of oil exports, which makes it vulnerable to global fluctuations and hostage to them.

1. Total imports

a. Size: Iraq has not witnessed in its history an openness to imports, as it witnessed after 2003, when reliance on imports formed a well-established commercial policy, as a result of the government's focus on the oil sector and neglecting the rest of the other commodity production sectors, as the state's economic role shifted to creating appropriate conditions and an attractive environment. To import instead of encouraging the production and consumption of national products, which led to the occurrence of the Iraqi economy in what we can call (the import trap) ⁽¹⁾.

(1) Adnan Hussein Al-Khayyat, The Import Trap and Requirements for Reforming Import Operations in Iraq, Center for Strategic Studies - University of Karbala, 6/July/2020, available at the link <http://kerbalacss.uokerbala.edu.iq/wp/blog/2020/07/0>

Table (7) The volume of total commodity imports to Iraq for the period (2004-2021)

(Million USD)

Years	Import volume	Change %	Years	Import volume	Change %
2004	21302	-	2013	65104	10.33
2005	23532	10.47	2014	59990	*(7.86)
2006	22009	*(6.47)	2015	58517	*(2.46)
2007	19556	*(11.15)	2016	41681	*(28.77)
2008	35496	81.51	2017	48506	16.37
2009	36858	12.07	2018	56876	17.26
2010	43915	19.15	2019	72283	27.09
2011	47803	8.85	2020	54725	*(24.29)
2012	59006	23.44	2021	66217	21

- It was prepared based on:**Sources:**

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2005, p.16
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2009, p.18
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2012, p.18
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2015, p.18
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2018, p.21
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2022, p.18

* (numbers in brackets are negative)

It is noted from the previous table that the total imports fluctuated for the first four years (2004-2007) between rise and fall due to the unaccustomedness to the new situation after 2003 and the total openness to the outside world, after which it gradually increased from 2008 to 2013. 2008 The value of total imports amounted to (35496) million dollars, with a positive annual change rate of (81.51%), which is the highest positive annual change rate during the study period (2004-2021), and in the year 2013, the value of imports amounted to (65104) million dollars, with a positive annual change rate (10.33% due to the expansion of economic activity for reconstruction and reconstruction and because of the rise in food prices, as well as due to the increase in incomes that led to a change in the pattern of family consumption. As for the period (2014_2019), the import witnessed fluctuation between rise and fall as a result of the reform measures of the Customs Authority by controlling the ports border, in addition to the questioning of the Central Bank of importers by asking them to validate the issuance of values

In light of this, they are allowed to participate in the currency auction in order to prevent currency smuggling abroad and to combat money laundering ⁽¹⁾, and in the year 2019, imports increased to their highest value during the study period, as they amounted to (72283) million dollars, with a positive annual rate of change (27.09%), as well The double shock (the outbreak of the Covid-19 pandemic and the drop in oil prices) affected imports in 2020, as they declined to (54,725) million dollars, at a negative annual rate of change (24.29), and despite the recovery of the global economy in 2021, the easing of quarantine restrictions in most countries, and the return of optimism With the receding of the (covid-19) pandemic, however, the effects of the devaluation of the Iraqi dinar against the US dollar after the decision issued by the Central Bank of Iraq at the end of 2020 cast a shadow on Iraq's total imports for the year 2021, as it amounted to (66217) million dollars, with a positive annual change rate of (21%) It was expected to be much larger. ⁽²⁾

B. Structure: For the purpose of identifying the import pattern in Iraq and the extent of response to development requirements, the commodity composition of imports should be analyzed, as it is of great importance in knowing the real trends of economic development. Tables No. (8), (9) shows the division of Iraq's imports according to the Standard International Trade Classification (S.I.T.C), as follows:

(1) Mayeh Shabib Al-Shammari, Osama Nizar Al-Haddad, previous source, p. 47.

(2) Central Bank of Iraq, Department of Statistics and Research, Department of Economic Modeling, Iraqi Economic Prospects Report, Third Chapter 2021, p. 31.

