

Fluctuations of Crude Oil Price and Repercussions on the Development of the Iraqi Economy

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Abstract— *The dependence of most of the oil-producing countries for their financing on oil revenue, which led to transforming the economy of the producing countries into a rentier economy, which calls for the necessity of economic diversification and finding additional sources such as activating the tax and customs duties system and benefiting from oil surpluses by establishing sovereign funds, to achieve an advanced level of development that guarantees Achieving well-being as well as obtaining other sources of financing such as increasing agricultural production, developing the industrial sector, developing the tourism sector, working to support national products by reducing foreign imports and imposing high taxes on products imported from abroad, as well as benefiting from oil surpluses by establishing sovereign funds so that the oil revenue is a factor in achieving sustainable economic development, and Iraq is one of the countries that depends on oil revenues for the most significant proportion of the rest of the other resources, meaning that the Iraqi economy is a rentier economy and the lack of interest in the development of other economic sectors, and the conditions that Iraq went through had a significant impact on oil investment, as it led to the decline of the industry The oil industry and after 2003 and the political and economic developments that followed The government has searched for organizational means to increase oil production and develop ways to invest it in a way that suits the Iraqi reserves, because the increase in the gross domestic product in Iraq, which depends on the production and export of oil, the rise in oil production is limited by the size of oil wells, the size of the proven reserves, and the policy followed by organizations from On the one hand, as well as international oil prices on the other.*

Keywords— *Crude Oil; Oil Price Fluctuations; Iraqi Economy; Economic Development.*

I. INTRODUCTION

Most oil-producing countries rely heavily on oil revenue for their budgets, turning their economies into rentier economies. This makes it imperative for these countries to diversify their economies and find new revenue streams, such as enacting a tax and customs duties system and reaping the benefits of oil surpluses through the creation of sovereign funds to reach a level of development that ensures their continued prosperity. Increasing agricultural output; developing the industrial sector; developing the tourism sector; working to support national products by reducing imports and imposing high taxes on imported products; benefiting from oil surpluses by establishing sovereign funds so that the oil revenue is invested wisely; these are all ways to achieve prosperity. The importance of the study comes through studying the fluctuation of crude oil prices, whose repercussions are on the activity of the Iraqi economy, and then working on finding the necessary solutions to address this through diversifying sources of income. The study aims to identify international oil prices and their impact on the Iraqi economy, as well as to determine the size of the oil sector's

contribution to financing the general budget, as well as the effectiveness of other sectors during the period of low oil revenues resulting from fluctuating oil prices globally. The Iraqi economy depends on crude oil to finance the economic development process. Still, it is exposed to external shocks represented in fluctuations in oil prices in global markets, significantly when prices drop, dramatically affecting the preparation of the state's general budget, which depends on its revenues on the revenues of oil exports. It constitutes more than 90%, increasing the weakness in the economy's structure.

II. IMPACT OF OIL PRICE FLUCTUATIONS ON THE PUBLIC BUDGET

Several factors affect oil prices. Production may increase without affecting the price, or the price may increase, or demand may remain constant, depending on several factors affecting oil prices. These factors affect the fluctuations and trajectories of oil prices, including political, economic, and other factors. Concerning conflicts and security disturbances, in addition to financial aspects, often the most severe fluctuations are the fluctuations of the political and economic nature. Given the international importance of oil, oil was considered a commodity causing weakness in economic activity due to fluctuations and dependence on oil and influencing political decisions that led to a change in the attitudes of many countries towards a rise in Prices, including the impact on exporting and importing countries [1], as for the effects of oil price fluctuations at the internal level, it may affect the general budget, especially for countries that depend on oil revenues in preparing their budget, which is very sensitive to changes in the oil markets. When oil prices rise, the budget achieves a surplus. In the event of estimating the price of a barrel of oil is less than expected [2], the impact of the price on the budget, which mainly represents the current budget, which occupies an essential part of the trade balance of oil exports and imports, and the general budget means a plan that includes estimating the state's revenues and expenditures during a coming period, usually a year. It is closely related to the economy and one of the state's means to achieve its goals, and it is a case of prediction over a time dimension that represents a future period that may cover a year or two years, depending on the circumstances the country is going through [3]. From this, it is clear that the impact of the fluctuation of the price of crude oil in the general budget will be according to the period covered by the budget. Still, the effect will be slow in time and extend to be embodied in a final effect so that its first effect will be on the balance of payments through its effect on the trade balance [4]. On this basis, the impact of oil price fluctuations in the general budget comes after these fluctuations affect the use of the trade

balance when the prices of oil exports rise for oil-exporting countries. in a state of incapacity. As for oil-importing and oil-consuming countries, the rise in crude oil prices means an increase in the value of their imports and, thus, a deterioration in the balance of the trading account.

On the contrary, the budget, in general, depends on a variety of revenue sources. Still, oil revenue comes to the forefront, as public expenditures depend on the amount of revenue and oil revenue that constitutes The largest percentage [5]. The following table shows the impact of oil price fluctuations on the general budget.

