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Analyzing and measuring the impact of the public budget deficit on the trade balance In Iraq for the period (2004-2022)

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Abstract: The aim of the study is to measure and analyze the impact of the public budget deficit on the trade balance in Iraq for a period of approximately two decades (2004-2022). The study utilizes both deductive and inductive methods for reaching its aim. The data used in this study was collected from the Iraqi Central Bank as well as the Iraqi finance ministry. To analyze the data and draw the study's conclusion a statistical software called (SPSS) was used. After carrying out correlation and regression analysis the study found out that there is a strong positive and statistically significant relationship between the Iraqi public budget deficit and trade balance implying that when the Iraqi public budget goes unbalanced so does the Iraqi trade balance.

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تحليل وقياس أثر عجز الموازنة العامة على الميزان التجاري في العراق للمدة (2022-2004)

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المستخلص

هدفت الدراسة إلى قياس وتحليل أثر عجز الموازنة العامة على الميزان التجاري في العراق لمدة عقدين تقريباً (2004-2022). وتستخدم الدراسة كلا من الأساليب الاستنتاجية والاستقرائية للوصول إلى هدفها. تم جمع البيانات المستخدمة في هذه الدراسة من البنك المركزي العراقي وكذلك وزارة المالية العراقية. ولتحليل البيانات واستخلاص نتائج الدراسة تم استخدام البرنامج الإحصائي المسمى (SPSS) وبعد إجراء تحليل الارتباط والانحدار توصلت الدراسة إلى أن هناك علاقة إيجابية قوية وذات دلالة إحصائية بين عجز الموازنة العامة العراقية والميزان التجاري، مما يعني أنه عندما تصبح الموازنة العامة العراقية غير متوازنة فإن الميزان التجاري العراقي يختل.

الكلمات المفتاحية: عجز الموازنة العامة، عجزالميزان التجاري، الاقتصاد العراقي.

1. Introduction

There is no doubt that Iraq after 2003 witnessed important shifts in its economic policy, as it shifted towards a market economy, economic reform programs, and the policy of trade openness. Which led to an increase in public expenditures, as the prominent feature of the Iraqi economy was the emergence of a financial deficit in the general budget, in addition to the suspension of most of the vital facilities in the industrial and agricultural sectors, which led to an increase in imports to meet the requirements of the local need.

The Iraqi economy is characterized as a rentier economy that suffers from an imbalance in the structure of production and is characterized by the dominance of the oil sector in the composition of the gross domestic product, and oil exports are the main sources of revenue of hard currency. Therefore, the trade balance deficit resulting from the decline in oil production and prices will be reflected in the public budget deficit. So, it must diversify the structure of the economy because of the negative economic and social effects that this has, as fiscal policy tends in the event of a deficit in the general budget to increase public revenues and control public spending. In the event of a deficit in the trade balance, it tends towards raising exports and reducing imports, and from here we understand the nature of the problem facing the Iraqi economy, which focuses its attention on one of the two deficits and not

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the other. It is necessary to coordinate between the two policies to deal with the two deficits, given the overlapping effect between them.

Study problem: The problem of the study lies in the presence of imbalances in the structure of the public budget and the structure of the trade balance, due to its dependence on crude oil exports. Which generated a structural imbalance in the structure of the trade balance, which is characterized by a high degree of economic exposure to external factors in terms of exports and humiliated because of its direct dependence on oil exports and a decrease in the share of exports in other sectors. Which in turn led to a fundamental imbalance in the structure of the public budget, which led to the simultaneous deficit of the general budget and the deficit of the trade balance, that is, the existence of a double deficit in the Iraqi economy. The problem of the study lies in the following question: - What is the nature of the expected impact of the general budget deficit on the trade balance deficit, is it positive or negative?

