

INTERNATIONAL OIL PRICE AND ITS IMPACT ON THE PERFORMANCE OF IRAQI BALANCE OF PAYMENTS

M. D. Kawther Mohammad Duhaim Hassan

Wasit University/College of Administration and Economics/ Department of Economics

kdehyem@uowasit.edu.iq

Abstract

The Iraqi economy is one of the rentier economies that has been depend primarily on oil exports, it is known that the price of a barrel of crude oil is a function of a group of economic variables that are experiencing a state of fluctuation and instability in their levels, and these changes mean changes in total revenues and their volatility during short-term, medium-term and long-term periods, this makes the Iraqi economy live in two situations: The first case is fixed obligatory, fixed debts, and variable revenues, so this will lead to a deficit in the balance of payments. The second case is an increase in the deficit. This leads to the inability of the Iraqi government to pay its debts and dues. Therefore, an increase in crude oil prices in the oil markets leads to an increase in crude oil exports. Hence, its revenues increase, and then the demand for imports increases due to the increase in individual incomes, and the rise in prices leads to an increase in the total output, and the opposite occurs in the case of a decrease in the oil price, meaning that its economy is highly affected by price changes in crude oil.

Keywords: oil prices, Iraqi balance of payments, rentier economy and oil exports.

Introduction

Iraq is one of the countries in the Middle East that has large oil reserves and is an important member of the Organization of the Petroleum Exporting Countries (OPEC). In addition, it is classified among the developing countries that are characterized by the phenomenon of economic backwardness. Its economy is characterized by misuse of economic resources and low productivity of economic sectors and relies heavily on the crude oil sector is exported, and oil revenues constitute about 98% of the state budget. Thus, making its economy linked to the fluctuations in oil prices that occur in oil markets, its economy is thus experiencing a state of instability, balance, and continuous change in its economic activities, which is reflected in the balance of payments in a significant way.

Research Importance:

The importance of the research comes from knowing how the Iraqi balance of payments is affected by oil prices, which are characterized by fluctuations from time to time, which is reflected in the performance of the Iraqi economy.

Research aims:

The research aimed to clarify the following:

- 1- Knowledge the concept of oil prices and types.
- 2- Explaining the concept of the Iraqi balance of payments and how it performs.
- 3- Knowledge the relationship between oil prices and the balance of payments.

Research hypothesis:

The research hypothesis is that there is a large and direct impact of the oil prices and the change in their rates on the performance of the balance of payments in Iraq because it depends greatly on oil revenues.

Research problem:

There is a strong correlation between the price of crude oil and the Iraqi balance of payments because Iraq depends almost entirely on oil exports and therefore its economy is vulnerable to the economic fluctuations that occur in global markets.

First: The theoretical analysis of the oil price, its concept, types, and factors affecting its pricing

1- The concept of oil price:

There are many definitions of the concept of price, including:

Price is generally defined as the amount of a good or goods expressed in money, the price may or may not be equal to the value of the good, and may be more or less than the value of the commodity produced.

As for the oil price, it is defined as: the value of crude oil, meaning the value of petroleum commodities or petroleum substances, expressed in the unit of money. It is known that the US dollar is used to calculate a barrel of oil. The price of a barrel was determined at the wells at the beginning of its discovery due to oligopoly, that is, there is a limited number of monopolies for this substance. Then it was specified in the ports due to its expansion and discovery in large quantities in many countries, but later it turned into a monopoly price due to the monopoly of a few companies on the oil market and their control over this industry in order to increase profits. Then it turned into a competitive price due to the entry of several oil producing countries into the market.

2- Types of oil prices:

There are many types of crude oil prices, which are:

- The announced oil price: It is a fixed price that was determined by the major oil companies before 1971, and the prices were announced in the oil industry newspaper through the (Platts) bulletin. These prices were determined in order to collect tax revenues that constitute a high percentage of the oil revenues of the companies' host governments oil.

- The actual or realized oil price: This price is calculated using the announced price, minus the discounts agreed upon between the buying party and the selling party. The aim of these is to encourage the buyer or get rid of some restrictions, and the types of discounts are:

A - Discounts according to sulfur content: This type of discount is given to oils that contain large percentages of sulfur and have a high level of impurities.

B - Discounts according to the nature of the geographical location: This type of discount is given to types of oil whose oil producing countries are not characterized by a distinct geographical location such that they are not able to export oil directly to the oil market.