Table (8) Structure of total commodity imports to Iraq for the period (2004_2021)

(Million USD)

Name Section	Food & Live Animals	Beverages & Tobacco	Crude Materials Inedible Except Fuels	Mineral Fuels, Lubricants & Related Materials	Animals & Vegetable Oils And Fats	Chemicals	Manufactured Goods Classified Chiefly By Material	Machinery & Transport Equipment	Miscellaneous Manufactured Articles	Commodities & Transactions Not Classified According To Kind	Total
Years											
2004	730.4	278.9	373.9	2100	1362	1432.5	1779.9	9264.2	3372.4	608.1	21302.3
2005	807	308	414	2320	1504	1582	1967	10234	3725	671	23532
2006	716	274	368	2060	1335	1404	1747	9086	3307	595	20892
2007	1056	254	352	1917	1252	1310	2229	7529	3090	567	19556
2008	1917	461	639	3479	2272	2378	4047	13666	5608	1029	35496
2009	2076	500	692	3767	2460	2575	4381	14798	6073	1115	38437
2010	2371	571	790	4304	2811	2942	5006	16907	6939	1274	43915
2011	2581	622	860	4685	3059	3203	5450	18404	7553	1386	47803
2012	3186	767	1062	5783	3776	3954	6727	22717	9323	1711	59006
2013	3175	764	1058	5762	3763	3939	6703	22637	9290	1705	58796
2014	3164	762	1055	5743	3751	3926	6681	22562	9259	1699	58602
2015	2592	624	864	4705	3073	3217	5473	18484	7586	1392	48010
2016	1847	445	616	3352	2189	2292	3900	13170	5405	992	34208
2017	2094	504	698	3799	2481	2597	4419	14925	6125	1124	38766
2018	2470	595	823	4482	2927	3064	5214	17609	7226	1326	45736
2019	3139	756	1046	5698	3721	3895	6628	22383	9186	1686	58138
2020	2600	626	867	4718	3082	3226	5489	18538	7608	1396	48150
2021	2199	530	733	3992	2607	2729	4644	15684	6437	1181	40736

- **It was prepared based on:**

Source:

- Central Bank of Iraq, Annual Statistical Bulletin, 2004, p. 45
- Central Bank of Iraq, Annual Statistical Bulletin, 2006, p. 63
- Central Bank of Iraq, Annual Statistical Bulletin, 2009, p. 72
- Central Bank of Iraq, Annual Statistical Bulletin, 2013, p. 96
- Central Bank of Iraq, Annual Statistical Bulletin, 2017, p. 96
- Central Bank of Iraq, Annual Statistical Bulletin, 2021, p. 97

Table (9) The relative importance of imports to Iraq for the period (2004_2021)

(%)

Name Section	Food & Live Animals	Beverages & Tobacco	Crude Materials Inedible Except Fuels	Mineral Fuels, Lubricants & Related Materials	Animals & Vegetable Oils And Fats	Chemicals	Manufactured Goods Classified Chiefly By Material	Machinery & Transport Equipment	Miscellaneous Manufactured Articles	Commodities & Transactions Not Classified According To Kind	Total

Years											
2004	3.429	1.309	1.755	9.858	6.394	6.725	8.355	43.489	15.831	2.855	100
2005	3.429	1.309	1.759	9.859	6.391	6.723	8.359	43.490	15.830	2.851	100
2006	3.427	1.312	1.761	9.860	6.390	6.720	8.362	43.490	15.829	2.848	100
2007	5.400	1.299	1.800	9.803	6.402	6.699	11.398	38.500	15.801	2.899	100
2008	5.401	1.299	1.800	9.801	6.401	6.699	11.401	38.500	15.799	2.899	100
2009	5.401	1.301	1.800	9.800	6.400	6.699	11.398	38.499	15.800	2.901	100
2010	5.399	1.300	1.799	9.801	6.401	6.699	11.399	38.499	15.801	2.901	100
2011	5.399	1.301	1.799	9.801	6.399	6.700	11.401	38.500	15.800	2.899	100
2012	5.399	1.300	1.800	9.801	6.399	6.701	11.401	38.499	15.800	2.900	100
2013	5.400	1.299	1.799	9.800	6.400	6.699	11.400	38.501	15.800	2.900	100
2014	5.399	1.300	1.800	9.800	6.401	6.699	11.401	38.500	15.800	2.899	100
2015	5.399	1.300	1.800	9.800	6.401	6.701	11.400	38.500	15.801	2.899	100
2016	5.399	1.301	1.801	9.799	6.399	6.700	11.401	38.500	15.800	2.900	100
2017	5.402	1.300	1.801	9.800	6.400	6.699	11.399	38.500	15.800	2.899	100
2018	5.401	1.301	1.799	9.800	6.400	6.699	11.400	38.501	15.799	2.899	100
2019	5.399	1.300	1.799	9.801	6.400	6.700	11.400	38.500	15.800	2.900	100
2020	5.400	1.300	1.801	9.799	6.401	6.700	11.400	38.501	15.801	2.899	100
2021	5.398	1.301	1.799	9.800	6.400	6.699	11.400	38.502	15.802	2.899	100

