

FOREIGN CURRENCY SALES WINDOW AND ITS EXCHANGE RELATIONSHIP WITH IRAQ'S IMPORTS

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Abstract

The aim of the research is to study (the reciprocal relationship between the foreign currency sales window and the trade balance imports) in Iraq using statistical programs (SPSS) and the statistical model used Baron Kenny to study the intermediate relationship between the study variables to identify the intermediate relationship between the study variables, and the study concluded that both the total documentary credit and the sales of the foreign currency sales window are the main reason for the imports of the trade balance, as this was achieved from the significance of the probability (prob) which was less than (5%) and that imports are the main cause of the foreign currency sales window, and this was achieved from the significance of the probability (prob) which was less than (5%) while the total documentary credit was not the main cause of the foreign currency sales window and that both the imports of the Iraqi trade balance and the sales of the foreign currency window were not the main reason for increasing or decreasing the total documentary credit of Iraqi commercial banks, i.e. they were not the main cause, and this was achieved from the lack of significance of the probability (prob) which achieved a percentage higher than (5%) and the study recommended that achieving The moral impact of foreign currency window sales on the total documentary credit, despite the low values of documentary credit compared to the volume of foreign currency window sales and very large imports, shows the success of the Central Bank in this aspect, but it needs many plans and policies to achieve the desired goal and what is intended to be achieved by the Central Bank of Iraq. Also, the impact that the Central Bank of Iraq has in achieving the intermediate relationship between each of the foreign currency window sales, imports and documentary credit is simple due to the lack of efficient private and governmental commercial banks that help in achieving this impact, as commercial banks suffer from the weak number of correspondent commercial banks abroad and the almost total dependence on the Trade Bank of Iraq, and even more than that, there are no plans that show that these commercial banks are heading towards reforming their affairs and achieving the highest levels.

Keywords: Foreign currency window, imports, trade balance.

Introduction

As a result of the Iraqi economy suffering from many problems, especially after 2003, and the changes that occurred in the Iraqi economy, the Central Bank of Iraq established a foreign currency sales window, which is the main controller of foreign currency ownership,

and is responsible for the stability of the general price level, which prompted the Central Bank to buy and sell dollars from the window in order to be able to control inflation in the absence of a productive base, the Central Bank resorted to linking dollar sales operations from the window with documentary credit, in order to achieve the goal for which the window was established. The foreign currency sales window is one of the main tools of the Central Bank of Iraq, especially since other tools are no longer effective and efficient in the Iraqi economy, and the beginning of the foreign currency window was only cash sales to cover imports and travel operations, but at the end of 2009, the Central Bank of Iraq divided dollar sales operations into two parts, one of which is cash sales (for the purpose of travel for treatment and tourism) and the other part is dollar sales for the purpose of compensating for the shortage of local production through imports. The Iraqi trade balance The trade balance is one of the most important accounts in the balance of payments because it reflects the most important international economic relations. Foreign trade remains the best way to sell products of produced and unproduced goods, and because there is a very large dependence on the import side by the Iraqi economy, the interest in this study came to identify the causal relationship between documentary credit, the currency sale window and the trade balance.

Previous literature

First: The concept of the currency selling window

Many emerging economies in transition have followed new trends in managing monetary policy using quantitative tools and in line with the development of their financial systems, either as a result of their economic crisis or their desire to integrate into the global economy, and foreign exchange auctions - There has been no change in the number and composition of countries that conduct official foreign exchange auctions, and in the majority of these countries, foreign exchange auctions are the only mechanism managed by central banks and more than half of the countries in this category are floating and auctions are also used to influence exchange rate fluctuations, also not to manage foreign reserves (3: Romeu et al., 2005) and manage the sale and purchase auctions, and determine the price and frequency of central bank operations. Permanent foreign exchange facilities allow market participants to buy foreign currencies from or sell them to the central bank at predetermined exchange rates on their own initiative, and are usually useful in maintaining a fixed or easy arrangement for pegging foreign currencies. (IMF, 2018:14) Amendments to the auction mechanism used by the central bank to regulate liquidity (i.e. the mechanism it relies on to conduct open market operations). Previously, for some markets, for example, (Banco de México) determined interest rates frequently in the financial market or directly affected them by indicating maximum or minimum levels in auctions, but currently prices are determined completely and freely in auctions. (Carstens and Werner, 1999:16) The currency selling window can be defined as the mechanism used by central banks as one of the most important mechanisms used by intervention methods in the exchange market to cover the gap in local demand for foreign currencies and thus maintain the stability of the local currency exchange rate (173: Faeq, 2019)