The importance of the study: The importance of the study comes from the fact that the general budget in Iraq is the important and primary tool in the hands of the government in influencing economic activity. In order to achieve economic, social and political goals, and therefore studying it will help us to identify the extent of the imbalance in the structure of the Iraqi economy's output. There is no doubt that the general budget is the financial center that expresses the requirements of investment and consumer spending and studying the current account as one of the external indicators that represents the nature of foreign trade.

This study provides an economic vision of the reasons for the imbalance in the general budget and trade balance and the overlapping effects between them, in light of the twin deficits in an oil and non-oil economy and an attempt to measure and analyze these deficits that most countries suffer from that depend on a single resource for their revenues.

Study Hypothesis:

A. The trade balance in Iraq suffers from a continuous surplus.
B. There is a positive impact of the public budget on the Iraqi trade balance.
C. There is a relationship of influence between the public budget deficit and the trade balance deficit, i.e. the presence of a double deficit in the Iraqi economy.

Study objectives: The study aims at the following:

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A. Analyze and measure the impact of the general budget deficit on the trade balance using the standard method during the study period.
B. Analyze the nature of the relationship between the public budget and the trade balance in Iraq.
C. Reduce unnecessary public spending as much as possible to reduce the public budget deficit and limit the continuous increase in imports and increase exports and thus reduce the trade balance deficit. In Iraq.

Scope of the study: The scope of the study includes spatially: Iraq and temporally: the period (2004-2022).

Study methodology: The writing of this study was based on two approaches, the first is the inductive approach by studying the theoretical framework and analyzing the study indicators, as well as extrapolating the most important factors that lead to a deficit in the public budget and the current account. Correlation analysis is used to know the relationship between independent variables and the dependent variable. The normality tests are supplementary used to the graphical assessment of normality. Regression analysis used as a statistical method for undertaking and modeling the functional relationship between a response variable and a set of explanatory or predictor variables.

Structure of the study: For the purpose of reaching the objectives of the study, the study was divided into three sections. The first of which was devoted to the theoretical aspect of the study, while the second section was devoted to the descriptive analysis aspect of the variables of the study. The third and final section was devoted to the quantitative aspect of the variables of the study and reaching accurate results for the nature of the relationship between the public budget and the trade balance.

2. Literature Review and Theoretical Framework

2-1. Literature Review: Numerous studies have been conducted on the impact of public budget deficit on trade balance in order to figure out the nature of this effect using different models. A number of studies done on this matter is presented in this research as follows.

According to a paper conducted by (Ogba, 2014: 145-159) on the impact of public budget deficit on trade balance in Nigeria using annual data in time series context with various statistical test concluded that there is a unidirectional relationship between the two in Nigeria. In the Nigerian case, the direction is from trade imbalance to budget deficit. Another study caried out by (Abbasi & Baseri, 2015: 187-188) to show the theoretical argument of the twin deficit hypothesis. For conducting his study, he chose Iran to examine the correlation between budget deficit and current account deficit for the period spanning from 1981 to 2012 using the generalized method of moments approach and using Keynesian and Ricardian theories on the budget shortfall. Based on his findings, there is a positive and significant relationship between budget deficit and current account.

The findings of a research done by (Ashoor 2021, 13(2)). state that the trade balance deficit leads to public budget deficit. One of the of the latest studies on the relationship between public budget deficit and trade balance has been conducted by (Zuhair and Zayer 2022, 8(4)). They examined the nature of the relationship between the two variables using the Autoregressive Distributed Deceleration Model and the Pairwise Granger Causality Tests. They presented a positive and causal effect of the budget deficit towards trade balance deficit which is in an opposite direction with both the Nigerian scenario and the one done by Ashoor mentioned above.

Indeed, the nature and type of the relationship is ambiguous in the sense that which one affects the other. Does public budget deficit lead to trade balance deficit or vice versa? because according to (Ogba and Ashoor 2014, 2021) respectively that is trade deficit leading to budget deficit, on the contrary (Zuhair and Zayer 2022, 8(4)) concluded that that is public budget deficit causing to trade balance deficit.