C - Suez Canal location discounts: given to oils that are exported directly to the oil market without passing through the Suez Canal.

D - Discounts according to the degree of specific density: This type of discount is given to buyers of light crude oil to a lesser extent and to buyers of heavy oil to a greater extent.

Tax cost price: It is the price that is equal to the cost of oil production carried out by foreign companies operating in countries and countries of the world that produce oil, in addition to the oil revenues that are paid by oil companies to designated oil governments, as oil companies operating in oil-producing countries By purchasing the oil that it extracts from its lands and adding to it the amount of rent or return, which is in the form of a tax imposed on the income and given to the governments of those countries, because it is considered a main price in the oil trading market (1).

- Spot oil price: It is used to price crude oil at the same time as oil deals are received, represented by the total quantities of oil sold in the oil markets.

Forward oil price: represents the price that will be paid at a certain time in the future for the quantities of oil that are purchased immediately, and the forward price is higher than the spot oil price (1).

3- The most important international institutions for oil pricing in oil markets

-The Platts Foundation: A young journalist from America called (Platt) founded a newspaper in the state of Cleveland, Ohio, in 1909. This newspaper works to publish oil news within America and work in the field of oil energy, and this newspaper reaches high levels of news and accurate information that is provided to oil companies. Major businessmen and businessmen because it is based on the conditions of the oil markets. Platt also worked to reach highly secret places in the oil market through which information is exchanged individually between them, and this led to pushing the oil market to a state of competitive equality and raising the efficiency of the oil market.

His first newspaper, in 1923, became one of a group of daily newspapers concerned with oil issues, as it formed what is called "Towards Oil," meaning it is concerned with what the countries of the world need of crude oil, and then determines the oil price and the changes that occur in the market, and after half a century has passed since its founding, the newspaper was named Under the name "Platts Bulletin", after 1953, Platt became the owner of "McCrae & Hill" Company, which works to provide real-time and appropriate information to whoever wants it (1).

-The London Foundation for Oil Reports: This institution was established in 1978, and the beginning of its work was to publish a group of weekly newsletters, as well as to estimate oil prices before announcing them in the oil market. In 1985, this institution merged with the Chemical Information Service Company - (this company was established It was established in 1980 and specializes in forecasting the prices of petrochemical materials. After that, these two companies were formed to form the (ICIS-LOR) group, and they are now in London, Houston, and Tokyo. In addition, there are offices specialized in chemicals in the Hong Kong and Paris

regions, and the great achievement of this institution is its report entitled "World "Crude Report". And this is prepared on a daily basis, and it also organizes a set of specialized daily reports on the price movements of petroleum derivatives such as gasoline, jet fuel, etc., and weekly reports on reserve oil stocks.

- Arcos Petroleum Corporation: This corporation was established by the "Europe - Oil Prices" Agency in 1970 by "Jan Nasmyth." The beginning of its work was based on a statement of the prices of oil products in European countries before it opened branches in various countries in which the announcement was made. Regarding the prices of petroleum products, this company is considered the first service company to make daily forecasts for the oil markets, as it began covering them in 1979. Before that, it estimated weekly oil prices and after that it estimated oil prices on a semi-monthly basis. It owns a database that includes all announced and confirmed deals. It now has many offices in Singapore, London, and Tokyo (2).

4- Factors affecting oil price movements

There are several factors that affect oil price movements within the oil market, which are:

- Oil supply and demand: It is one of the factors affecting the movement of oil price fluctuations within the markets, and at the same time it exerts its influence on most manufactured goods, as the increase in oil supply with the decrease in demand for it works to reduce prices, and the opposite happens when the oil supply decreases and demand increases, prices rise. We see that in 2014, oil prices decreased due to the increase in oil supply and the decline in demand for oil, and this created a surplus in the oil market and thus led to a decrease in oil prices (2).

- The cost of producing one barrel of oil: The cost of producing one barrel of oil varies from one country to another according to a group of factors related to exploratory operations, seismic surveys, and the geographical location of the places where the oil is located, whether it is located on land or at sea, as well as the wages of labor and the places of connection to the oil reserves. Through drilling operations, so as the cost of producing one barrel of oil rises and at the same time oil prices rise, this will be in its interest.