It is known as one of the direct methods used by emerging economies with weak or medium financial depth for the purpose of intervening in the exchange market to maintain the

stability of the foreign exchange rate and the general price level under the inflation targeting policy. (Bank of Thailand, 2013:328) The currency auction was defined as a tool that balances the money supply of the Iraqi currency and the supply of foreign currency, the dollar, which helps control liquidity levels in the Iraqi currency. The local currency and stabilize the exchange rate of the dinar against the dollar, while Defined as a currency auction as a foreign exchange market where the demand for this currency meets the supply among them and then the exchange rate is formed, and certainly the process of determining the exchange rate must take place. Because it smoothly obstructs the demand for foreign currencies, when touched, the concept of currency auction as one of the direct methods or tools used by emerging economies with medium or weak financial depth to intervene in the exchange market in order to maintain the stability of the exchange rate. The general price level under the inflation targeting policy, referred to as the main tool, however, the monetary authority targets inflation and maintains price stability as currency auctions as one of the effective ways to influence the exchange in the direct price and the promise of a temporary tool used to cross a certain transition period only to ensure monetary stability (Al-ali and Al-asady, 2021:166)

Two different formulas are used in practice: the pay-by-bid auction (discriminatory price), which is the traditional form in US Treasury auctions and the unified price auction, proposed by Milton Friedman (1960) and currently used by the Treasury Department. In both forms, each of the bidders submits bids for different quantities and at different prices, and the auction official determines the market clearing price and accepts all bids that exceed the market clearing price. The two auctions differ in terms of payment: In the pay-by-bid auction, bidders pay their actual bids in the unified price auction (2:Ausubel et al., 2014)

It is concluded that the window enables the central bank to impose a stable exchange rate and meet all the quantities required by the market of foreign currencies that private sector traders need in private sector trade financing operations. The currency selling window is also one of the largest open market operations to control and control liquidity levels and contain the strength of public expenditures from the general budget, especially current expenditures. The foreign currency selling window can be defined as a tool of monetary policy used to control the cash surplus and provide the government (represented by the Ministry of Finance) with local currency after purchasing foreign currency, in addition to providing the private commercial sector with foreign currency for the purpose of importing goods and compensating for the shortage of goods in the country, especially rentier countries.

Second: The mechanism of the currency selling window

The mechanism of the currency selling window varies according to the objectives of monetary policy, as well as the impact of the components of the foreign currency supply and the level of development in the monetary and financial sector in the national economy on the mechanism of work of that window, so the mechanism of work can be described as follows:

One-way currency auctions: The work of the central bank in this case is to intervene in the exchange market as a seller of foreign currencies, i.e. one-way intervention to meet the local demand for foreign currencies to finance its foreign transactions. The exchange market is

characterized as a monopolistic market, the state monopolizes the sources of foreign currency supply, especially in rent-based economies, so the central bank provides foreign currency to the private sector by selling it in the exchange market, and the central bank is the main factor that affects the direction of the exchange rate from its sales (3: Romeu and Ausubel, 2005)

Two-way currency auctions: The central bank's work in this case is to intervene in the exchange market directly and indirectly in the foreign exchange market, that is, its intervention in two directions to meet the domestic demand for foreign currencies to finance its external transactions (imports) for the sale and purchase of currency in the exchange market to maintain stability in the exchange rate of the currency. In this case, the exchange market is characterized as an oligopolistic market, because the sources of supply of foreign currencies are limited to a very small number, usually represented by the central bank, unions and some other financial institutions. The exchange rate compared to the previous situation, but nevertheless remains a major influence in influencing the auction currency (173: Faeq, 2019)

Thirdly, imports

Along with exports, imports form the backbone of international trade. The more imports entering a country compared to the value of exports, the more negative the country's trade balance becomes. The word import is derived from the word port, where goods are often shipped by boat to foreign countries. Countries are likely to import goods that domestic industries cannot produce efficiently or cheaply, but they may also import raw materials or goods that are not available within their borders. (Jayakumar, Kannan . 2014:53). Importers are the opposite of exporters. They buy goods from other countries and sell them domestically. An importer can be a small company that buys goods from distributors and manufacturers in foreign markets, or it can be a global company that imports components and raw materials worth millions of dollars as one of its functions. Since many companies face intense price competition, more companies will look to the global market for products from many other countries that have a well-educated and well-trained workforce. In order to remain competitive, American companies import goods from suppliers in countries where costs are lower than they are domestically. This is true for both low-cost items and luxury items. (14:Capela, 2008.)

