

Economic exposure and its impact on the index of economic freedom in Iraq For the period (2004-2021)

Maiami Salal sahib

Ameer Lateef Ghadhban

University of Al-Qadisiyah / College of Administration and Economics

Corresponding Author : Ameer Lateef Ghadhban

Abstract : The research is concerned with studying economic exposure and explaining its impact on competitiveness in the Iraqi economy, based on the principle that every country that suffers from economic exposure will have a dependent economy. Economic dependency, in its general sense, means the subordination of a backward national economy to an advanced national economy, whether it is the economy of a specific country. Or the economy of a specific region, and this submission or dependency is inclusive of all the variables that occur in the developed country or the decisions issued by it, as a result of the financial, commercial, and technical control that characterises the advanced economy. That is, it is a renewable, never-ending state in which countries, economies, and agents depend. Economists affect each other and a variety of different economic and non-economic factors for economic and non-economic reasons as well. Economic dependency is one of the most dangerous things that the state faces, as the economy of that country is exposed to violent economic shocks that weaken the structure of the economy and trade in it and then make it retreat from its obligations to the state and, the economy begins. With the collapse after a series of collapses in the value of the currency and the rise in prices in the markets, as a result of a change in economic policies in another country, or the exposure of that country to those changes as a result of a crisis or a previously unplanned situation, which affects the dependent country negatively and significantly. Therefore, we find that specialists are trying to Economic exposure is limited to its limits so that its negative effects are not greater than the capacity of that exposed economy that belongs to another country, which is what the research sought and reached through the conclusions and recommendations it reached.

INTRODUCTION: The developments in the international economy are wide-ranging developments characterised by speed and comprehensiveness, causing fundamental changes in many economic variables that have affected economic and social conditions. Whereas, the establishment of economic blocs and regional tendencies between countries, the increasing role of multinational companies and increasing their effectiveness in the international economy, the role of global economic institutions in managing the modern economic system, and technological developments in the field of means of communication and information. These great developments have created a new system for international economies, where the developed and developing world have become in front of economic policies, policies that depend on the market economy, and competition, maximising the role of the private sector and reducing the role of the government, as developing countries accelerated to apply these economic ideas, which are economic diversification, export diversity, import selection, and global competition to reduce the phenomenon of economic exposure.

And the fact that Iraq is one of the developing countries that depend mainly on oil products in the diversity of its exports, and therefore it must never pursue a serious economic policy that would address the imbalance in foreign trade policy, and this should follow various short-term economic plans, including long-term strategic plans to reach the achievement of economic goals properly and then launch to the stage of stability and promote economic construction based on diversification in exports and reduce imports, and this requires Political will before it is an economic will as Iraq is among the developing countries in which political variables play a prominent role in making economic decisions in Iraq.

The Importance of Research

The importance of the research comes from the subject which seeks to address the problem of economic exposure that Iraq has been suffering from for decades, and the importance of the research comes from linking the impact of economic exposure to indicators of economic freedom (government spending, exchange rate) in Iraq.

Search problem

The research problem is the following question, which is whether there is an impact of economic exposure on the indicators of economic freedom in Iraq.

Research hypothesis

The research assumes that economic exposure has harmful effects on the Iraqi economy and indicators of economic freedom in it, and the state cannot achieve its goals in the presence of this problem.

Research Objectives

The research aims to define the concept of economic exposure and the extent of its impact on the economy of the state, as well as the index of economic freedom and the impact of economic exposure on it.

The first topic

Economic Exposure and the Index of Economic Freedom (Theoretical framework)

The first requirement: the concept of economic exposure.

The concept of economic exposure as one of the indicators to measure economic dependence, refers to the degree to which the national economy depends on its trade relations with the countries of the world and what is the nature of that relations and the types of goods exported and imported from and to abroad⁽¹⁾, that is, economic exposure can be expressed by knowing the importance of exports and imports, which are naturally measured relative to the size of GDP, and then the role of the economic analyst comes to distinguish the difference between the causes of the imbalance by knowing The importance of exports of goods to output and then measures the importance of imports to output, the higher the proportion of imports indicates that the economy is approaching the state of economic exposure and then economic dependence⁽²⁾, and sometimes does not mean its rise is evidence of economic dependence, but rather indicates the possibility of exposure of the country's economy to an emergency imbalance as a result of the circumstances surrounding foreign trade.

Second Requirement: Economic Exposure Indicators

We can show the indicators of economic exposure of any country through its trade exchanges with other countries of the world, represented in the export index and the import index, and compare them with the size of the gross domestic product of that country, which is expressed through the trade balance in the balance of payments and, record in this balance the visible trade of any trade in movable goods exported by the population or imported by non-residents with specific exceptions due to changes in ownership such as (processed goods, goods purchased at ports and airports, cashless gold)⁽³⁾ The trade balance of a country is a statement of the difference between the value of what it exports during a certain period, usually a year, and the value of what it imports during the same period, if the difference is positive, it is called the surplus of the trade balance, and if the difference is negative, the deficit in the trade balance is called that amount as well, but in the case of equal export values with the values of imports, it is said that the trade balance is equal, The trade balance of a country may refer to its exports and imports with the countries of the outside world in general and may refer to its exports and imports with a particular country or group of countries.⁽⁴⁾ The components of the trade balance of exports and imports will be analysed as important indicators to be relied upon to know and analyse the degree of economic exposure of the country.