- Fluctuations in climate: Climate changes have a major role in determining the selling price of a barrel and petroleum derivatives. Therefore, in the winter we see an increase in demand for oil and thus prices rise according to the mechanism of supply and demand, but in the summer the exact opposite happens as the amount of demand decreases and thus oil prices decrease. In global markets.

- Global insurance and transportation markets: Transportation and insurance costs are among the factors that contribute to determining the final price of the barrel sold. Oil is transported from oil production areas to production centers either by giant sea tankers or by large pipelines. The longer the transportation distance for the oil, the higher the percentage. Transportation and insurance risk increases as oil prices rise in global oil markets.

- The exchange rate of the dollar against other international currencies: The dollar is used in pricing oil without other international currencies. When the price of the dollar decreases, it leads to an increase in the amount of oil demand, and thus this is reflected in an increase in oil prices. The opposite happens if the price of the dollar increases, which leads to a decrease in the amount of oil. Oil demand and thus prices fall in global oil markets.

Second: The theoretical aspect of the balance of payments: its concept, benefits, components, and factors affecting it

1- The concept of balance of payments. There are many definitions of the term balance of payments, which are as follows:

- A commercial account that collects records regulating all commercial transactions between one country and another or between a local institution and countries of the outside world (3).

- It is a statistical statement of all economic transactions of the economy of a country, and these transactions do not necessarily take place by paying money in order to obtain and retrieve it within a period of time that is one year (4).

- It is a statistical statement of all economic transactions of the economy of a country, and these transactions do not necessarily take place by paying money in order to obtain and retrieve it within a period of time that is one year (5).

2- The most important benefits of the balance of payments

There are several benefits to the balance of payments, the most important of which are (6):

1- It is used to clarify international economic relations and thus indicate the economic position of the country that uses it to reach final decisions concerned with monetary policies, external financing, and foreign trade.

2- It reveals to us the country's economic situation in terms of whether it is a debtor or a creditor.

3- It works to clarify whether the country has the ability to confront the amount of its imports and other economic conditions by exporting goods, or reducing the value of the foreign assets account, or has the ability to receive grants from countries abroad.

4- It explains the extent to which the decline in the value of the national currency affects the reduction or increase in exports to the country by disclosing the current account in the "Payments Statement" paragraph.

5- It is an important tool for analyzing the monetary aspect of any country in the field of international trade, and an important indicator of exchange rate policies and financial policy that work to correct external imbalances (7).

3- The most important components of the balance of payments:

The balance of payments consists of four important parts:

1- The current account: It includes all international commercial transactions that have a significant impact on the size of national income by increase or decrease, and it is sometimes called the "income account." This account is divided into two branches:

- Trade Balance, or called visible trade: in which all transactions related to exports and imports between a particular country and the outside world are recorded. Exports of goods are recorded on the credit side and thus the exporting country obtains an amount of foreign currencies, while imports are recorded on the debit side. During which foreign currency leaves the country (8).

- Invisible trade account: It includes all intangible or invisible transactions of services, for example, insurance services, shipping, and transportation services. This account does not

entail a specific right or debt. This account includes one item, which is compensation and gifts. The gifts and gifts that individuals give The government transfers to another country, it is recorded on the debit side, and as for the gifts and aid that the state obtains, it is recorded on the credit side (7).

2- Capital accounts: This account records the movement of capital between a specific country and the rest of the other countries of the world, which results in either a change in the country's indebtedness or credit to the outside world. This account includes two items:

- Long-term capital movement: It includes the movement of funds transferred to and from outside the country for the purpose of investment for a long period of more than one year when investors residing abroad work. Any obligations to foreigners are recorded in the capital account on the debit (-) side of the balance of payments, and at the same time, Original national investors receive their obligations or financial rights from foreigners as cash receipts at a specific time and date later in the case of investment settlement. However, in the case of foreigners who invest within the country, any inflow of capital into the country is recorded on the credit side of the balance of payments, as residents within the country will receive Cash receipts, foreign investors also obtain their financial rights from residents (9).

- Short-term capital movement: It includes all transactions that are dealt with in less than a year, including bank deposits, short-term securities, and purchase and sale deals for bonds and stocks whose repayment obligations are due in less than a year between residents and non-residents. These operations are characterized by their ease of movement and superior liquidity (10).