Import can be defined as part of the national product of other countries, which is used within the borders of these countries from the flow of goods and services imported from outside their borders, where these goods are sold to citizens within their borders, and the value of these goods is in the interest of the foreign country producing these goods (ZEID, 1981:109). Import is the purchase and entry of goods from abroad into the country that imports are the activity of purchasing products from abroad such as purposes or marketing them in the country. Import activities are not bad for the country because imports will stimulate investment indicators, if the imported goods are capital, unfinished goods, semi-finished goods for corporate purposes, domestic industrial imports should be developed from exports (Rini Permata, 2022:27)

Import is the activity of bringing goods or services into the customs territory, i.e. the territory of the country, legally by importers at a special value for a certain period of time. The

important activity to meet the needs of local goods that the country itself cannot produce depends largely on public demand. However, as an importing country tends to increase the value of imports from year to year, it is important to be aware of the negative impact of imports on the economy, such as the reduction of the local currency exchange rate. Changes in compensation occur for two main reasons, namely changes in prices and changes in other factors (non-price factors), such as income, tastes, etc. A change in price leads to a change in the quantity demanded of the good. An increase in the price will lead to a decrease in the quantity demanded of the good, while a decrease in the price will lead to an increase in the quantity demanded. Meanwhile, a change in demand will result from a change in non-price factors (Nopiana, Habibah and Putri, 2022:60). Import is the process of bringing goods from one country into the customs territory, which includes two countries, often represented in this case by the interests of two companies from each country, as well as distinct rules and regulations. One country acts as a source (supplier), while other countries act as an importer or recipient country. (21: Saputri and Sasana, 2022). Imports generally lead to the weakness of the country in meeting its needs by itself and make it dependent on foreign countries and at their mercy. Imports, unlike exports, lead to the exit of the currency and weakening the trade balance, and thus weakening economic growth. However, in some cases, it is considered a source of import for economic growth (Bakari and Mabrouki, 2017:68). Imports make sense when (Capela, 2008):

The analytical aspect of the foreign currency sales window and imports

First: Foreign currency purchase auction

This window is one of the complementary auctions or the other side of the foreign currency sales auctions adopted by the Central Bank in managing liquidity and targeting inflation and stabilizing the value of the Iraqi dinar, and it occupies a large percentage of the Central Bank of Iraq's purchases of foreign currency from the Ministry of Finance, and this percentage comes from oil revenues, which is the main funder of the Iraqi state's expenditures, and this percentage is outside the auction window, and a small percentage of the foreign currency purchased In the auction by commercial banks and other government departments, and that oil revenues in foreign currency enter into an account of the Ministry of Finance managed by the Central Bank abroad after deducting (5%) for war compensation, and dividing it into two parts, the first is used to cover government imports directly, and the other part is sold to the Central Bank to be used to finance imports of the effective private sector and the remainder goes to the international reserve at the Central Bank. (Dagher, 2017: 71). As in the following table:

Table (1) Purchases of foreign currency by the Central Bank of Iraq for the period (2009-2022) (million dinars)

Purchases from the Ministry of Finance	Purchases from Banks	Oil Revenues	Years
26,910,000	15,210	50,190,202	2009
47,970,000	4,680	62,594,168	2010
59,670,000	3,510	90,306,176	2011
66,462,000	4,664	106,032,616	2012

72,292,000	0	101,078,990	2013
55,925,155	0	97,072,410	2014
38,615,500	0	51,312,621	2015
30,527,070	0	44,267,063	2016
48,022,450	0	65,071,929	2017
62,152,510	0	95,619,820	2018
70,032,690	0	99,216,318	2019
36,753,080	0	54,448,514	2020
67,155,620	0	95,270,298	2021
77,898,300	0	153,623,277	2022
760,386,375	28,064	1,166,104,402	TOTAL
77,898,300	15,210	153,623,277	Max
26,910,000	0	44,267,063	Min

Source: Prepared by the researcher based on data from the Central Bank of Iraq, statistical bulletins, various years.