First: Export Index

The export index is one of the most important indicators known and adopted to determine the degree of economic exposure of a country, as economic exposure can be known through the analysis of the importance of exports to GDP, and the export coverage index can be obtained by dividing the total export volume of the country's products by the size of its GDP for the same year. Exports represent one of the two sides of foreign trade to GDP and are one of the indicators that measure the degree of real depth of foreign trade, and whenever that ratio develops according to the index, exports have a role in pushing economic growth rates to increase and rise. This leads to positive results that can accrue to the national economy of the country concerned, and this indicator can be achieved through the following equation:

$$T = \{ X / Y \} \times 100$$

:Where

T: degree of economic exposure relative to the export index

X: Export value

Y: GDP

Michel Todaro, Economic Development, First Edition, translated and Arabized by Mahmoud Hasm Hosni and)¹ (Mahmoud Hamid Mahmoud, Dar Al-Mars for Publishing, Riyadh, 2009, p. 114.

for mor see:International Monetary Fund. Research Dept,World Economic Outlook,Subdued Demand, 2016,p,49.)² (Abdul Karim Jaber Shanjar Al-Issawi, International Finance, Modern Introduction, 1st Edition, Najaf Al-Ashraf,)³ (Al-Nibras Foundation for Printing, Publishing and Distribution, 2006, p. 210.

Saleh Yasser Hassan, International Economic Relations, 1st Edition, Baghdad, Dar Al-Rowad Al-Izhira for)⁴ (Printing and Publishing, 2006, p. 511.

Second: Imports Index

In most cases, the imports received by the country represent a weak point for the importing country as they express the exit of hard foreign currency from the country towards other countries, and then its economic and commercial capabilities are significantly reduced, except importing capital goods that can be used for manufacturing within the country, as they represent a strong point for the country when it obtains them, especially if they are with their services and learn how to maintain them and access spare parts easily without complexity. The import of modern technology conditional on training is a source of strength for the importing country if it improves its use and reduces its side effects, including laying off workers and others, and this indicator can be calculated according to the following equation⁽⁵⁾:

$$T = \{ M / Y \} \times 100$$

Where:

T: degree of economic exposure relative to an index of imports

M: Value of imports

Y: GDP

Second Requirement: The Index of Economic Freedom

It is an index developed by the HERITAGE Institute in the United States of America, which measures and evaluates four basic aspects of the economic and entrepreneurial environment that represent the focus of government policies worldwide, including⁽⁶⁾

- Rules of law
- Size of government
- Organizational efficiency
- Market openness

This indicator is calculated based on 12 sub-indicators combined within the four totals adopted by the index, which include⁽⁷⁾

1. Rules of law include (property rights, government integrity, and judicial effectiveness)
2. The size of the government includes (government spending, tax burden, and fiscal health)
3. Regulatory efficiency (business freedom, labour freedom, and monetary policy)
4. Openness of markets (freedom of trade, freedom of investment, and financial policy).

The second topic

Analysis of economic exposure indicators in Iraq for the period 2004-2021

It is no secret to researchers and specialists that Iraq is one of the developing countries rich in oil and its derivatives, as well as minerals and other extractive products, which Iraq has specialized in exporting abroad for decades and is still the commodities that rank first among the exported commodities and Table (1), shows that fuel in all its forms has occupied 98.2% of the total Iraqi exports, which includes exports of fuel for the souls of oil (gasoline) for engines (except) aircraft engines, Followed by oils and whole preparations naphtha of petroleum oils or bituminous mineral materials, which were all classified within the first category of exports, followed by exports of agricultural products by only 0.88%, then minerals and salts, followed by products of animal origin by 0.14%, then food industrial products such as vinegar and beverages by 0.08%, while the export of paper and cardboard paper occupied 0.05% of the total Iraqi exports abroad. And in the same proportions for fruit and vegetable preparations, other unclassified commodities accounted for 0.21%. From that, we find that there is a large concentration in the Iraqi economy by exporting only one commodity to the world, which is crude oil, As for the exporting countries, they were the United Arab Emirates, China, India, the United States of America, Iran, Turkey, Saudi Arabia and other countries in the world.⁽⁸⁾

Table (1)Average types of goods exported from Iraq for the period 2004-2021

T	Types of exported goods	Significance Ratio
1	Fuels, Mineral oils and distillates, bituminous materials, mineral waxes	98.2
2	Edible fruits and fruits, citrus peels and watermelon or melon peels	0.88
3	Casting iron (back), iron and steel (steel)	0.19
4	Salt: sulphur, dust, lime plaster stones and cement	0.16

Muhammad Abdullah Shaheen Mohamed, International Trade and its Impact on the Foreign Trade of Arab)⁵ (Countries, 1st Edition, Dar Hamithra for Publishing and Distribution, Cairo, 2018, p. 43.

Arab Monetary Fund, Arab Economies Competitiveness Report, 2022, p 26)⁶ (

(⁷)Arab Planning Institute, Guide to International Development Indicators and Databases, 1st edition, 2019, p31

. Ministry of Planning, Central Bureau of Statistics, Directorate of Trade Statistics, Annual Report on Exports for)⁸ (the year 2021, p. 42.

5	Other products of animal origin not elsewhere mentioned or included	0.14
6	Alcoholic liquid drinks and vinegar	0.08
7	Paper and cardboard (carton) made of cellulose paste or paper or cardboard	0.05
8	Vegetable preparations, fruit or fruit preparations and preparations of other plant parts	0.05
9	Organic Chemical Products	0.04
10	Other Miscellaneous Goods	0.21
11	Total	%100

Source: The table prepared by the researcher is based on the Ministry of Planning, Iraqi exports report for the period 2004-2021, and can be inferred from the export table for the year 2021, p. 16.