3- The state's official reserve accounts: In which the movement of "external and internal flow" is recorded in order to calculate the changes in the illiquid and liquid obligations of official foreign investors, and the change in the state's reserve assets over a period of time, and through this account all calculations are settled through the movement International reserves, and the settlement is either a net surplus or a deficit (11).

4- Errors and omissions account: This type of account is used to settle the surplus or deficit, and it works on the basis of the principle of double entry, which is equality from an accounting standpoint between the creditor and the debtor. If a settlement between the two sides is not achieved, a paragraph is added to the balance for the sake of settlement between the two sides, called (Net omissions and errors paragraph. This account records every error that occurs in the balance of payments and is the cause of the imbalance. When the value of the currency changes, for example when the importer from a certain country expects the value of the currency of the country exporting the commodity to rise, the importer of the commodity works to pay the value of the imports sooner, and this payment is made For exporters, imports are not registered in the capital account, or an imbalance occurs due to an error in estimating the values of goods and services exchanged due to differences in the values of currency exchange rates.

4-Economic factors affecting the balance of payments

There are many elements that cause imbalance and imbalance in the balance of payments, which are (11, 12):

1- Changes in interest rates: Interest rates have a significant impact on the movement of capital. In the event of a decrease in the interest rate locally, this leads to capital going abroad in order to obtain a high interest rate. The opposite happens in the event of an increase in the interest rate locally, this leads to a rise in interest rates. Incoming capital.

2- The case of exchange rates: When a decrease in the exchange rate occurs, this leads to an increase in the competitiveness of total exports, meaning that the prices of imports are lower for residents. However, in the case of an increase in the exchange rate of the local currency, this leads to a decrease in the competitive value of the total goods and services that are produced locally.

3- Inflation rates: An increase in inflation rates within the local economy, that is, an increase in prices locally compared to foreign prices. This reduces the values of exports and increases imports because the prices of foreign goods are cheaper for residents compared to the prices of goods produced within the country.

4- The value of the domestic product: The domestic product is an important indicator for measuring the economic strength of the country. When the value of the gross product decreases, it leads to a decline in the value of income in the country and thus the amount of demand for imports decreases. However, if the value of the domestic product increases, this will be reflected in an increase in the amount of income and thus an increase Import demand.

Third: Oil prices and the Iraqi balance of payments

We notice in the Iraqi balance of payments that the first and most important aspect is the trade balance, which includes exports and imports, and oil exports are the main dominant factor in export economic activity, as they constitute more than 97% of total exports, and the rest of the exports range between 1%-2%. This It indicates the almost complete absence of the rest of the economic sectors. At the same time, we find that imports are concentrated on consumer goods and the absence of production requirements and productive goods. This indicates the absence of foreign or local investment inside Iraq, meaning the absence of foreign investment accumulations.

Therefore, we find that its economy is linked to oil prices and their fluctuations that occur in oil markets, when an increase in oil prices occurs, which is called a positive shock, according to which the national economy moves from the stage of recovery that precedes the case of high prices to the stage of economic prosperity due to the rise in global oil prices. However, in the event of A negative shock, i.e. a decline in global oil prices, will be reflected in the country's economic cycle through recession and economic depression. Thus, we find that the economy is experiencing a state of instability due to price fluctuations. In 2009, we find that prices were low, reaching about \$60 per barrel.

This led to a decrease in oil revenues, but prices began to rise after 2009. When looking at Table No. (1), we find that oil prices in 2010 amounted to about (\$77 per barrel), and this increased the amount of oil exports, as they amounted to about (\$51.2 billion). Oil prices continued to rise and reached \$107.4 per barrel in 2011. At the same time, the value of oil production increased by 2.62 million b/d after the value of oil production in 2010 was about 2.43 million b/d. This led to an increase The value of oil exports amounted to about (\$80.1 billion) in 2011, With it, the value of imports increased, reaching about (\$47.7 billion) after