- It was prepared based on:

Source:

- Central Bank of Iraq, Annual Statistical Bulletin, 2004, p. 45
- Central Bank of Iraq, Annual Statistical Bulletin, 2006, p. 63
- Central Bank of Iraq, Annual Statistical Bulletin, 2009, p. 72
- Central Bank of Iraq, Annual Statistical Bulletin, 2013, p. 96
- Central Bank of Iraq, Annual Statistical Bulletin, 2017, p. 96
- Central Bank of Iraq, Annual Statistical Bulletin, 2021, p. 97

It is noted from the previous table that the structure of Iraq's imports is more diversified than the structure of its exports and includes many commodities, but the classification (machinery and transport equipment) came in the first place with an average relative importance during the study period (2004-2021) amounting to about (38.94%), due to the lack of ownership Iraq has factories that produce these machines and machines as well as their spare parts, and in the second place is the classification (various manufactures) with an average relative importance of about (15.8%), and the rest of the classifications came according to relative importance, successively, as follows: (manufactured goods classified according to material) (11.13%), (Mineral fuels and related lubricants) (9.81%), (Chemicals) (6.7%), (Animal and vegetable oils and fats) (6.4%), (Foodstuffs and live animals) (5.22%), (Non-commodities and transactions Classified by type) (2.9%), (non-food raw materials except fuel) (1.8%) and (beverages and tobacco) ranked last, with an average relative importance of about (1.3%).

We conclude from the foregoing that there is no motivating and stimulating environment for local production in Iraq that made the country dependent on imported commodities to meet most of its needs, which depleted oil revenues and exhausted the state treasury of hard currency for consumer purposes and does not encourage local production.

2. Trade Balance: The trade balance is defined as (the account that includes the trade of goods and their imports during the period under consideration, and represents the difference between the value of exports and the value of imports. It is also called (the balance of visible trade) (1).

The trade balance is considered one of the most important accounts in the balance of payments, as it reflects the most important international economic relations. If the difference between the value of total exports and the value of total imports has a positive value (surplus), this reflects healthy factors in the concerned economy. Total imports have a negative value (deficit), disclosed

(1) Jamil Muhammad Khaled, Fundamentals of International Economics, Academicians for Publishing and Distribution, Amman, Jordan, 1st edition, 2014, p. 162.

On that weaknesses in the economy of the country that it suffers from, it is considered as an indicator of the economic strength of the state, the achievement of prosperity and economic efficiency (¹) and Iraq relies mainly on oil exports in financing economic and social development. Especially machinery and transport equipment, as it occupies the first place in the imports structure, due to the country not owning large factories, which can only be provided through foreign trade (²), and Table No. (10) shows the trade balance of Iraq for the period (2004-2021).

(1) James Garber, International Economics, translated by Haitham Issa and others, The Arab Center for Arabization, Translation and Authorship, Damascus, Syria, vol. 6, 2013, pp. 203-204.

(2) Central Bank of Iraq, Department of Statistics and Research, Annual Economic Report 2020, p. 56.

Table (10) the merchandise trade balances of Iraq for the period (2004-2021)

(Million USD)

Years	Export volume (F.O.B)**	Import volume (C.I.F)***	Trade balance
2004	17810	21302.3	*(3492.3)
2005	23697	23532	165
2006	30528	20892	9636
2007	39587	19556	20031
2008	63726	35496	28230
2009	39427	38437	990
2010	51764	43915	7849
2011	79681	47803	31878
2012	94209	59006	35203
2013	89769	58796	30973
2014	85369	58602	26767
2015	51328	48010	3318
2016	41298	34208	7090
2017	57559	38766	18793
2018	86360	45736	40624
2019	81585	58138	23447
2020	46829	48150	*(1321)
2021	72822	40736	32086

- It was prepared based on:

Source:

- Central Bank of Iraq, Annual Statistical Bulletin, 2004, pp. 44_45

- Central Bank of Iraq, Annual Statistical Bulletin, 2006, pp. 62_63

- Central Bank of Iraq, Annual Statistical Bulletin, 2009, pp. 71_72

- Central Bank of Iraq, Annual Statistical Bulletin, 2013, pp. 95_96

- Central Bank of Iraq, Annual Statistical Bulletin, 2017, pp. 95_96

- Central Bank of Iraq, Annual Statistical Bulletin, 2021, pp. 96_97

* (numbers in brackets are negative)

** The value of exports on the basis of (F.O.B), which is an abbreviated term from (Free on Board) and means that the shipped goods do not include insurance or transportation with the initial cost, meaning that all responsibility on the exporter lies upon the delivery of the goods at its port and the importer is responsible for Cargo insurance and the transportation cost of the goods from the port of origin to the port of importer.

*** The value of imports on the basis of (C.I.F), which is an abbreviated term from (Cost Insurance and Freight)

It means that the price of the goods includes transportation and insurance, meaning that the seller pays all costs with freight to transport the goods to the port.

It appears from the previous table that Iraq has achieved a financial surplus throughout the study period (2004_2021) with the exception of two years, the first in 2004, when the trade balance recorded a deficit of (3492.3) million dollars due to the economic openness of the country after the fall of the previous regime in (2003) and the increase in imports as a result of An increase in consumer demand for commodities, and the second in the year (2020), the trade balance recorded a deficit of (1321) million dollars, and the reason is also the decrease in the country's financial revenues due

to the drop in oil prices at the time in light of the ineffectiveness of other economic sectors and the low percentage of their contribution to the formation of the trade balance .

Although oil revenues are distinguished by their huge and exceptional size and their unusual resources, they lack stability, and this is what the country is experiencing at the present time.

3. The Commercial exposure: The concept of commercial exposure is related in one way or another to the policy of commercial freedom and to the principle (let it work, let it pass) that appeared in the Middle Ages, which in essence means non-interference of the state in economic life.

The commercial exposure index shows the importance of exports and imports to the gross domestic product. The higher this ratio is, the more vulnerable and affected the economy will be to foreign trade. It also shows the extent to which any economy is linked with the economies of the outside world. On the other hand, commercial exposure has an impact. Significantly on the extent of the success of fiscal and monetary policies in the countries that suffer from it, for example when a country undertakes a policy of increasing government spending, for example, the value of the investment multiplier resulting from this policy will be low, so if imports constitute a high percentage of exposure .

This means that there is a high tendency to import Which reduces the effectiveness of fiscal policy, and the case is no different with regard to monetary policy, when the money supply increases and in the presence of a high degree of exposure and a high tendency to import, the effect of this policy will be

Low effectiveness in revitalizing the national economy ⁽¹⁾, and the degree of commercial exposure is calculated by the equation below

Degree of commercial exposure = exports + imports ÷ GDP x 100 ⁽²⁾, or

The degree of economic exposure = the ratio of exports to GDP + the ratio of imports to GDP.

If the ratio of exports to GDP exceeds (25%), and the ratio of imports to GDP exceeds (20%), then that economy is considered an open economy, i.e. if the ratio of foreign trade (exports and imports) to GDP exceeds (45%), then it is considered This is an indication of the commercial exposure of that country ⁽³⁾ Table No. (11) shows the degree of commercial exposure in Iraq for the period (2004-2021).

(1) Abdel-Hadi Mohamed Wali, Economic Openness between Theory and Practice, University Knowledge House, Alexandria, Egypt, (without mentioning an edition), 1986, pg. 2_3.

(2) Abdul Karim Jaber Shanjar Al-Issawi, International Economics - Policies and Applications, Arab House for Science Publishers, Beirut, Lebanon, 1st edition, 2018, p. 305.

(3) Mohsen Ibrahim Ahmed, Measurement and Analysis of the Structure of Foreign Trade and the Degree of Economic Exposure to Iraq for the Period (2004-2020), Journal of Human Development University, Department of Banking and Financial Sciences, College of Administration and Economics, University of Human Development, Sulaymaniyah, Iraq, Volume 8, Number 4, 2022, pg. 9.