In terms of the value of Iraqi exports abroad, we note that they are increasing and growing positively in most years, except for those in which Iraq is exposed to financial crises, when looking at Table (2) and the accompanying figure (1), we note that the value of exports increased from 25,877,930 million dinars in 2004 to reach 34,881,984 million in 2005, meaning that it achieved a growth rate of 4.793%, which is a good indicator indicating the beginning of new business transactions after the economic embargo imposed on Iraq before In 2003, export growth continued at the same pace and increased during the duration of the study, With the exception of 2009 and due to the repercussions of the financial crisis on Iraq, the volume of exports decreased to 46,602,714 million dinars and recorded a relative decrease of -39.21%, as a result of the decline in the prices of exported crude oil, which constitutes the highest percentage of exports as explained in the previous table and at a rate of 98.2%, and thus the impact was significant on the Iraqi economy in this year, either in 2010 and 2011 and with the improvement of the general economic situation with the rise in the value of crude oil prices, the volume of exports increased to 95,298,476 Million dinars in 2011, has achieved a growth rate of 55.22%, but it fell as a result of the decline in oil prices again by the end of 2011 until it achieved a growth rate of 21.89% in 2012, which is also a good percentage, but indicates that the Iraqi economy is subject to fluctuations in trade and global demand, especially with Iraq exposed to a double shock (security and economic) represented by the decline in crude oil prices again at the end of 2013 and the occupation of terrorist organizations in some provinces of Iraq in 2014 and the continuation of their control over those Northern and western governorates in conjunction with the decline in oil prices and the cessation of export capacity, We note the decline in exports from 101,595,408 million in 2013 to 51,967,725 million in 2016, punctuated by a record decrease of -37.22% in 2015, while in 2016 the decline rate was -18.80%, with the improvement of the general situation and the liberation of the governorates from terrorism and the rise in crude oil prices again, we notice that the volume of exports increased to 72,409,222 million in 2017, with a growth rate of 39.33%. It rose to 49.44% in 2018, but it quickly declined to a negative growth of -5.15% in 2019 and then decreased to 58,669,218 million in 2020 with a negative growth rate of -42.66%, as a result of the decline in crude oil prices again, affected by the spread of the COVID-19 epidemic around the world and the imposition of preventive measures, including the cessation of exports, production and all forms of trade between countries, But in 2021, with the easing of the aforementioned health measures, the restoration of the global system of trade activity, and the easing of restrictions, Iraqi exports achieved a growth rate of 80.75%, which is the highest growth rate during the study period.

As for the Iraqi imports, they vary as they are increasing in general, and this comes as a natural result of a set of factors, including what is natural, such as the increasing population and the increasing need for various services, including education, health and others, and some of them are due to the nature of the structure of the Iraqi economy, which lacks the infrastructure to produce goods and services, which will address the problem of imports from abroad. There are also reasons related to the volume of revenues as well, Whenever Iraq achieved financial revenues, it had the space to increase spending, which represents imports from abroad, but in the event of a decrease in the volume of financial revenues, Iraq will resort to reducing the volume of imports from abroad to avoid the deficit in the trade balance, as it may resort to preventing imports in the case of encouraging national products and other reasons and justifications that lead to an increase or reduction in the volume of imports from abroad, We note through Table (3) that the volume of imports in 2004 amounted to 30,952,242 million dinars to 27,593,563 million and a growth rate of -6.28% in 2006, and with the intensification of terrorist acts and the difficulty of importing from abroad from border crossings, the volume of import decreased to 24905272 million and at a rate of -11.2%, and continued to decline in 2007 also to -23.67%, either in 2008, with the improvement of the security situation and the improvement of the Iraqi economic situation coupled with the improvement of oil prices globally, the volume of imports from abroad has increased to 36,295,954 million dinars, with a growth rate of 72.33%, and a high percentage of it was to cover security and defense expenses as well as other expenses related to the establishment of infrastructure related to health, educational and other services, In 2009, with the impact of low crude oil prices on the Iraqi economy due to the repercussions of the global financial crisis that occurred in 2009, the volume of imports decreased to 11,991,508 million in 2009, with a growth rate of -66.96%, and the impact of external and internal factors and conditions continued to affect the volume of imports from abroad throughout the study period and the decline in crude oil prices

had a major role in determining the volume of imports and restricting them. As happened in 2014 when the government resorted to rationalising spending in all its forms in Iraq as a result of the security conditions and the decline in oil prices, which led to a decline in the rate of imports from abroad by -11.70% in 2014 as well as in 2015 until the decline in imports reached -26.99% in 2016. However, it began to gradually escalate since 2017 with the liberation of Iraqi cities and the rise in oil prices, which generated financial revenues for Iraq that stimulated laxity in rationalisation and preventing imports, so we find that it rose by 11.57% in 2017, then to 20.7% in 2018, and then rose 27.62% in 2019, as a result of fears of the spread of the COVID-19 epidemic by the end of 2019, this percentage has already decreased to -17.24% in 2020 with the spread of the disease globally, and the selection was closed between the countries of the world. In addition to the decline in crude oil prices globally as a result of the cessation of manufacturing, transportation, and all commercial and industrial activities, while imports began to increase at the beginning of 2021, coupled with the easing of preventive measures against COVID-19, and the import rate rose to 22.10%.