The above table shows that there are two sources for purchasing foreign currency by the Central Bank of Iraq, one of which is purchasing from commercial banks, which is the least source, as the purchasing process is limited to only four years between (2009-2012) the study period with a total amount of (28,064) billion Iraqi dinars, while the main source that the Central Bank of Iraq relies on to purchase the dollar is oil revenues, from the Iraqi Ministry of Finance selling part of what it obtains from oil revenues in dollars to the Central Bank of Iraq to obtain the dinar and finance the Iraqi budget. This is because the above data shows that there is a direct relationship between the purchases of the Central Bank of Iraq and oil revenues, as the increase in oil revenues is accompanied by an increase in purchases by the Central Bank and vice versa. In (2009), oil revenues amounted to (50,190) trillion dinars, while the purchases of the Central Bank amounted to (26,910) trillion Iraqi dinars, and purchases continued to increase until they reached (72,292) trillion dinars in (2013) due to the increase in revenues. Oil revenues that came as a result of the rise in oil prices during this period and the increase in the quantities of oil exported, but in the years (2014-2018) with the decline in oil prices, which led to a decrease in oil revenues and a decrease in purchases by the Central Bank of Iraq, which reached (62,152) in (2018), and the same was the case in (2020) with a decrease in oil revenues and purchases by the Central Bank due to the Corona pandemic, but the purchases of the Central Bank returned to rise, achieving the highest value during the study period in the year (2022) amounting to (77,898) trillion Iraqi dinars due to the rise in oil revenues to (153,623) trillion dinars, which is also the highest value during the study period. The total purchases of foreign currency by the Central Bank from the total oil revenues during the study period amounted to (65.2%). It is noted that the decline in oil prices is not accompanied by a decline in the share of foreign companies extracting oil because those companies receive their share of the amount of oil regardless of the selling price of the barrel, meaning a sharp decline in the government's dollar resources and then a decline in the dollar revenue to the Central Bank (10 dollars per barrel goes regardless of the selling price of oil revenues to those companies). If we take into account

that there is approximately (15-25%) of the dollar resource that goes directly from the Ministry of Finance to pay government imports, obligations and external debts, then the size of the decline in the dollar received by the Central Bank will be large and prevent the continued impact of the state's general budget with a large deficit financed mainly by loans, transfers and domestic bonds. This indicates a decline in dollar imports that is not matched by a decline in the excess of the same degree and covered by those issues in local currency, meaning that the demand for the dollar will remain high (with an increase in excess of the excess) without being matched by a dollar revenue. At the same level, this phenomenon is chronic for oil countries, which cover it when it occurs by using foreign currency reserves.

Currency selling window sales

The main function of monetary policy is to control and dominate the money supply in order to target inflation within the targeted levels to achieve general price stability, as it is the main goal of monetary policies in all central banks, so the need arises for the Central Bank to buy (withdraw) the Iraqi dinar from the market to maintain the stability of the money supply in circulation, as the government pumps more than (8) trillion dinars per month in the form of salaries and purchases, the accumulation of this money supply will lead to rampant monetary inflation, so the Central Bank withdraws these amounts from the dinar to exchange them for dollars with the government. The Central Bank of Iraq is responsible for selling foreign currency from the currency selling window, and this process takes place within the framework of the Central Bank's relationship with banks and is implemented on the accounts opened for those banks with it.

Table (10) shows the volume of the Central Bank's dollar sales for the period (2009-2022)
(amounts in millions of dinars)

Remittances	Cash	Sales Central Bank	Years
34,422,570	5,345,730	39,770,640	2009
39,749,580	2,570,490	42,320,070	2010
44,855,460	1,708,200	46,563,660	2011
52,453,676	4,272,224	56,724,734	2012
47,811,830	14,255,516	62,067,346	2013
43,743,205	17,140,651	60,883,856	2014
45,594,850	7,126,910	52,721,760	2015
18,694,900	5,581,100	39,893,560	2016
37,336,250	11,128,880	50,219,190	2017
45,630,550	10,457,720	56,088,270	2018
53,967,690	6,871,060	60,838,750	2019
48,690,356	4,029,324	52,719,680	2020
44,530,000	9,636,000	54,157,240	2021
55,042,000	13,286,000	68,336,760	2022
612,522,917	113,409,805	743,305,516	the total

Source: Prepared by the researcher based on data from the Central Bank, the Annual Statistical Bulletin, various years.