Table (11) Degree of commercial exposure in Iraq for the period (2004-2021)

(Million USD)

Years	Total exports (1)	Total imports (2)	GDP (at current market prices) (3)	Ratio (1)/(3) %	Ratio (2)/(3) %	Degree of commercial exposure %
2004	18490	21302	36638	50.47	58.14	108.61
2005	23697	23532	49955	47.44	47.11	94.55
2006	30529	22009	64805	47.11	33.96	81.07
2007	39516	19556	86125	45.88	22.71	68.59
2008	63726	35496	102144	62.39	34.75	97.14
2009	42405	36858	110968	38.21	33.21	71.42
2010	52483	43915	138517	37.89	31.7	69.59
2011	83226	47803	185750	44.81	25.74	70.55
2012	94392	59006	216044	43.69	27.31	71
2013	93066	65104	236438	39.36	27.54	66.9
2014	88112	59990	228491	38.56	26.25	64.81
2015	57577	58517	176046	32.71	33.24	65.95
2016	47642	41681	166274	28.65	25.07	53.72
2017	63604	48506	187534	33.92	25.87	59.79
2018	92831	56876	227512	40.8	25	65.8
2019	88903	72283	233636	38.05	30.94	68.57
2020	50613	54725	185930	27.22	29.43	63.06
2021	86298	66217	207889	41.51	31.85	73.36
Average	60981.66	43834.05	157052.5	41.04	31.66	72.7

- It was prepared based on:

Source:

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2005, p.14, p.16
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2008, p.11
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2009, p.16, p.18
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2012, p.16, p.18
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2014, p.15
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2015, p.16, p.18
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2018, p.17, p.19, p.21
- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2022, p p.16_18

It appears from the previous table that the degree of commercial exposure to Iraq during the study period (2004-2021) ranged between (108.61%) as a maximum in 2004, and (53.72%) as a minimum in 2016 and reached (72.7%) as an average during the study period, which are percentages Too high.

The highest degree of commercial exposure during the study period amounting to (108.61%) in 2004 is caused by the deterioration of the domestic production of goods and services after the post-2004 regime and the closure of many factories and plants, as well as due to the difficult security, economic and political conditions that led to an increase in the country's imports and thus reflected on the degree of commercial exposure.

After that, it gradually decreased until it reached (53.72%) in 2016, which is the lowest degree of commercial exposure during the study period due to the decrease in crude oil prices, which was reflected in the decrease in the value of exports and the decrease in foreign exchange earnings, which led to a decrease in imports, and with the increase in crude oil prices and the increase in oil exports, the degree of Commercial exposure in the years 2019, 2018, and 2017 was (59.79%), (65.8%), and (68.57%), respectively, to decrease again in 2020 by (63.06%) due to the outbreak of the (covid-19) pandemic, the decline in global trade movement, and with the improvement The health situation, the decline in (covid-19) infections, and the return of economic activity returned to an increase in the degree of commercial exposure again in 2021, by (73.36%).

It is worth noting that the lowest degree of commercial exposure during the study period, amounting to (53.72%) in 2016, is higher than the accepted natural percentage estimated at (45%) for the contribution of foreign trade relative to the gross domestic product.

We conclude from the aforementioned that Iraq is one of the most exposed countries in the world, which is an indicator of the dependence of the Iraqi economy on the outside world, and this is due to several reasons, foremost of which is the liberalization of global trade in a very large way after 2004, which led to the creation of a structural imbalance that hinders sectoral growth and economic development and produced the effects Negative ones, including the dumping of foreign commodities in the local market and the weak culture of savings among individuals, which coincided with the increase in the tendency to consume, and the final result was the extreme sensitivity of the national economy towards global crises.

Third: Economic diversification of Iraq:

Economic diversification is defined according to the United Nations Climate Change Organization (UNCC) as a process aimed at diversifying the production structure, creating new income-generating sectors, and diversifying markets such as internal markets or export markets.

Some economists define it as a gradual process aimed at diversifying sources of income.

It is also known as a cumulative process aimed at increasing the contribution of the agricultural, industrial and service sectors to the gross domestic product. Economic diversification is also embodied in the gradual decrease in the percentage of the contribution of the oil sector in exchange for the gradual increase in the percentage of the contribution of the non-oil sectors in the gross domestic product.

Based on the above, economic diversification in its broad sense includes the following: ⁽¹⁾

1. **Diversification of production:** through the contribution of all economic sectors in the generation of national income and national product, but diversification necessarily focuses on the relative increase in the contribution of The industrial sector as the backbone of any economy.
2. **Diversification of exports:** by following economic policies aimed at developing and increasing exports, providing in-kind and material incentives to investors, and increasing the competitiveness of locally manufactured products in foreign markets.