As for the rate of economic exposure, we note through Table (2) the presence of a high percentage of exposure in the Iraqi economy, which we obtain by adding exports with imports and dividing the figure by the gross domestic product multiplied by 100⁽⁹⁾, as we have shown previously. When looking at the table and the results achieved, we note that Iraq suffers from economic exposure significantly, which is subject to global trade changes and fluctuations and to a very large extent hinders the achievement of stability and sustainable economic growth, we note that the lowest percentage was 44.8% in 2009, due to the low volume of GDP on the one hand, as well as the decline in exports abroad on the other hand, while it continued to rise in the following years within the period of the study, we note the increase in the percentage of exposure to 98.1% in 2008. The truth is a serious problem that must be addressed and addressed radically, as can be attributed mainly to the concentration of exports and the lack of adoption of a policy of economic diversification as well as the lack of economic partnerships with abroad, and the nature of other exports that are characterised by primary products, not with intellectual effort or distinct they are not characterized by high accuracy or advanced technologies⁽¹⁰⁾. The economic exposure of Iraq also has domestic and international dimensions that can be reached through in-depth analysis of the three components of economic exposure, namely the type of exports, imports and gross domestic product⁽¹¹⁾. Each sector has a set of factors affecting it, which change according to the surrounding circumstances, whether for exports or imports, as we have shown in the past, and it was largely overshadowed by the limitation of Iraqi exports of crude oil abroad⁽¹²⁾. Therefore, we find in some years in which the economic exposure rate increased, then we note a decrease to 45.1% in 2016, to rise again to 55.3% in 2017, then to continue the degree of economic exposure after it to 62.5% in 2019 and then decreased to 55.3% in 2020 as a result of the decrease in the volume of gross product and the impact of the Corona virus on the countries of the world and then the general economic activity, and from that we find that Iraq must pursue a serious economic policy that would address the imbalance in foreign trade policy and that This is in accordance with various economic plans, including short-term, including long-term strategic plans in order to reach the achievement of economic goals properly and then launch the stage of stability and enhance economic construction based on diversification in exports and reduction in imports, and this requires a political will before it is an economic will, as Iraq is among the developing countries in which political variables play a prominent role in making economic decisions in Iraq.

Table (2) Economic Exposure Indicators for the Period 2004 – 2021

Years	Exports	Export growth rate %	Imports	GDP Factor Imports %	GDP at current prices	GDP growth rate %	Economic exposure rate %
2004	25,877,930	-	30,952,242	-	53,235,358	-	106.7
2005	34,881,984	34.79	29,443,238	(4.87)	73,533,598	38.12	87.4
2006	45,028,800	29.08	27,593,563	(6.28)	95,587,954	29.9	75.9

Hajar Adnan Zaki, Economics of Exposure, research published in the Iraqi Journal of Economic Sciences Volume)⁹ (3) Issue (7) without year of publication, p. 292, published on the site www.iasj.net/iasj/download/Off1fce78de42bc4

Muhammad Ali Zaini, Iraqi Economy, Past, Present and Future Options, 3rd Edition, Dar Malak for Printing and)¹⁰ (Publishing, Baghdad, 2009, p 281.

. Michel Todaro, Economic Development, translated by Mahmoud Hassan Hosni and Mahmoud Hamid)¹¹ (Mahmoud, previous source, p. 51.

Hassan Latif Kazem Al-Zaidi and Akhzoun, Iraqi Oil and Oil Policy in Iraq and the Region under the American)¹² (Occupation, Iraq Center for Studies, 2007, p. 28.

2007	50,156,729	11.38	21,060,708	(23.67)	111,455,813	16.6	63.8
2008	76,662,378	52.84	36,295,954	72.33	157,026,062	40.8	71.9
2009	46,602,714	39.21	11,991,508	(66.96)	130,642,187	(16.8)	44.8
2010	61,392,104	31.73	44,271,008	269.18	158,521,511	21.3	66.6
2011	95,298,476	55.22	48,596,470	9.77	211,309,950	33.3	68.0
2012	116,159,697	21.89	58,935,674	21.27	254,255,490	20.3	68.8
2013	110,595,408	4.79	62,150,581	5.47	273,587,529	7.6	63.1
2014	64,006,016	7.81	54,872,921	(11.70)	266,420,384	(2.6)	58.8
2015	64,006,016	37.22	50,888,200	(7.26)	207,876,191	(21.9)	55.2
2016	51,967,725	18.80	37,150,695	(26.99)	196,536,350	(5.4)	45.3
2017	72,409,222	39.33	41,452,106	11.57	221,665,709	12.7	51.3
2018	108,209,080	49.44	48,711,252	17.51	268,918,874	21.3	58.3
2019	102,416,296	5.15	62,167,341	27.62	262,917,150	(2.2)	62.5
2020	58,669,218	42.66	51,445,616	(17.24)	198,774,325	(24.3)	55.3
2021	105,940,520	90.00	59,474,560	22.10	301,439,533	51.6	54.8

Source: Table prepared by the researcher based on the data of the Central Bank of Iraq, Directorate of Statistics and Research, annual bulletins for different years