The above table shows that the total sales of the window took an upward path except in some years of the study, where it achieved a decline. After the structure of the window was one-sided and depended on direct sales, it became two-sided after 2008 when the Central Bank used the method of transfers as one of the methods of selling from the window in order to encourage banks to reform the banking system, which helped increase sales from the transfer of dollars at the expense of direct sales (cash). The years (2009-2014) took a high path of (39,770_ 60,883) trillion dinars as a result of the increase in demand for the dollar for the purposes of covering imports for the private sector and increasing budget expenditures by converting the Iraqi dinar to demand for the dollar. To reduce the inflation that occurs as a result of this increase, large quantities of dollars are pumped to maintain the value of the Iraqi dinar and control liquidity levels. Then it began to achieve a decline in the following years, and a sharp decline in the year (2016) compared to the following years of the study period by achieving sales of (39,893) trillion dinars due to the decline in oil prices and the decline in revenues. Oil, i.e. reducing your central bank's purchases from the Ministry of Finance of dollar quantities, and decreasing the government's general budget expenditures, then effective sales returned to rise in subsequent years. The value of sales in the year (2022) reached (68,336) trillion dinars. This is attributed to the increase in Iraq's imports by (35%) as a result of lifting the restrictions of the Corona epidemic that the world witnessed. On the other hand, absorbing the shock of the exchange rate change, which led to an increase in imported prices. In addition to the increase in dollar sales to individuals for the purpose of travel and treatment abroad after the gradual increase in transportation between countries

Imports

Imports are one of the most important aspects of trade exchange between countries, due to their direct effects on the level of economic activity in the country. Iraq is no different from other countries in its dependence on the outside to provide some goods and services, but the economic and political conditions experienced by the Iraqi economy led to a significant increase in imports, and the increase in oil exports during the study period led to an increase in imports, as shown in the following table.:

Table (18) shows the volume of Iraqi imports for the period (2009-2022)

(million dinars)

Percentage of private sector	Percentage of government imports	Total imports	Years
68.95	31.05	45,432,534.00	2009
73.95	25.60	52,083,190.00	2010
72.96	27.04	57,172,388.00	2011
61.92	38.08	69,280,288.00	2012
62.75	36.32	73,117,968.00	2013
61.93	38.07	64,556,878.00	2014
80.72	20.42	59,191,349.00	2015
84.29	15.71	43,615,200.00	2016

81.83	18.17	40,488,730.00	2017
83.86	16.14	46,999,875.00	2018
78.01	21.99	69,533,048.00	2019
84.56	15.44	69,816,050.00	2020
74.26	25.74	60,212,198.64	2021
68.37	31.63	81,820,862.85	2022
100	100	833,320,559.49	Total

Source: Central Bank of Iraq. Statistical Bulletin. Various years.

Table (18) shows that total imports achieved an increasing value from (2009-2013) reaching (73,117,968) million dinars, and this is due to the increase in budget revenues achieved during this period and the increasing need of local markets that were not satisfied except by local supply, as well as the adoption of a trade dumping policy by some neighboring countries, as imported products are sold by these exporting countries at a price lower than local prices in those countries as a policy to accustom the importer to certain products so that imports continue, in addition to the lack of a policy to protect the local product for some products produced in sufficient quantities to meet market needs, then total imports decreased after that period (2014-2018) and this is due to the many problems experienced by the Iraqi economy, including the control of criminal gangs (ISIS) over some Iraqi cities, in addition to the decline in oil prices and the decline in oil revenues and consequently the decline in expenditures in the state budget, which reduces the purchasing power of the consumer and reduces import operations, then usually the quantities of imports increase after a year (2018) Due to the improvement of the economic situation and the reduction of war expenditures due to the elimination of terrorist groups in this year, it continued to increase until the year (2022) by achieving the highest value of imports during the study period, reaching more than (81) trillion dinars.