That is, the concept of economic diversification ultimately focuses on the multiplicity of branches of production or the multiplicity of activities in the economy ⁽²⁾.

(1) for more on the subject of economic diversification; look:

- Mardin Mahsom Faraj, Measuring and Analyzing Economic Diversity in Iraq during the Period (2004-2016), Journal of the University of Human Development, University of Sulaymaniyah, Iraq, Special Issue, 25-26 / April / 2018, p. 165.

- Mamdouh Awad Al-Khatib, Diversification and Growth in the Saudi Economy, The First Conference of Business Administration Faculties for Universities of the Arab Gulf Cooperation Council, 16-17 February 2014, Riyadh, Saudi Arabia, Introduction.

- Ehab Ali Odeh, Analyzing and Measuring the Relationship between Diversification and Economic Growth Using the (ARDL) Methodology, Iraq, a Case Study for the Period (1990-2019), Journal of Management and Economics, University of Karbala, Volume 10, Issue 40, December 2021, p. 128.

- Abeer Muhammad Jassim, Suhaila Abdul-Zahra, Economic diversification in Iraq and current challenges, Journal of the Baghdad College of University Economic Sciences, Issue Fifty-seventh, 2019, p. 233.

(2) Mayeh Shabib Al-Shammari and others, the rentier state and the policies of diversifying the economy, Dar Safaa for publication and distribution, Amman, Jordan, 1st edition, 2018, p. 70.

1- The important of oil revenues

In Iraq, oil revenues clearly control the vast majority of total public revenues, at a rate of about (95%), on average, during the study period (2004-2021).

Relying on oil revenues to supplement the state treasury, with this large percentage, makes the country vulnerable to fluctuations in oil prices in global markets, since crude oil is a strategic commodity that is affected by many influences outside the will of the producing country. Table No. (12) indicates oil and non-oil revenues for Iraq for the period (2004_2021). It is noted that the non-oil revenues are small, as they represented only about (5%) of the total revenues during the study period (2004-2021), and this explains that the country and the different successive governments that have passed since the US occupation of Iraq in 2003 did not have a clear-cut economic policy and there is no Plan for the future to face economic dangers and what might happen, assuming that oil revenues are not enough to meet the financial needs of the country.

Table (12) Iraqi foreign sector Petroleum and non- Petroleum revenues for the period (2004_2021)

Years	Petroleum revenues (1)	Non- Petroleum revenues (2)	Total revenue	Ratio (1)/(3) %	Ratio (2)/(3) %
2004	17751	739	18490	96	4
2005	23648	49	23697	99.79	0.21
2006	30465	64	30529	99.79	0.21
2007	39433	83	39516	99.79	0.21
2008	56843	6883	63726	89.2	10.8
2009	41668	737	42405	98.26	1.74
2010	51589	894	52483	98.3	1.7
2011	83006	220	83226	99.74	0.26
2012	94103	289	94392	99.69	0.31
2013	89403	3663	93066	96.06	3.94
2014	84303	3809	88112	95.68	4.32
2015	49211	8366	57577	85.47	14.53
2016	43684	3958	47642	91.69	8.31
2017	59730	3874	63604	93.91	6.09
2018	84218	8613	92831	90.72	9.28
2019	80027	6676	88903	90.02	9.98
2020	44128	6485	50613	87.19	12.81
2021	79788	6510	86298	92.46	7.54
Average %				94.7	5.3

- It was prepared based on:

Source:

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2005, p p.14.15

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2009, p p.16.17

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2012, p p.16.17

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2015, p p.16.17

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2018, p p.20.21

- OPEC, Annual Statistical Bulletin, Vienna, Austria, 2022, p p.17.18

Returning to the previous table, the oil revenues' contribution to the total revenues did not decrease by less than (90%) throughout the study period (2004-2021), except in three years, in 2008, when its value amounted to (56843) million dollars, with a contribution rate of (89.2%). from

Total revenues due to the global financial crisis and the drop in crude oil prices, in 2015, with a value of (49211) million dollars, with a contribution rate of (85.47%) due to the control of (ISIS) gangs over some Iraqi and Arab regions, and the decrease in crude oil prices as well, and in the year 2020, when it amounted to (44128) One million dollars, with a contribution rate of (87.19%) of the total revenues due to the outbreak of the (covid-19) pandemic and the drop in crude oil prices as well.