Second Requirement: Analysis of the Index of Economic Freedom

First: Government Expenditure

When tracking the structure of public expenditures in Iraq for the period 2004-2021, we find that the public spending policy in Iraq tends to rise in general, so we note through Table (2) that the total public expenditures during the period 2004-2006 have achieved a positive growth rate, after reaching 32117.9 billion dinars in 2004, then the volume of total spending decreased. To 26375.1 billion in 2005, the negative growth rate was -17.8%, while it rose to 37494.4 billion in 2006, with a growth rate of 42.1%. This is due to a set of reasons, including the increase in funds as a result of the increase in the volume of oil exports abroad after the lifting of the economic blockade, as well as the improvement in oil prices globally, the other reason is the need for material requirements of various types and varieties, which enhanced the volume of public spending on various economic sectors in Iraq, but in 2007 the growth rate in public spending declined to 4.1%. This is due to many reasons, the most important of which is the decline in the security situation and the decline in Iraqi oil production, Either way in 2008 the volume of public spending returned to rise by 67277.1 billion dinars and a growth rate of 71.1%, while in 2009 and because of the impact of the global financial crisis, this was negatively reflected on the prices of exported oil and as these funds are the main source of financing the state's general budget, the volume of total spending has declined to achieve a ratio of 17.3, In 2009, as a result of the reflection of the global financial crisis on the volume of Iraqi oil exports, As for the period from 2010 to 2013, the volume of total spending in Iraq increased again thanks to the improvement in oil prices and the end of the financial crisis, while we find that it declined again for the period from 2014 to 2017, in the first year, terrorist groups occupied some provinces of Iraq, including Salah al-Din and parts of Kirkuk province, which has oil and the largest oil refinery as well. Thus, the volume of spending decreased in 2014 to 83556.2 billion dinars and a negative growth rate of -29.8%, and it also decreased again in 2015 to reach the volume of total spending of 70397.5 billion dinars and a negative growth rate of -15.7%, which is a result of the continued occupation of terrorism in some northern and western provinces of Iraq, but in 2016 the volume of spending was 65315.7 billion and a decrease of 7.2% from the previous year. In 2017, the volume of total spending in Iraq continued to decline after the tightening of rationalization and austerity policies until the rate of decline reached -15.5% in 2017, As for the period from 2018 to 2020, and after the governorates were liberated from terrorists in 2017, there was a need to increase public spending, as well as the opening of roads and transportation between governorates with the countries of the world, which encouraged the achievement of financial revenues, at the same time, the need for an increase in public spending appeared until public spending rose from 80873.2 billion in 2018 to 111723.6 billion in 2019, with a growth rate of 38.1%, but it quickly decreased to 62141.7 billion. In 2020, there was a decrease of -44.4%, which is the highest negative growth rate in the duration of the study of public spending in Iraq, and it came for many reasons, including the decrease in the volume of public revenues mainly as a result of the spread of the Coronavirus Covid-19, which appeared at the end of 2019, but in 2021, after the partial improvement of the international general situation and the resumption of international trade exchange, the volume of total public spending increased to 84912.8 billion dinars, with a positive growth rate of 36.6%. When looking at the detail and quality of these public expenditures, we find that current expenditures accounted for the largest percentage compared to investment spending, and throughout the study period from 2004 to 2021, we note that more than 75% of the expenditures are ongoing and less than 25% are investment expenses throughout the study period, as shown in the aforementioned table.

The rates of current spending change according to the circumstances surrounding the state and global conditions that reflect positively or negatively, as we noted in the analysis a little while ago, and when referring to the table referred

to, we note that the rate of current spending was fluctuating up and down according to the circumstances, it decreased in 2005 by -25.1% as a result of weak infrastructure and a low volume of financial revenues in Iraq. It then rose from 2006 to 2008 and achieved positive growth in relation to the volume of current expenditures, but it declined in 2009 by -12.2%, while current spending rose again until it stopped positive growth in 2014 to 2016. Beginning when terrorism occupied some provinces of Iraq and affected by -25.6%, then the subsequent decline in oil prices and other conditions until it achieved a negative growth rate of -8.0% in 2016, then the volume of current spending rose again for the period from 2017 to 2019, with a growth rate of 23.8% in 2017 until a growth rate of 39.2% in 2019, while it decreased again significantly to -43.4% in 2020, and this comes when Iraq faced a state of health alert. The situation of other countries as a result of the spread of the Corona epidemic around the year, where Iraq reduced expenditures underway, but health and defense expenditures, as they had priority in spending and were not affected by the austerity that occurred, whether in 2014 or 2020 and others. As for investment expenditures, they are exposed to severe changes between the availability of financial liquidity and the options of spending on the current account or on the investment account, as well as the need for the availability of the appropriate investment environment to achieve the benefit of those funds spent on the investment side and ensure the achievement of the objectives. The aforementioned table shows that the growth rate of investment spending achieved a rate of 51.7% in 2005, which is an excellent health condition that shows the extent of feeling the importance of investment to achieve the economic goals of Iraq, while it gradually decreased to 11.3% in 2007 and then rose to 127.3% in 2008 before the financial crisis, but after its occurrence and the emergence of its impact in 2009, the rate of spending on investment declined to -35.6%, but it achieved a positive growth rate for the period from 2010 to 2013. While the year 2014 declined as a result of the occupation of some Raqi governorates by terrorism, as we mentioned, this reflected negatively on investment spending directly until it achieved a negative growth rate of -38.3%, and this extended successively until it achieved a negative growth rate of -5.2% in 2018, but it rose quickly to 33.8%, while it decreased significantly to -48.8% in 2020. This indicates that the government prioritizes current expenditures and is more biased towards them than it is committed towards investment expenditures, despite the re-increase in 2021 by 47.3%. Its contribution remained only 18.6% of the total public expenditure in Iraq.

As for the exchange rate index, we note that after the events of 2003, when the Central Bank of Iraq obtained its independence in drawing up and implementing its monetary policy under Law 56 of 2004 and the announcement of the start of a restructuring process in order to build strong foundations for this economy within the framework of the trend towards a market economy, monetary policymakers followed the resort to an exchange rate system that is compatible with the economic developments in Iraq and this system can achieve improvement and stability in the value of the Iraqi dinar. In late 2003, the Central Bank set up a foreign currency window to announce the end of the application of the multiple exchange systems in Iraq and the resulting distortions and the adoption of a managed floating exchange rate system as announced by the Central Bank of Iraq. It is the method used to manage the exchange rate in this period, it is a new method in Iraq managed floatation, which is determined according to the mechanism of supply and demand, but under the control and supervision of the Central Bank of the importance of the exchange rate in the Iraqi economy has been put this pattern to reduce the fluctuations of the value of the dinar against the dollar, and a convergence between the nominal exchange rate and the parallel or real exchange rate. After there was a plurality in exchange rates as mentioned above, the importance of the exchange rate has increased significantly in the Iraqi economy and has become one of the most important economic indicators that show the extent of monetary stability in Iraq⁽¹³⁾, as the change in the exchange rate affects the volume of trade exchange with abroad expressed in the balance of trade, as well as through its impact on foreign investment and capital flows to and from abroad, in the event of an increase in local interest rates, this works to attract heads Money to the inside, and vice versa, and we can indicate the most important types of exchange rate that are directly reflected on the general economic reality in Iraq are as follows:

1. Official exchange rate: It is the exchange rate determined by the government in accordance with the General Budget Law and the monetary policy in Iraq to evaluate all revenues of the public treasury, including government transactions.
2. Parallel exchange rate: It is the price whose value is determined according to the standard of supply and demand in the market and changes according to the general economic conditions, meaning that it is determined daily according to the market price and is widely used locally and abroad in the market, especially in the private sector and small traders.

We can note through Table (1) the evolution of the exchange rate of the Iraqi dinar against the US dollar for the period (2004-2021) that the exchange rate of the Iraqi dinar in the parallel market reached (1453) (dinars / dollar) which is

Ismail Obaid Hammadi, Structural Imbalances in the Iraqi Economy, Diagnosis and Ways to Address, Iraq Center)¹³ (for Research and Studies, A Future Vision in the Iraqi Economy, No. 3, 2006, p. 42.

equivalent to the exchange rate in the official market (1453) (dinars / dollar) due to the exchange of the currency with a new currency that has gained general acceptance, as it provides safety and the difficulty of counterfeiting, which enhances confidence in the Iraqi dinar and then the demand for the Iraqi dinar as a good store of value increased⁽¹⁴⁾. Then the exchange rate of the Iraqi dinar decreased slightly in 2005, as the parallel exchange rate reached (1472) (dinars / dollar) and in the official market (1469) (dinars / dollar) due to the deterioration of the security situation and this reflected negatively on the costs of materials, including food prices and other supplies, which witnessed an increase in that period, but after 2006 the government changed the official exchange rate to give a greater value to the Iraqi dinar against the dollar and set the new exchange rate at 1255 dinars per US dollar. In 2007 after it was 1467 dinars per dollar, With these changes, the parallel exchange rate also decreased from 1475 dinars per dollar to 1267 dinars in 2007 and a decrease rate of -14.1%, which is very close to the rate of decline in the nominal exchange rate, which amounted to -14.4%, and this indicates the stability of the value of the Iraqi dinar and the stability of prices in general, but in 2008 the official exchange rate fell again to become 1193 dinars per dollar. With a decrease rate of -4.9%, while the parallel exchange rate decreased from 1267 to 1203 dinars per dollar, and a negative growth rate of -5.05%, meaning that there is more convergence to reach a balanced exchange rate between the two markets with the confluence of supply and demand for the dollar, while the period between (2009-2011) witnessed remarkable stability in the official and parallel markets as a result of the improvement in the value of the Iraqi dinar, which increased the confidence of individuals and narrowed the phenomenon of dollarization significantly. During the years (2012-2013), the official exchange rate fell to 1166 dinars per dollar, which strengthened the value of the Iraqi dinar better, while the parallel exchange rate rose slightly, due to the rise in oil prices and the increase in the Central Bank's reserves of foreign currency, as it reached in 2013 approximately 74 billion dollars, but during the period (2015-2019), the official exchange rate reached 1190 dinars per dollar. It is a price characterized by stability during the specified period, as for the parallel exchange rate, the difference has widened and was fluctuating between decline and rise, in 2015 it recorded 1247 dinars per dollar, with a growth rate of 2.7%, while in 2019 it recorded 1196 dinars per dollar, with a negative growth rate of -0.9%, and the reason for this difference is due to the application of Article 50 of the Federal Budget Law for the year 2015 by the Central Bank of Iraq⁽¹⁵⁾, Which included determining the quantities sold of foreign currency in the auction at approximately \$ 75 million per day, and when fears of widening the difference between the two prices began to be abandoned by the Central Bank, and this coincided with the conditions experienced by the Iraqi economy in the period represented by the decline in crude oil prices and the decline in foreign reserves as a result, as well as the deterioration of the security and political situation, and during this period the Central Bank was able through its monetary policy to maintain the stability of the exchange rate of the Iraqi dinar towards the dollar, and this means The stability of the bank's monetary policy in supporting the exchange rate of the Iraqi dinar during the conduct of monetary policy tools in a coordinated manner that helps to support economic activity, and to protect it from external shocks, as well as to strengthen the value of the local currency and make it an attractive currency, a means of payment and a store of value, but during the year 2020, the value of the Iraqi dinar fell against the US dollar, and the reason for this was the spread of the Corona pandemic (Covid-19), which led to the cessation of trade, the closure of borders between countries, and the decline in import, export and global trade operations and a significant decline in the world economy,⁽¹⁶⁾ Iraq is also an affected country, as the official exchange rate reached (1450) dinars per dollar with a growth rate of (21.8%) and this change came according to the requirements of the economic and financial situation and the objectives of monetary policy, while the parallel exchange rate reached 1485. As shown in Table(4) below.