This study reexamines the relationship between the public budget deficit and trade balance to reveal the true nature and type of this relationship between the two variables by using some statistical techniques and tests.

2-2. Theoretical framework.

Public Budget: A public budget is a financial plan prepared and approved by a government, outlining its estimated revenues and proposed expenditures for a specific period, typically a fiscal year (Lewis, 2018: 151-225).

Public Revenue: represents the income that is generated by a government through various sources, including taxes, fees, fines, and other forms of receipts Muhammed, S.S (2019, 42-45).

Public expenditure: refers to the government's spending on various goods and services that the government has to provide for its society, including infrastructure, education, defense, healthcare and other social and welfare programs (Van and Sudhipongpracha 2015: 127-148).

budget deficit: refers to a government's expenditures exceed its revenues within a specific period. It indicates a shortage which is usually covered by borrowing or other financial means (Todorova, 2019: 1689-1699).

Budget surplus: indicates a government's revenues exceed its expenditures during a given time period. The government, in this position, has surplus funds that is may use to reduce debt or invest in various projects (Mohammed 2024: 196-206).

Budget Balance: refers to the government's financial situation, whether it has a surplus, deficit or running a balance budget. It is measured by taking the difference between total revenues and total expenditures (Bom & Ligthart 2014: 334-354).

2-2-1. Trade Balance

Trade: represents the action of the exchange of goods and services between two or more parties, often involving countries. It may take place through various forms such as imports, exports, and bilateral or multilateral agreements, leading to economic growth and international cooperation (Carbaugh, 2009: 31-35).

Trade Deficit: takes place when a country's imports of goods and services exceed its exports during a given period. It refers to a negative trade balance, showing that a nation imports more from foreign countries than it exports to them (Dunn and Mutti, 2004: 127-132).

Trade surplus: arises when a country's exports of goods and services exceed its imports during a specific time period. It shows a positive balance, indicating that a nation export more of goods and services to foreign countries than it imports from them (Dunn and Mutti, 2004: 27-132).

Trade balance: represents a country's ability to pay for its imports of goods and services from foreign nations with its exports of goods and services to them, indicating a country's competitiveness status in international trade (Carbaugh, 2009: 30-33).

2-3. The impact of public budget deficit on trade balance: The complex interplay between a nation's public budget deficit and its trade balance is a matter of considerable economic study and debate. Thus, Understanding the impact of the public budget on trade balance is crucial for decision makers in general and the economic decision makers in particular, as it indicates the intricate dynamics that shape a country's economic situation. The connection between the two can be analyzed through various economic methods (Khan, 2002: 123-124).

A public budget deficit takes place when a government's expenditures surpass its revenues. To cover the shortfall, the government may turn to borrowing. While this deficit spending can create and promote economic activity and foster growth, its impact on the trade balance depends on how it can influence broader economic factors (Todorova 2019:1689-1699).

One major mechanism connecting budget deficits to trade balances is through the effect on overall economic demand. Increased government spending injects money into the economy, which can promote consumer confidence and spending. This increase in domestic demand may lead to a surge in imports as consumers and businesses seek a wider variety of goods and services (Latif-Zaman and DaCosta 1990: 349-354).

The relationship becomes more obvious when considering the exchange rates play. In some situations, a budget deficit might lead to a devaluation of the national currency. Therefore, a weaker currency may make exports cheaper and thus more competitive on the global market. This can lead to improvements in the trade and curb imports. On the contrary, the continuity of high budget deficit, especially if financed through excessive borrowing, can raise concerns among investors because it leads to a rise in interest rates therefore foreign capital may be attracted as they seek better returns, resulting in an appreciation of the national currency. While this may make imports affordable, it might lower export competitiveness.