As it is clear the extent of the fragility of the economic reality in Iraq, where the almost total dependence on crude oil and its products, which made it dependent on the global demand for crude oil and its price, the improvement of the economic reality in Iraq requires taking economic policies and reforms that reduce its dependence on oil, but these policies require more Persistence and facing many challenges ⁽¹⁾.

2. Low economic diversification in Iraq

The economic diversification has several indicators through which we infer an increase in the rate of economic diversification in the country or not, as follows: ⁽²⁾.

a. The decrease in the disparity in the relative importance of the contribution of economic activities in the formation of the gross domestic product, while in Iraq we note that the oil sector is dominant and has the largest contribution rate in the structure of the gross domestic product compared to a decrease in the contribution rate of other economic sectors.

B. The relative increase in non-oil exports compared to oil exports on the one hand and the decrease in various imports in general on the other hand. big.

T. Increasing the contribution of the private sector in economic activity and giving it a greater role in the economic development process with its technological, organizational and administrative possessions, while in Iraq we notice that the government sector is in control of the overall economic activity of the country.

(1) Rising from Fragility: An Economic Note for Diversification and Growth in Iraq (Executive Summary), The World Bank, available at

<https://www.albankaldawli.org/ar/country/iraq/publication/breaking-out-of-fragility-a-country-economic-memorandum-for-diversification-and-growth-in-iraq>

(2) For more on indicators of economic diversification, see:

- Haider Nima Bakhit, Abbas Fadel Aliwi, the reality of economic diversification and its justifications in Iraq for the period (1980_2014), Iraq, University of Kufa, Al-Ghari Journal of Economic and Administrative Sciences, Volume 14, Issue 3, 2017, p. 855.

- Abbas Makki Hamza, Economic diversification, selected experiences and the possibility of benefiting from them in Iraq, Iraq Center for Studies, Baghdad, 1st Edition, 2018, pp. 51_52.

w. Distributing investments fairly among the economic sectors of the country, but we note in Iraq the concentration of investments in the oil sector and the neglect of other sectors.

c. The stability of the country's public revenues, as this indicates an increase in the rate of economic diversification, but in Iraq it depends mainly on oil revenues, which is a relatively unstable resource and is characterized by fluctuation according to many factors that are outside the control of the country.

• **Conclusions:** The study reached a number of conclusions, and my agencies

1. The fluctuation of the Iraqi gross domestic product throughout the study period (2004_2021) due to the shocks of crude oil prices in the global market at times, or because of security and political incidents, which produced great repercussions on the Iraqi economy and placed it in front of severe difficulties and challenges, as the significant decline in oil revenues Which is almost the only source of public revenues, which constituted an obstacle to the movement of the economic wheel in the country.

2. Low economic diversification in Iraq, where the extractive sector accounts for the largest percentage in the composition of the gross domestic product, despite all the political and economic changes and transformations that took place in Iraq after 2004.

3. The general structure of Iraq's exports for the period (2004_2021) depends by about (95%) on what is exported of crude oil, and that most of the Iraqi imports are machinery and transportation equipment And by (38.94%) of the total Iraqi imports, which makes the country affected by the global economic crises and reflects negatively on most of the economic variables and indicators.

4. The total revenues in Iraq are dominated by oil revenues by up to (96%), which reflects a lot on the federal budgets in Iraq.

5. Iraq is one of the most exposed countries in the world, and this is due to several reasons, foremost of which is the liberalization of world trade in a very large way after 2004, which led to the creation of a structural imbalance that hinders sectoral growth and economic development and produced negative effects, including dumping of foreign commodities in the local market.

● **Recommendations:**

1. Developing the petrochemical and refining industries, which are very small compared to the country's huge potential of crude oil.

2. Work to diversify public revenues (non- Petroleum revenues) and sources of income for the country by diversifying its exports and not relying on crude oil as a sole source of income, in order to avoid the negative effects of the decline in crude oil prices in the global market.

3. Reducing imports, especially non-essential luxuries and consumer goods, and encouraging the import of productive goods that support and stimulate local production and investment projects that cannot be provided locally.

4. Rehabilitation and development of industrial facilities after they were destroyed and neglected, especially after 2003, as well as paying attention to human resources through developing and developing their skills and increasing their expertise.

5. Activate the trade protection policy to protect emerging local industries and oblige all ministries and government institutions to purchase their needs of national products to encourage them.

6. Eliminate financial and administrative corruption in all state institutions.

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