Table (4) Indicators of Economic Freedom in Iraq for the period (2004-2021)

Years	Spending Overall Year	Spending Ongoing	Investment Spending	Total spending growth rate %	Growth rate of current spending %	rate Investment spending growth %	Official Price	growth % rate	Parallel price	growth % rate
2004	32117.9	29102.7	3014.7	-	-	-	1453	-	1453	-
2005	26375.1	21803.1	4572.0	-17.8	-25.1	51.7	1469	1.1	1472	1.3
2006	37494.4	31575.7	5918.6	42.1	44.8	29.5	1467	-0.1	1475	0.2

. Atef Lafi Marzouk, Problems of Economic Transformation in Iraq, 1st Edition, Baghdad, Iraq Center for Studies,)¹⁴ (2007, pp. 24 and 25.

See Iraqi Ministry of Finance, General Fiscal Budget Law for the year 2015, available at www.mof.gov.iq)¹⁵ (. Fares Karim Buraihi, Mays Abdul Amir Kesheesh, "The Structural Imbalance of the Iraqi Trade Balance for the)¹⁶ (Period (1990-2014: An Analytical Study", Journal of Administrative and Economic Sciences, University of Baghdad, College of Administration and Economics, Volume 23, Issue 101, 2017, p. 323.

2007	39308.3	32719.8	6588.5	4.8	3.6	11.3	1255	-14.4	1267	-14.1
2008	67277.1	52301.1	14976	71.1	59.8	127.3	1193	-4.9	1203	-5.05
2009	55589.7	45941	9648.6	-17.3	-12.2	-35.6	1170	-1.9	1182	-1.7
2010	70134.2	54580.8	15553.3	26.1	18.8	61.2	1170	0	1185	1.2
2011	78757.6	60925.5	17832.1	12.29	11.6	14.7	1170	0	1196	0.9
2012	105139.5	75788.6	29350.9	33.4	24.4	64.6	1166	-0.3	1233	3.1
2013	119127.5	78746.8	40380.7	13.3	3.9	37.6	1169	0	1232	-0.18
2014	83556.2	58625.4	24930.7	-29.8	-25.6	-38.3	1188	1.8	1214	-1.5
2015	70397.5	51832.8	18564.6	-15.7	-11.6	-25.5	1190	0.1	1247	2.7
2016	65315.7	47680.4	17635.3	-7.2	-8.0	-5.0	1190	0	1275	2.2
2017	75490.1	59025.6	16464.4	-15.5	23.8	-6.6	1190	0	1258	-1.3
2018	80873.2	65268.5	15604.7	7.1	10.6	-5.2	1190	0	1208	-3.9
2019	111723.6	90845.3	20878.3	38.1	39.2	33.8	1190	0	1196	-0.9
2020	62141.7	51455.5	10686.2	-44.4	-43.4	-48.8	1450	21.8	1480	3.17
2021	84912.8	69189.8	15723.1	36.6	34.5	47.3	1450	0	1485	0.33

Source

1. Ministry of Finance, Budget Department and Final Accounts Department for the period (2004-2021)
2. Central Bank of Iraq, Annual reports for the period 2004-2021.

Third requirement: Analysis of the relationship between economic exposure indicators and the economic freedom index

As for the impact of exposure on government spending, we note through Table (5), that when the exposure rate decreased by -22.1%, the expenditure rate decreased to -21.8%, meaning that there was a positive relationship between them in 2005, and when the exposure rate continued to decline in 2006 and 2007, the expenditure rate achieved a positive growth of 29.7% in 2006 while it reached 4.6% in 2007, In 2008, when the economic exposure rate rose to 71.9%, the growth rate of public spending rose to 41.6%, meaning that there is a direct relationship between them, while the exposure rate decreased to 44.8% in 2009, at the same time the spending rate decreased by -21.0%, meaning that a positive relationship also appeared between them, and the direct relationship between them continued from 2010 until 2018, where it became an inverse relationship between them, as the exposure rate rose to 58.3% while it decreased the Public expenditure rate from 13.5% to 6.7% , As for the period from 2019 to 2020, the disability has become positive, as the rate of exposure decreases, the rate of expenditure decreases, but it became inversely related in 2021, as the economic exposure rate decreased slightly, reaching 54.8%, while the spending rate increased to 26.8% for the same year 2021, which is shown in the table and the figure attached to it.

As for the impact of exposure on the parallel exchange rate, we note through the table, that when the exposure decreased, which amounted to 87.4%, the parallel exchange rate rose by \$ 18 from the previous year until it reached 1472, meaning that there is an inverse relationship between them in 2005, and when the decline continued in 2006 and 2007 with economic exposure, we note that the parallel exchange rate rose slightly by \$ 3 until it reached 1475, but in 2007 it fell by \$ 208 until it reached 1267 for the year Previous, that is, the relationship in 2006 is inverse, while in 2007 it is positive, but when in 2008, when it rose by 17.9%, the parallel exchange rate fell by \$ 63 from the previous year until it reached 1203, meaning that the relationship there is an inverse relationship between them, but when in 2009, when economic exposure decreased by 44.8%, the parallel exchange rate also fell until it reached 1182, meaning that they have a direct relationship during this year, and this relationship continued until In 2014, but during the period (2015_2019), the relationship between them became inverse, but in 2020, when economic exposure decreased by 55.3%, the parallel exchange rate decreased by 1480 from the previous year, meaning that the relationship between them is positive, As for the year 2021, we notice that despite the slight decrease of 54.8%, the price of the exchange rose until it reached 1485.