The effectiveness of fiscal and trade policies in shaping this relationship depends on several factors including economic openness, exchange rates flexibility, and the effectiveness of trade flows to changes in demand. An influential work that goes through these dynamics is the Macroeconomics book offered by Olivier Blanchard and David R. Johnson. It provides a comprehensive study of macroeconomic principles, including the complex connection between fiscal policies, trade balances, and broader economic outcomes.

In conclusion, the relationship between public budget deficits and trade balances is multidimensional and affected by various factors. Decision and Policy makers must take these dynamics into account to formulate sound and effective strategies that foster economic growth while maintaining a

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sustainable balance between domestic and international economic activities (Blanchard and Johnson 2013: 146-148).

3. Analysis of the impact of the Iraqi public budget on trade balance from (2004 to 2022).

3-1. Analysis of the Iraqi public budget from (2004 to 2002): After 2003, public spending in Iraq witnessed significant developments in both size and nature, as driven by the country's capacity to export substantial amounts of crude oil, which constitutes the most of the public budget revenues. These exports influenced the trade balance by increasing the export side. Simultaneously, immense government expenditure led to an increase in imports. This development can be revealed as follows.

Table (1): Iraqi Public budget for the period (2004-2022) millions of dollars

Date	Public Revenue	Annual percentage change	Public Expenditure	Annual percentage change %	Surplus / Deficit
2004	32,988,946	……	32,117,491	…….	871,455
2005	40,502,890	0.227	26,375,175	-0.178	14,127,715
2006	49,055,545	0.211	37,494,459	0.421	11,561,086
2007	54,599,451	0.113	39,308,348	0.048	15,291,103
2008	80,252,182	0.469	67,277,196	0.711	12,974,986
2009	55,243,526	-0.311	55,589,720	-0.173	-380,368
2010	70,178,284	0.270	70,134,201	0.261	44,083
2011	99,998,776	0.424	78,757,666	0.122	21,241,110
2012	119,817,014	0.198	105,140,082	0.334	14,676,932
2013	113,840,075	-0.049	119,127,555	0.133	-5,287,480
2014	105,386,623	-0.074	113,473,517	-0.047	-8,086,894
2015	66,470,252	-0.369	70,397,515	-0.379	-3,927,263
2016	54,409,270	-0.181	67,067,437	-0.047	-12,658,167
2017	77,335,955	0.421	75,490,115	0.125	1,845,840
2018	106,569,884	0.378	80,873,189	0.071	25,696,695
2019	107,566,995	0.009	111,723,523	0.381	-4,156,528
2020	63,199,689	-0.412	76,082,443	-0.319	-12,882,754
2021	109081464	0.725	102849659	0.351	6231805
2022	161697437	0.482	116959582	0.137	44737855

Prepared by the researchers based on the Iraqi Central Bank and Finance Ministry data.

Columns 3,5,6 were prepared by the researchers based the data given in columns 2 and 4.

After 2003, the public budget achieved a financial surplus due to increased oil revenues, leading to a rise in public revenues. The surplus reached an amount of (871.455) million dollars in (2004) and it continued to grow, reaching (12,974.986) millions in 2008, driven by increases in global oil demand and prices. However, in 2009, the budget faced a deficit of (346.194) million dollars due to the global financial crisis, which reduced global oil demand. By 2010, the budget returned to a surplus of (44.083) million, and with rising global demand on crude oil, it amounted to (14,676.932) million dollars in 2012.

From (2013) to (2016), the budget again experienced deficits, starting with a (5,287.480) million-dollar deficit in (2013) due to a dramatic decline in global oil demand and prices. The situation deteriorated due to security issues in Iraq and the rise of a terrorist group known as (ISIS) which took over three Iraqi governorates and that led to increased military spending and halted crude oil exports, causing to a shortage of (12,658.167) million-dollar in 2016. However, with increasing crude oil prices and improved security situations, the budget saw again a surplus of (25,696.695) million in 2018.
In (2019 and 2020), the budget again faced deficits. The 2019 deficit reached (4,156.528) million dollars due to an increase in government spending in response to the Iraqi youth protests demanding better public services and employment. In 2020, the deficit rose to (12,882.754) million dollars due to the COVID-19 pandemic, which ceased economic activities and decreased global oil demand significantly. The public budget again achieved a surplus in 2021 and 2022, amounting to (6,231.805 and 44,737.855) million dollars, respectively.