Hypothesis Test

This step in the practical side aims to test hypotheses, as researchers explore the level of correlation between research variables on the one hand and on the other hand test the extent of the ability to explain and influence the independent variable on the dependent variable. What is referred to in this regard is that the practical model that researchers seek to test is the mediating model, as it consists of the independent variable represented by (foreign currency sales window) and the mediating variable represented by (documentary credit granted by commercial banks) and the dependent variable represented by (imports, trade balance). Testing the directions of influence between variables: The main objective of this paragraph is to test the hypotheses of influence of the research variables, which revolve around the direct and indirect influence between those variables and according to the Baron and Kenny method to test the mediating model. For this purpose, researchers used simple regression analysis (Regression Analysis Simple), through which the direct influence between variables and the indirect influence are determined. The Baron and Kenny method

was used, which is one of the good methods for testing the influence of the mediating variable on the relationship between the independent and dependent variables.

-1 Detecting the quantitative effect of the independent variable on the dependent variable (the effect of foreign currency window sales, imports) (verifying the first condition of the Baron and Kenny method) and as in the results of the following estimation:

□ The calculated value of (F) reached (1.741) while the tabular value of (F) reached (3.07) at a significance level of (5%). This shows the insignificance of the model, i.e. the absence of a significant effect of foreign currency sales on imports, the trade balance. This is consistent with the policy of the Central Bank of Iraq at the end of 2009, which adopted a policy of dividing foreign currency window sales into two parts: cash sales, which are directed towards travel for the purpose of treatment and tourism... and sales through documentary credits, which are for the purpose of importing goods that the market needs to compensate for the shortfall in the gross domestic product. As in the results of the following table:

Table (25) The calculated F value for the relationship between foreign currency sales and imports (n=132)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2193.881	182.760		12.004	.000
	Foreign exchange window	-.061	.046	-.115	-1.319	.189

a. Dependent Variable: Imports

Source: Prepared by the researcher based on the results of the SPSS program

□ It is clear from the value of the coefficient of determination (R Square) of (0.013), that is, foreign currency sales are able to explain (0.013) of the changes that occur in imports directly without the presence of documentary credits, as in the results of the following table:

Table (26) The value of (R Square) calculated for the relationship between foreign currency sales and imports (n=132)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.115 ^a	.013	.006	408.786

a. Predictors: (Constant), Foreign exchange window

Source: Prepared by the researcher based on the results of the SPSS program

□ It is clear from the value of the marginal slope coefficient (β) of (-0.061) that increasing sales by one unit will lead to a decrease in imports by (6.1) percentage, which is not significant because (p) is (0.189) greater than (5%), as in the results of the following table.:

Table (27) The value of β calculated for the relationship between foreign currency sales and imports (n=132)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2193.881	182.760		12.004	.000
	العملة بيع نافذة الأجنبية	-.061	.046	-.115	-1.319	.189

a. Dependent Variable: Imports

Source: Prepared by the researcher based on the results of the SPSS program.

It is clear from the above results that the absence of a direct impact of foreign currency sales on imports without the presence of documentary credit as an intermediary variable is a policy consistent with the policy of the Central Bank of Iraq that sales are two parts, cash and the other part is linked to documentary credit, and because the sample was after the year (2012) until (2022), i.e. after the implementation of the policy of the Central Bank of Iraq, the results were consistent with the policy.

-2 Detecting the quantitative effect of the independent variable on the mediating variable (the effect of the foreign currency sales window, the total documentary credit) (verifying the second condition of the Baron and Kenny method) and as in the following estimation results:

□ The calculated (F) value reached (8.030) while the tabular (F) value reached (3.07) at a significance level of (5%). This shows the significance of the statistical model, i.e. the existence of a significant effect of foreign currency sales on the total documentary credit granted by Iraqi commercial banks. This is consistent with the logic of the economic theory of the Central Bank of Iraq, which aims to link window sales with documentary credit. As in the results of the following table:

Table (28) The calculated F value for the relationship between foreign currency sales and the total documentary credit (n=132)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	718485867.286	1	718485867.286	8.030	.005 ^b
	Residual	11631300039.593	130	89471538.766		
	Total	12349785906.879	131			

a. Dependent Variable: Total documentary credit

b. Predictors: (Constant), Foreign exchange window

Source: Prepared by the researcher based on the results of the SPSS program

□ It is clear from the value of the coefficient of determination (R Square) of (0.058), that is, foreign currency sales are able to explain (0.058) of the changes that occur in the total

documentary credit, and this percentage is very low because the credits granted by commercial banks are low and do not match the amount of sales of the foreign currency sales window, meaning that the documentary credit for the foreign currency sales window published by the Central Bank has a very large value compared to what is granted by commercial banks, and this is referred to in Chapter Three on documentary credit, as we find that the size of the window annually is approximately (4) billion dollars, while the size of documentary credits for the same year is approximately (16) billion dinars, and this is a reason for the low impact of the documentary credit granted by commercial banks on the foreign currency sales window. The value of (R Square) can be shown in the estimated results of the following table:

Table (29) The value of (R Square) calculated for the relationship between foreign currency sales and documentary credit (n=132)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.241 ^a	.058	.051	9458.93962
a. Predictors: (Constant), Foreign exchange window				

Source: Prepared by the researcher based on the results of the SPSS program.

□ It is clear from the method of the value of the marginal slope coefficient (β) of (3.030) that increasing the sales of the foreign currency window by one unit will lead to an increase in the documentary credit granted by commercial banks (3.030) and it has a significant effect because the probability (p) is (0.005) less than (5%) and as in the results of the following table.

Table (30) The value of β calculated for the relationship between foreign currency sales and documentary credit for commercial banks (n=132)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8561.314	4228.899		2.024	.045
	العملة بيع نافذة الأجنبية	3.030	1.069	.241	2.834	.005
a. Dependent Variable: Total documentary credit						

Source: Prepared by the researcher based on the results of the SPSS program

The effect of the independent variable (foreign currency sales window sales) on the intermediate variable (government documentary credit) (verifying the second condition of the Baron and Kenny method)

□ The calculated (F) value reached (5.427) while the tabular (F) value reached (3.84) at a significance level of (5%). This shows the significance of the model, i.e. the existence of a

significant effect of foreign currency window sales on government documentary credit as well as the significance of the model, as the probability (p) reached a percentage of (0.021) which is less than (5%). As in the results of the following table:

Table (31) The calculated F value for the relationship between foreign currency sales and government documentary credit (n=132)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	293926152.3 26	1	293926152.3 26	5.427	.021 ^b
	Residual	7041187223. 583	130	54162978.64 3		
	Total	7335113375. 909	131			
a. Dependent Variable: Government documentary credit						
b. Predictors: (Constant), Foreign exchange window						

Source: Prepared by the researcher based on the results of the SPSS program

□ It is clear from the value of the coefficient of determination (R Square) of (0.040), that is, foreign currency sales are able to explain (0.040) of the changes that occur in the government documentary credit, and this percentage of influence is very low due to the low volume of government documentary credit granted by government commercial banks. The value of (R Square) can be shown in the estimated results of the following table:

Table (32) The value of (R Square) calculated for the relationship between foreign currency sales and government documentary credit (n=132)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.200 ^a	.040	.033	7359.55017
a. Predictors: (Constant), Foreign exchange window				

Source: Prepared by the researcher based on the results of the SPSS program

□ It is clear from the value of the marginal slope coefficient (β) of (1.938) that increasing foreign currency sales by one unit will lead to an increase in government documentary credit by (1.938) and it has a direct relationship in accordance with the logic of the economic theory adopted by the Central Bank of Iraq. This percentage also has a significant effect because the probability (p) is (0.021) less than (5%) as in the results of the following table.:

Table (33) The value of β calculated for the relationship between foreign currency sales and documentary credit for government commercial banks (n=132)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9499.393	3290.305		2.887	.005
	Foreign exchange window	1.938	.832	.200	2.330	.021
a. Dependent Variable: Government documentary credit						

Source: Prepared by the researcher based on the results of the SPSS program.