it was about (\$43 billion) in 2010. The rise in oil prices also led to an increase in the value of the gross domestic product, reaching about (\$185.5 billion) after it was (\$183.3 billion). dollars) in 2010, as shown in Table No. (2), and crude oil prices continued It rose to about (\$111/b) in 2012, and the main reasons for the rise in prices was the increase in global consumption, as the world continued to increase its consumption of oil, reaching (90 million b/d) after it had reached (88 million b/d) in 2011. In addition to the occurrence of political tensions and threats in oil-producing areas, such as the conflict between oil companies and the Venezuelan government, the Iranian nuclear crisis, and the decline in the value of the dollar, as this increased the transfer of dollar-denominated investments, Including oil revenues themselves to commodity markets and the increased expansion in the establishment of oil investment funds. This led to an increase in the value of speculation and an increase in prices to high levels. The rise in prices was reflected in an increase in the value of oil production (2.92 million b/d) and directly with it the value of oil exports increased, as It amounted to about (94.3) billion dollars), and with it the value of revenues increased, reaching (50 billion dollars). We also see in Table No. (2) an increase in the value of the domestic product, as it reached (219) billion dollars. In 2013, oil prices decreased slightly and reached (\$107/b) was accompanied by a decrease in the value of oil exports, reaching about (\$89.1 billion), At the same time, we find that the value of oil production continued to increase, reaching about (2.93) million b/d, and during the period in which oil prices rose, i.e. (2010-2013), we find that the value of imports also increased due to the increase in the value of oil revenues and then an increase Demand for goods and services from abroad. The value of imports during the aforementioned period amounted to between (43 billion dollars) in 2010 until it reached (63.2 billion dollars) in 2013 according to Table No. (1), and this rise in oil prices during the period 2010-2013 It was reflected in the value of the gross domestic product according to Table (2). In 2010, the value of the gross domestic product amounted to about (138.3 billion dollars), and then it reached (185.5 billion) in 2011 due to the rise in crude oil prices. The gross domestic product continued to rise due to the increase in oil prices during the year 2012 and reached About (\$219 billion).

However, oil prices decreased in the last quarter of 2014, and less than a month later in 2015, oil prices also decreased by (9%). It was a major oil shock that occurred due to a combination of the most important of which is the increase in shale oil production by America and the decline in global demand for oil. Crude oil and the decline in global economic growth rates. Brent crude oil fell to (\$49.8/b). This decline in oil prices was unprecedented except in 2008, when prices fell from (\$148 to \$40 per barrel), and this decline in Prices were subsequently reflected in the performance of the economy in Iraq, and this resulted in a decrease in the value of oil exports, which amounted to about (\$88.1 billion). At the same time, we find that the value of imports also decreased to (\$47.2 billion) due to the decline in oil revenues.

This decline in global oil prices led to an increase in the state's public finance deficit, which was expected to reach (7%) of the total value of the product in 2014. Low oil prices led to a decline in the value of the domestic product, as it decreased (\$228.1 billion) in 2014. To (\$166.5 billion) in 2015 (13), this decrease in oil revenues, which constitute the largest portion of the state budget, led to a decrease in the value of government spending, which led to increased unemployment rates when compared to previous years, reaching approximately

(13.2%), in addition to the cessation of work in some government investment projects . Global oil prices continued to decline, in 2016 they reached approximately \$41.2 per barrel. At the same time, oil exports continued to decline, reaching \$46.4. (One billion dollars), while the amount of daily oil production amounted to (4.66 million b/d), and this decrease in oil prices reduced the value of imports, as they amounted to (334. billion dollars) according to the table below No. (1), due to a decrease in the value of Revenues amounted to (\$44.2 billion), and gross domestic product values continued to decline, reaching (\$166.4 billion) in 2016 after what amounted to (\$166.5 billion) in 2015, as shown in Table No. (2). In 2017, oil prices rose again, reaching about (\$52.3 per barrel), accompanied by an increase in the value of oil exports, which amounted to (\$63.5 billion), also accompanied by an increase in the value of imports, amounting to about \$37.7 billion. This is due to the increase in the value of revenues, which amounted to (48.6 billion dollars), and the value of the gross domestic product increased by about (186.8 billion dollars) due to the rise in global oil prices, as shown in Table No. (2), and oil prices continued to rise and reached (69.5 dollars per barrel) in 2018, and this resulted in The value of oil exports increased to approximately \$92.3 billion, and at the same time the value of imports increased to approximately \$45.6 billion, in addition to an increase in the value of revenues amounting to approximately \$56.7 billion (14).