3-2. Analysis of the Iraqi trade balance from (2004 to 2022): The trade balance is a critical component of the balance of payments, highlighting the strengths and weaknesses of a country's economy over a specific period. The Iraqi economy faces structural imbalances due to its reliance on one resource for generating income which is oil extraction and export, that is negatively impacting the foreign trade structure. This reliance on one single source of income results in a trade balance deficit, leading to a disparity between the composition of exports and imports (Layla badewi and Ali Muhammad, 2022)

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Table (2): Iraqi Trade Balance for the period (2004-2022) millions of dollars

Date	Import	Export	Trade balance	Annual Percentage Change %
2004	21,302.3	17,808.0	-3,494.30	…….
2005	20,002.2	23,697.0	3,694.80	5.737
2006	18,707.5	30,529.4	11,821.9	219.960
2007	16,622.5	39,587.0	22964.5	94.253
2008	30,171.2	63,726.1	33554.9	46.116
2009	32,673.3	39,427.0	6753.7	-79.872
2010	37,328.0	51,763.6	14435.6	113.743
2011	40,632.5	79,680.5	39048	170.497
2012	47,798.6	94,208.6	46410	18.853
2013	50,446.9	89,767.9	39321	-15.274
2014	45,200.1	83,980.9	38780.8	-1.373
2015	40,346.9	43,442.0	3095.1	-92.019
2016	29,076.8	41,298.3	12221.5	294.866
2017	32,186.8	57,559.1	25372.3	107.603
2018	38,875.7	86,360.0	47484.3	87.150
2019	49,417.6	81,585.2	32167.6	-32.256
2020	40,927.3	46,810.7	5883.4	-81.710
2021	40736	72822	32086	445.364
2022	46914	118045	71131	121.688

- Prepared by the researchers based on the Iraqi Central Bank data
- Columns 3 and 4 were prepared by the researchers based on the data in columns 1,2

Table (2) provides a detailed examination of the Iraqi trade balance developments over nearly two decades, spanning from 2004 to 2022. The year 2004 marked a significant turning point for Iraq's economy. Following the political upheaval and regime change in 2003, coupled with a severe deterioration in the security situation, Iraq experienced a dramatic deficit in its trade balance. Specifically, in 2004, the trade deficit amounted to -3,494.30 million dollars.

However, from 2005 onwards, Iraq's trade balance shifted from a deficit to a surplus. This transformation was largely driven by a substantial

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increase in oil exports and a significant rise in global oil prices. The combination of higher oil export volumes and increased prices helped bolster Iraq's trade surplus. In 2005, the trade surplus amounted to 3,695 million dollars, marking a significant improvement from the previous year's deficit. Despite this overall trend towards a surplus, the trade balance did not stabilize in a consistent manner over the years. The surplus experienced fluctuations, influenced by the varying global demand for oil. These fluctuations were marked by periods of both increase and decrease in the surplus figures. By 2022, the surplus had grown considerably, reaching an impressive 71,131 million dollars. This substantial increase underscored the critical role of oil exports in shaping Iraq's trade balance, as the revenues from oil consistently outpaced the country's import expenditures.

4. Data Analysis and Discussion

Correlation and Regression: Correlation analysis was used to know the relationship between independent variables and the dependent variable. Regression analysis is a statistical method which is used for undertaking and modeling the functional relationship between a response variable and a set of explanatory or predictor variables (Blbas, 2014; Aroian et. al., 2017). Then A Stepwise multiple regression analysis is used to select the most important explanatory variables (Blbas, 2014).