Conclusions

1. The assumption that the Central Bank is working on is not achieved, as the volume of imports is not identical with the effective sales (remittance) to cover imports, and even the documentary credit opened by commercial banks is not identical with the volume of imports or even with the credits granted by the Central Bank, as in the year (2009) the value of imports was more than (45) trillion dinars and remittances were more than (34) trillion dinars, while the credits granted by commercial banks, both governmental and private, were worth more than (27) trillion dinars, and the difference between the variables continued in all years of the study until it reached (81) trillion dinars in total imports in the year (2022), while (55) trillion dinars were granted transfers effective for selling currency, and (19) trillion dinars were documentary credits granted by commercial banks in the same year.
2. The insignificance of the statistical model, i.e. the absence of a significant effect of foreign currency sales on imports, the trade balance without the presence of documentary credit as an intervening variable, is a policy consistent with the policy of the Central Bank of Iraq at the end of 2009, which adopted a policy of dividing the window sales of foreign currency into two parts: cash sales, which are directed towards travel for the purpose of treatment and tourism... and sales from documentary credits, which are for the purpose of importing goods that the market needs to compensate for the shortfall in the gross domestic product.
3. The insignificance of the statistical model with the presence of a significant effect of foreign currency sales on the total documentary credit granted by Iraqi commercial banks, which is consistent with the logic of the economic theory of the Central Bank of Iraq, which aims to link window sales with documentary credit. 17- There is a significant impact of foreign currency sales on the total imports of the trade balance with the presence of the total documentary credit granted by Iraqi commercial banks. This is consistent with the logic of the economic theory of the Central Bank of Iraq, which aims to link the window sales with the total documentary credit in influencing imports and compensating for the shortfall in the gross domestic product of goods and services from imports that are made by documentary credit in purchasing the dollar from the foreign currency sales window.
4. Both the total documentary credit and the window sales of foreign currency are the main cause of imports in the trade balance, as this was achieved from the significance of the probability (prob) which was less than (5%) and that imports are the main cause of the

window selling foreign currency, and this was achieved from the significance of the probability (prob) which was less than (5%) while the total documentary credit was not the main cause of the window selling foreign currency and both imports in the Iraqi trade balance and the window sales of foreign currency were not the main cause of increasing or decreasing the total documentary credit of Iraqi commercial banks, i.e. they were not the main cause, and this was achieved from the insignificance of the probability (prob) which achieved a percentage higher than (5%) 19- Foreign currency sales were the main cause of the increase in imports in the Iraqi trade balance by achieving the probability (prob) a percentage less than (5%), i.e. the increase in imports was due to the window sales of foreign currency, while the government documentary credit was not the reason for the increase in imports after achieving the probability (prob) A percentage higher than (5%). The situation is similar with imports in that they are the reason for the change in foreign currency sales by achieving a probability percentage less than (5%) and then the main reason for the increase or decrease in foreign currency sales while the government documentary credit was not the reason for the window sales of foreign currency because the probability percentage was greater than (5%). And both the foreign currency window sales and imports of the trade balance in Iraq were the main reason for the increase or decrease in the government documentary credit by achieving a probability percentage less than (5%) and this is not consistent with the policy of the Central Bank of Iraq, as most documentary credits are opened for the purpose of importing needs.

Recommendations

1. The lack of consistency between the total values of imports and documentary credits with the sales of the currency selling window shows that there are great difficulties facing the Central Bank to achieve the main goal of establishing the foreign currency selling window, and there may even be weakness in facing the major challenges, and therefore there must be effective plans and policies to achieve this goal to reduce financial problems and support the local product.
2. Achieving a significant impact of the foreign currency window sales on the total documentary credit despite the low values of the documentary credit compared to the size of the foreign currency window sales and very large imports shows the success of the Central Bank in this aspect, but it needs many plans and policies to achieve the desired goal and what is intended to be achieved by the Central Bank of Iraq.
3. The impact of the Central Bank of Iraq in achieving the causal relationship between the foreign currency window sales, imports and documentary credit is simple due to the lack of efficient private and governmental commercial banks that help achieve this impact, as commercial banks suffer from the small number of correspondent commercial banks abroad and the almost total dependence on the Trade Bank of Iraq, and even more than that, there are no plans that show that these commercial banks are heading towards reforming their affairs and achieving the highest levels. The lack of a policy that helps transform customs work into electronic work was one of the most prominent factors that weakened its ability to achieve its main goal because traditional work at border crossings is difficult to control completely by identifying the volume of goods entering the country and the volume of

customs revenues obtained from imports of these goods, and there are even ports that the government has not controlled and there are no accurate statistics on the volume of goods entering or even the volume of customs revenues. This makes it difficult for the Central Bank to achieve its desired goal, and there must be a consensus between the Central Bank's policy and the government's policy, which must support this policy.

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