This led to an increase in the value of the gross domestic product, amounting to approximately (\$227.4 billion) in 2018. Therefore, we see that during the period (2015-2018) prices rose significantly and this is due to the development of global economic performance because it is the main driver of many developed global economies and the scarcity of oil supply. This worked to increase investment rates, and this noticeable positive improvement was reflected in the Iraqi economy, whose economy is financed mainly by the oil sector, from which large quantities of oil are exported abroad in order to finance the state's general budget. As for imports, they increased significantly during the aforementioned period due to a deficit. Local markets are unable to meet the growing local demand due to the weakness of the production system in addition to the reconstruction of the liberated areas.

As for the year 2019, it was distinguished between a decline and a rise in oil prices. At the beginning of the year 2019, oil prices rose to reach (\$72.8 per barrel). The reason for the rise in oil prices was the increase in geopolitical turmoil in the oil-producing countries, and OPEC reducing oil production by \$500. 1000 b/d) bringing the total reduction in oil production to (1.71 million b/d) in order to curb the increase in oil supply and at the same time the amount of global demand for crude oil declined, and at the end of May 2019 oil prices began to decline to reach (64.2 Dollars per barrel) The reason for the decline in oil prices was the economic trade tensions that occurred between China and the United States of America, as America is the largest consumer of oil by about (20 million barrels / day)

While China imports oil by about (14 million b/d), this has led to a slowdown in the economic growth of China, which is the largest consumer of oil, and this has been reflected in oil prices. In Iraq, the low prices of oil have led to a decline in the values of oil exports by about (82 billion dollars), and for the values Revenues reached 72.4 billion dollars, while imports amounted to about 58.2 billion dollars, and the gross domestic product reached about 233.2 billion dollars. We find that there is a kind of stability in the indicators mentioned because the year 2019 was characterized by a decrease and increase in prices. Oil, and in the year 2020 oil

prices collapsed significantly, reaching (\$41.2 per barrel) due to the spread of the Corona pandemic in all countries of the world, this led to a decline in the amount of global demand for oil, which was reflected in the closure of factories, laboratories and industrial facilities in all countries in the world, as well as the collapse of the air aviation industry and the cessation of flights between countries of the world. The decline in oil prices led to The value of oil exports decreased to (446. billion dollars). Oil production also decreased to (3.98 million b/d) after it was 4.56 million b/d in 2019. This led to a decline in revenues to (41) billion dollars. This led to The value of imports decreased to (48.5 billion dollars), and at the same time we find that the values of the total domestic product fell to (184.1 billion dollars) as shown in Table No. (2). Hence, we see that the Iraqi economy is greatly affected by the changes occurring in oil prices in the markets of global oil.

Table (1) Total oil imports and exports, revenues, oil production, and international oil prices

year	Total imports (Billion dollar)	Total oil exports (billion dollars)	Revenues (Billion dollar)	Oil production million (b\ d)	Oil price in \$
2010	43	51.2	37.2	2.43	77.4
2011	47.7	80.1	40.4	2.62	107.4
2012	58	94.3	50	2.92	111
2013	63.2	89.1	56.4	2.93	107
2014	58.4	88.1	68.5	3.12	96.6
2015	47.2	51.1	58.3	3.16	49.8
2016	34.3	46.4	44.2	4.66	41.2
2017	37.7	63.5	48.6	4.45	52.3
2018	45.6	92.3	56.7	4.42	69.5
2019	58.2	82	72.4	4.56	64.2
2020	48.5	46.4	41	3.98	41.2

Annual Statistical Report 2004,2008, 2020,2021 (15).

OPEC Annual Statistical Bulletin 2009,2014,2019,2021 (16).

Table (2) The relationship between oil prices and the value of GDP for the period 2010-2020 (billion dollars)

Year	Oil prices \$/b	GDP Billion dollar
2010	77	138.3
2011	107.5	185.5
2012	110	219
2013	106	234.5
2014	96.8	228.1

2015	49.9	166.5
2016	41	166.4
2017	52.4	186.8
2018	69.7	227.4
2019	64	233.2
2020	41.4	184.1

IMF publications 2017-2019-2020 (17).

We conclude from the above that there is a direct relationship between oil prices, the value of oil production, and oil exports. The higher the oil prices, the greater the value of Iraqi oil production in order to obtain large revenues. We also see that the more oil exports increase, the more it leads to an increase in revenues and then an increase in imports from abroad. Due to the increase in the income of individuals and thus the increase in demand for productive and consumer goods and services. In addition, we see that there is a direct relationship between oil prices and the GDP. An increase in oil prices leads to an increase in the GDP.