Normality Test: The normality tests are supplementary to the graphical assessment of normality. The main tests for the assessment of normality are Kolmogorov-Smirnov test, and Shapiro-Wilk test (Blbas and Kahwachi, 2021). If the number of sample size is 50 or less than 50, we can use Shapiro-Wilk test but Kolmogorov-Smirnov is used when the number of sample size is greater than 50 cases.

Results:

Table (3): Tests of Normality

Shapiro-Wilk	
Statistic	**p-value**
0.967	0.736

Table 3 Prepared by the researchers based on the statistical analysis

Table3 shows the result of normality test using Shapiro-Wilk, the dependent variable of our research is normally distribute using Shapiro-Wilk because its p-value (0.736) is higher than the significant level of $\alpha = 0.05$.

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Also, the result for both figures like boxplot and Q-Q plots show the dependent variable is normally distributed.

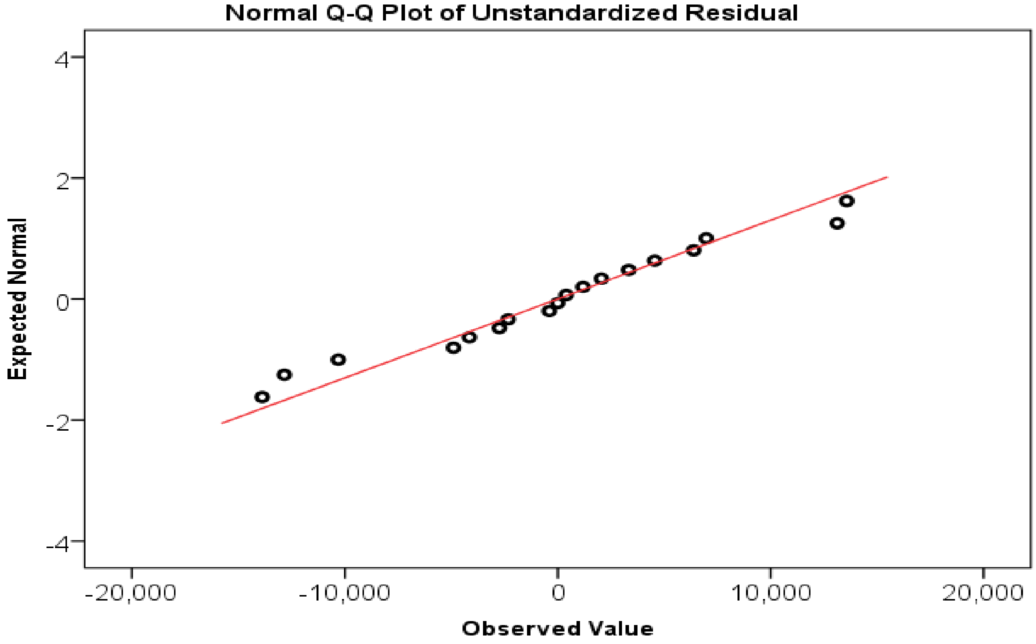

Figure (1): Q-Q Plot for dependent variable
Prepared by the researchers based on the statistical analysis