**Table(5)The rate of economic Exposure, and its Impact on the Index of economic freedom in Iraq
For the period 2004-2021**

Years	Economic Exposure Rate %	Growth Rate	Official Price	Parallel price	Spending Overall Year Billion dinars	Growth rate of government spending
2004	106.7	-	1453	1453	32117.9	-
2005	87.4	-22.1	1469	1472	26375.1	-21.8
2006	75.9	-15.2	1467	1475	37494.4	29.7
2007	63.8	-19.0	1255	1267	39308.3	4.6
2008	71.9	11.3	1193	1203	67277.1	41.6
2009	44.8	-60.5	1170	1182	55589.7	-21.0
2010	66.6	32.7	1170	1185	70134.2	20.7

2011	68.0	2.1	1170	1196	78757.6	10.9
2012	68.8	1.2	1166	1233	105139.5	25.1
2013	63.1	-9.0	1169	1232	119127.5	11.7
2014	58.8	-7.3	1188	1214	83556.2	-42.6
2015	55.2	-6.5	1190	1247	70397.5	-18.7
2016	45.3	-21.9	1190	1275	65315.7	-7.8
2017	51.3	11.7	1190	1258	75490.1	13.5
2018	58.3	12.0	1190	1208	80873.2	6.7
2019	62.5	6.7	1190	1196	111723.6	27.6
2020	55.3	-13.0	1450	1480	62141.7	-79.8
2021	54.8	-0.9	1450	1485	84912.8	26.8

Source: Researcher work based on Table 2.3 data

The third topic

Conclusions and recommendations

First: Conclusions

1. The imports received by the country represent a weak point for the importing country as they reflect the exit of hard foreign currency from the country to other countries, and thus its economic and trade capabilities are significantly reduced, except for the import of capital goods that can be used for manufacturing within the country, which represents a strong point for the country.
2. The structure of Iraqi exports is strongly based on the export of one type of commodity product represented in crude oil, which takes a percentage of more than (98) %, and this is what made the Iraqi economy suffer from great economic exposure, which is subject to global trade changes and fluctuations and to a very large extent hinders stability and sustainable economic growth.
3. The Iraqi economy is subject to changes in international trade, as it depends mainly on international oil prices, and lacks the diversity of its products, and therefore the Iraqi economy is economically exposed and in high proportions.
4. Changes in Iraq's foreign trade caused a deficit in exports and exposure to the economy abroad.

Second: Recommendations:

1. Work to diversify the structure of public revenues and sources of income for a country by diversifying its exports and finding alternatives to petroleum products as the only source of income to evade the negative effects of low crude oil prices in the international market.
2. Reducing imports, especially non-essential luxury and consumer goods, and encouraging the import of productive goods that support and stimulate local production from productive industries with technological content and investment projects that cannot be provided locally.
3. It is necessary for the government to implement trade policies aimed at protecting local products by following some measures, including the application of customs tariffs to control border crossings and the development of standards to reduce commodity dumping, in order to contribute to stimulating production and encouraging local goods to compete and get rid of the negative effects of exposure and commercial dependence on the outside world.

Sources

First: Arabic Sources

1. Muhammad Ali Zaini, Iraqi Economy, Past, Present and Future Options, 3rd Edition, Dar Malak for Printing and Publishing, Baghdad, 2009.
2. Ismail Obaid Hammadi, Structural Imbalances in the Iraqi Economy, Diagnosis and Ways of Treatment, Iraq Center for Research and Studies, A Future Vision in the Iraqi Economy, No. 3, 2006.
3. Hassan Latif Kazem Al-Zaidi and Akhzoun, Iraqi Oil and Oil Policy in Iraq and the Region under the American Occupation, Iraq Center for Studies, 2007,.
4. Saleh Yasser Hassan, International Economic Relations, 1st Edition, Baghdad, Dar Al-Rowad Al-Izhira for Printing and Publishing, 2006.
5. Atef Lafi Marzouk, Problems of Economic Transformation in Iraq, 1st Edition, Baghdad, Iraq Center for Studies, 2007.
6. Abdul Karim Jaber Shanjar Al-Issawi, International Finance, Modern Introduction, 1st Edition, Najaf Al-Ashraf, Al-Nibras Foundation for Printing, Publishing and Distribution, 2006.
7. Mohamed Abdullah Shaheen Mohamed, International Trade and its Impact on the Foreign Trade of Arab Countries, 1st Edition, Dar Hamithra for Publishing and Distribution, Cairo, 2018,.
8. Arab Planning Institute, Guide to International Development Indicators and Databases, 1st Edition, 2019,
9. Michel Todaro, Economic Development, First Edition, translated and Arabized by Mahmoud Hasm Hosni and Mahmoud Hamid Mahmoud, Dar Al-Mars for Publishing, Riyadh, 2009

Second: Research and Studies:

1. Faris Karim Buraihi, Mays Abdul Amir Keshish, The structural imbalance of the Iraqi trade balance for the period (1990-2014) An analytical study, University of Baghdad, College of Administration and Economics, Journal of Economics and Administrative Sciences, Volume 23, Issue 114
2. See: Ali Hussein Muhammad, The Impact of Military Spending on the Development Path in Iraq for the Period (1990-2016), Iraqi Journal of Economic Sciences, Eighteenth Year, Sixty-fifth Issue, June, 2020,.

Third: Reports and Bulletins

1. Arab Monetary Fund, Arab Economies Competitiveness Report, 2022,
2. Ministry of Planning, Central Bureau of Statistics, Directorate of Trade Statistics, Annual Report on Exports for the year 2021,
3. Ministry of Finance, Budget Department and Final Accounts Department for the period (2004-2021)

Fourth: Websites:

1. Hajar Adnan Zaki, Economics of Exposure, research published in the Iraqi Journal of Economic Sciences, volume (3), issue (7), without year of publication, published on the site www.iasj.net/iasj/download/0ff1fce78de42bc4
2. See Iraqi Ministry of Finance, General Financial Budget Law for the year 2015, available on the website www.mof.gov.iq

Fifth: Foreign Sources

1. for more see: International Monetary Fund. Research Dept, World Economic Outlook, Subdued Demand, 2016,.