Conclusions

- 1- The Iraqi economy is a semi-rentier economy that depends on the oil sector for its exports, and therefore it will be vulnerable to economic fluctuations and external shocks that occur in the outside world.
- 2- Increasing the amount of oil exports works to obtain foreign currencies and then increases their supply and thus works to improve the position of the balance of payments within the country. Also, increasing the supply of foreign currencies leads to increasing levels of investment within the country and thus increasing job opportunities and reducing unemployment and then increasing economic growth.
- 3- Increasing the quantities of imports depletes the country's financial resources and thus weakens the opportunities for financing investment projects within the country in question, and this leads to a decline in levels of economic growth.
- 4- The Iraqi balance of payments depends to a large extent on oil revenues derived from the export of oil quantities, so we find that in the event of a decline in oil prices, oil revenues will decrease, and thus the government will resort to external or internal borrowing in order to finance all the state's requirements in order to pay salaries. Wages and financing of investment and service projects.
- 5- We find that the composition of the GDP structure in Iraq suffers from several problems due to its almost complete dependence on oil exports and oil production and the weakness of the rest of the economic sectors in its composition.

Recommendations

- 1- Working on economic diversification within the Iraqi economy by activating the rest of the economic sectors, such as the agricultural, industrial, or service sector, in order to diversify sources of income and move away as much as possible from almost complete dependence on the oil sector in order to avoid fluctuations in oil prices, which reflect their negative effects on the performance of the national economy.
- 2- Developing alternative energy sources such as solar energy, wind energy, and hydropower in order to reduce dependence on the oil sector and move away as much as possible from the

oil sector due to the continuous change in its prices, which has negative effects on the economies of developing countries.

3- Benefiting from oil revenues, especially in the event of high oil prices, by using them to finance economic development operations within the country.

References

1. An Y, Sun M, Gao C, Han D, Li X. Analysis of the impact of crude oil price fluctuations on China's stock market in different periods—Based on time series network model. *Physica A: Statistical Mechanics and its Applications*. 2018;492:1016-31.
2. Rahmanto F, Riga MH, Indriana V. The effects of crude oil price changes on the Indonesian Stock Market: A sector investigation. *The Indonesian Capital Market Review*. 2016;8(1):2.
3. Messaoudene N. *La compétitivité industrielle dans le contexte de la libéralisation commerciale*: Université Mouloud Mammeri; 2015.
4. Levi MD, Das D. *International Finance: Contemporary Issues*: Routledge; 2007.
5. Mill JS. Principles of political economy. Forerunners of Realizable Values Accounting in Financial Reporting: Routledge .2020 ;p. 14-22.
6. Appleyard DR, Field AJ. *International economics*: McGraw-Hill; 2014.
7. Thirlwall AP. Balance of payments constrained growth models: history and overview. *Models of balance of payments constrained growth: History, theory and empirical evidence*. 2012;11-49.
8. Céspedes LF, Chang R, Velasco A. Balance sheets and exchange rate policy. *American Economic Review*. 2004;94(4):1183-93.
9. Kenen PB. *International Trade and Finance: Frontiers for Research*: Cambridge University Press; 2008.
10. Christensen TE, Cottrell DM, Budd CJ. *Advanced financial accounting*: McGraw-Hill A Division of The McGraw-Hill Companies. 2022.
11. Association IE. *International economic relations: proceedings of the Third Congress of the International Economic Association [held in Montreal, 2-7 Sept. 1968]*: Macmillan; 1969.
12. Baylis J. *The globalization of world politics: An introduction to international relations*: Oxford university press, USA; 2020.
13. Husain MAM, Arezki MR, Breuer MP, Haksar MV, Helbling MT, Medas MPA, et al. *Global implications of lower oil prices*: International Monetary Fund; 2015.
14. Fezzani B, Nartova D. Oil prices fluctuation impact on Iraq's economy. *Eur J Soc Sci*. 2011;26:626-33.
15. Sibeta L. *2020 Annual report on The Institute for Fiscal Studies*. 2020 .
16. Countries OotPE. *OPEC annual statistical bulletin. Annual Statistical Bulletin*. 2019.
17. Garrido I. *The International Monetary Fund's view of social equity throughout its 75 years of existence. There is a Spanish version of this edition with the same number*. 2021.