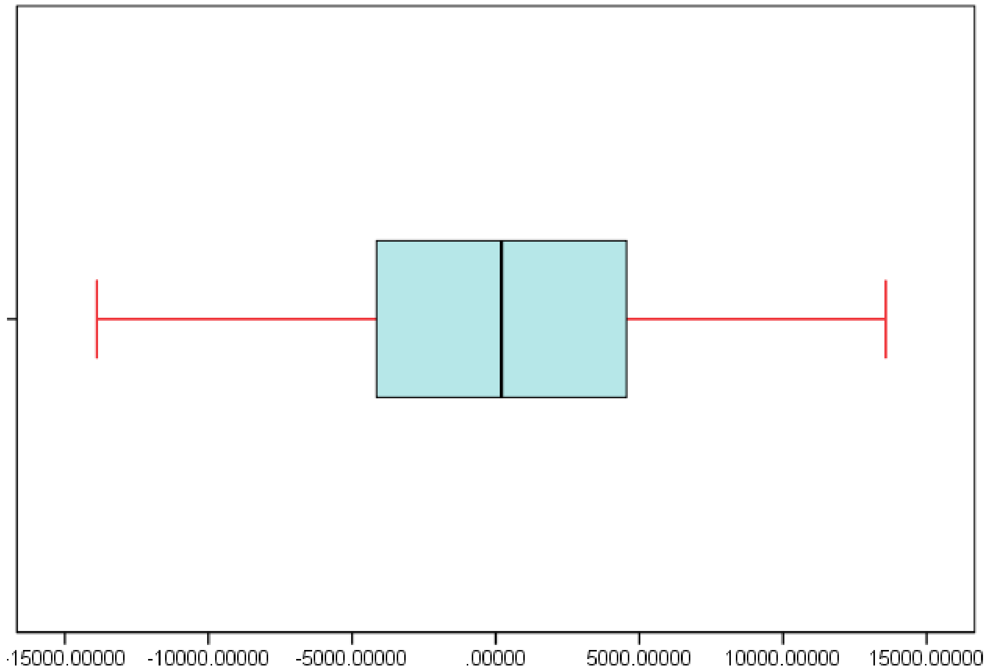

Figure (2): Boxplot Plot for dependent variable
Prepared by the researchers based on the statistical analysis

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Table (4): Correlation between independent variables and dependent variable

	GDP	Exchange rate	Trade balance
Public budget	-0.191	-0.278	0.599**
GDP		0.094	0.462^
Exchange rate			0.197

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4 Prepared by the researchers based on the statistical analysis

Look at table 4 to see the correlation analyses of continuous variables to check for multi-collinearity among independent variables. The result in this table shows there is no multi-collinearity issues between independent variables because there was no strong correlation between these independent variables.

The result of this table shows there is a strong positive and significant correlation between independent variable of public budget and dependent variable of Trade balance (0.599) as well as there is a weak positive and significant correlation between independent variable of GDP and dependent variable of Trade balance (0.462). Lastly, there is a very weak positive correlation between independent variable of Exchange rate and dependent variable of Trade balance (0.197).

Table (5): Stepwise Multiple Regression Analysis between independent variables (Public budget, GDP, and Exchange rate) and dependent variable (Trade Balance)

<table>
<tr><th rowspan="2"></th><th colspan="3">Coefficients</th><th>Collinearity</th><th>Durbin</th><th colspan="2">Model Summary</th><th colspan="2">ANOVA</th></tr>
<tr><th>B</th><th>t</th><th>p-value</th><th>VIF</th><th>Watson</th><th>Corr.</th><th>R2</th><th>F</th><th>p-vale</th></tr>
<tr><td>(Constant)</td><td>-24833.57</td><td>-3.000</td><td>0.010</td><td></td><td rowspan="4">1.961</td><td rowspan="4">0.91</td><td rowspan="4">0.829</td><td rowspan="4">22.556</td><td rowspan="4">0.000</td></tr>
<tr><td>Public budget</td><td>0.00119</td><td>6.949</td><td>0.000</td><td>1.117</td></tr>
<tr><td>GDP</td><td>0.00025</td><td>5.169</td><td>0.000</td><td>1.043</td></tr>
<tr><td>Exchange rate</td><td>0.00016</td><td>3.191</td><td>0.007</td><td>1.086</td></tr>
</table>

Table 5 Prepared by the researchers based on the statistical analysis

Table 5 shows a very strong positive correlation between independent variables and the dependent variable. After finding a very strong positive relationship between independent variables and Trade Balance (0.91) from

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the Pearson's correlation analysis, it is important to know the prediction and influence rate of independent variables on Trade Balance in economic policy formation. Also, the same table shows the ANOVA table for checking the goodness of fit for all explanatory variables on the response variable (Trade Balance), so the model is appropriate based on (F=22.556 and P-Value =0.000).

Table above contains the result of constant, Slope, t-value, and coefficient of determination (R Square).

Regression Coefficient (B) for public budget is 0.00119, which means, increasing one unit for public budget will increase Trade Balance by 0.00119 by existing or holding GDP and Exchange rate.

Regression Coefficient (B) for GDP is 0.00025, which means, increasing one unit for GDP will increase Trade Balance by 0.00025 by existing or holding public budget and Exchange rate.

Regression Coefficient (B) for Exchange rate is 0.00016, which means, increasing one unit for Exchange rate will increase Trade Balance by 0.00016 by existing or holding public budget and GDP.

Determination of Coefficient (R^2) reflects that 82.9% of the variation of Trade Balance is determined by public budget, GDP, and Exchange rate and the remaining variation is turning to other factors that affect Trade Balance.

$TB = \beta_\circ + \beta_1 PB + \beta_2 GDP + \beta_3 ER + \cup_i$ Where;

TB= Trade Balance, $\beta_\circ$= Constant, PB= Public Budget, GDP= Gross Domestic Product

ER= Exchange rate, $\cup_i$=   That is,

$TB = -24833.57 + 0.00119\,(PB) + 0.00025\,(GDP) + 0.00016\,(ER) + \cup_i$

The results above prove that occurring deficits in public budget have effects on trade balance which lead to trade balance deficit that is reasonable in economic theory and with the literature review in particular. The variables taken in the research including (Public Budget, GDP and Exchange Rate) all have impact on trade balance with different rates where public budget was the most impactful and GDP and Exchange rates were following respectively which is considered meaningful.

5. Conclusion

A. There is a statistically significant and positive relationship between the public budget deficit and the trade balance deficit, as an increase of one unit in the public budget will lead to an increase of (0.00119) in the Iraqi trade balance based on the budget regression coefficient.

B. Increasing the GDP and the exchange rate by one unit will lead to an increase of (0.00025 and 0.00016) respectively in the trade balance in Iraq.
C. The coefficient (R2) indicates that (82.9%) of the change in the trade balance is determined by the public budget, GDP and the exchange rate and that the remaining change is transferred to other factors not taken into account in the model that affect the trade balance.
D. The Iraqi general budget faces deficits and surpluses due to fluctuations in oil prices during the study period.
E. The Iraqi trade balance witnessed a continuous surplus despite the few fluctuations in the deficit during the study period.
F. The Iraqi economy suffers from its dependence on a single source of income, which is the extraction and export of oil.
G. There is an imbalance in Iraqi trade, as Iraqi exports depend almost entirely on oil exports, which are subject to fluctuations and uncertainty.

6. Recommendations

A. There must be a coordination between the General Authority of Customs and the Central Bank of Iraq in order to increase control over the volume and type of imports.
B. Activate the Export Support Fund due to its importance in reducing the cost of producing local goods and thus increasing competitiveness towards foreign goods and commodities.
C. Directing the spending policy towards more efficient sectors (agricultural and industrial sectors) that participate in creating new job opportunities.
D. Adopting a protective trade policy with the aim of protecting agricultural products through coordination between the General Authority of Customs and the Ministry of Agriculture.
E. Implementing the philosophy of diversification in the Iraqi economy at sector levels, revenues, exports, institutions and geography.
F. The Iraqi government should work on expanding its non-oil production base to achieve a healthy trade balance.
G. Reduce unnecessary public spending as much as possible to reduce the public budget deficit and limit the continuous increase in imports and increase exports and thus reduce the trade balance deficit.

H. Strengthen the Iraqi financial position and enable it to mobilize the necessary capital and direct it towards the real sectors of the economy.

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