TABLE 1. Iraqi oil exports and prices and the state budget (2003-2018)

Years	Oil Price USD/ (1)	Value of oil exportsML Yar DYenaR(2)	Deficit and surplus of the public budget (3)
2003	26.9	7.519	163798
2004	33.6	17.703	865248
2005	46.3	21.480	14,127715
2006	54.6	30.465	10,986566
2007	60.5	39.433	15,568219
2008	81.1	61.111	20,848807
2009	52.0	41.668	2,642328
2010	65.5	51.147	44,022
2011	89.7	83.006	30,049726
2012	90.2	94.103	14,677648
2013	86.2	89.402	-5,287480
2014	77.2	84.303	-10,573461
2015	39.2	51.323	-10,267266
2016	32.0	41.292	-12,658164
2017	40.5	57.489	1,932058
2018	53.0	86.259	15,188283

We note through the above table the correlation of oil exports with oil prices, as there is a direct relationship between oil prices and oil exports, as exports increase with each increase in prices and decrease with lower prices and thus affect the public budget with a deficit or surplus according to public expenditures and revenues, we note that during the period (2003-2008) When prices had reached 26.9 dollars per barrel, we find that exports amounted to 7.519 billion dinars, and thus a surplus occurred in the general budget by 163798 million dinars, but in 2008, when prices reached 81.1 dollars per barrel, exports rose to (61.111) billion dinars and the budget surplus rose to (20848807) billion dinars, but during the period from 2009-2018)) we note the fluctuation of exports as a result of fluctuation in crude oil prices, as prices fell to 52.0 million dollars and thus exports decreased to 41.668 billion dinars, and thus the surplus percentage decreased from 2008, when it amounted to (2642328). (Billion dinars, while in 2014, prices rose to 77.2 dollars per barrel, and exports increased to 84,303). As for the deficit, it amounted to 10573461 (-) billion dinars, due to the increase in public expenditures on the For public revenues, during this period, military spending increased due to ISIS's control of some governorates. During this period (2013-2016), we note a deficit in the public budget due to increased expenditures over revenues, as public spending in 2013 amounted to (119127556) billion dinars. As a result, the available amount reached 1,138,40076) billion dinars*. As we note with each fluctuation in oil exports, a change in oil exports affects the budget by increasing or decreasing the percentage of

expenditures and revenues, according to public revenues, for which oil revenues are considered the second half of them or their main source, but when prices rose in 2018 to \$53.0 per barrel, as exports rose to 86.259 billion dinars, and the surplus rose to 15,188,283 billion dinars.

1. Oil Revenue

After 2003, Iraq entered an essential stage of transformation, whether at the internal level or the level of external economic relations, as many economic measures were taken to improve the situation, reform the banking and financial system, and work to increase oil revenues by increasing oil production to finance the general budget and thus affecting the improvement of the situation pension and increasing welfare by rising salaries and wages for employees and workers in the public sector [6]. As a result, the oil revenue is the primary source of the Iraqi economy, a source of financing the general budget of the Iraqi economy, and the main engine through which the economy can be directed towards diversifying the sources generating GDP, as a significant source for the rest The industrial and agricultural sectors that are included in the formation of public revenues, and since fluctuations characterize oil revenue, due to its close relationship with oil prices and the proportion of oil exports, because Iraq depends in its revenues on the number of oil exports and the price of oil, as the rise and fall of the oil price contribute to the percentage of the contribution of oil revenue in financing the budget [7]. This is a result of the Iraqi economy's dependence mainly on oil revenues, which are the leading resource for the state's general budget, which depends on oil prices. The following table shows the impact of oil prices on oil revenues.

TABLE 2. Oil exports, oil prices, and oil revenues (2003-2018)

Year	Oil Price Dollars per Barrel (1)	Value of Oil Exports MRD Yen R (2)	Oil Revenues (3)
2003	26.9	7.519	18.41
2004	33.6	17.703	32.627
2005	46.3	21.480	39.480
2006	54.6	30.465	46.534
2007	60.5	39.433	51.701
2008	81.1	61.111	75.358
2009	52.0	41.668	48.871
2010	65.5	51.147	66.819
2011	89.7	83.006	98.902
2012	90.2	94.103	116.597
2013	86.2	89.402	110.677
2014	77.2	84.303	97.072
2015	39.2	51.323	51.312
2016	32.0	41.292	44.267
2017	40.5	57.489	65.071
2018	53.0	86.259	95.619

We note from the table that oil exports and oil revenues rise with the rise in crude oil prices; that is, there is a direct relationship between oil revenues and oil prices, as well as there is a direct relationship between oil exports and oil revenues, as with each rise of oil exports the rise in oil revenues, where in 2003 oil exports amounted to (7.519) milliard dinar when oil prices were \$ 26.9 per barrel and in 2008 Oil exports amounted to (61.111) billion dinars when oil prices rose to (81.1). Thus oil revenues rose to (75.358) milliard yin r from (18.41mRD

ynn in 2003 and when oil prices fell to 52.0) in 2009. On the other hand, oil exports and oil revenues decreased as oil exports reached 41.668 millimeters, thus reaching oil revenues of 48.871 millimeters. Then we notice the fluctuation of oil prices, therefore fluctuating exports and revenues according to the rise or fall of oil prices and after the increase in oil prices in 2018 to (53.0). As a result, oil exports rose to (86.259, and oil revenues rose to 95.619).

1.1. The Government Spending

Government expenditure is a monetary amount that comes out of the financial assets of the state or from persons of public law to achieve a shared interest or public benefit and is divided into operating expenses and investment expenditures, the basis of these expenditures depends on the number of financial revenues of the state and these amounts are disbursed to satisfy the public need by the state to achieve its economic and social objective for the management of human society, and is one of the instruments of fiscal policy adopted by the state during its general budget, where public expenditure represents the image that represents the activities of the state. To achieve its economic objective to ensure the country's financial stability [8]. Most often, the ratio of government spending in Iraq to GDP is constantly increasing according to economic development. Government spending is growing in the general direction but fluctuating from year to year according to oil revenues, the abundance of international reserves and opportunities to borrow from abroad as well as oil prices, where the higher the prices, the higher the oil revenue and thus the increase in government spending [9]. Oil prices affect total government spending, but the ratio of operating expenses continues to account for the most significant proportion of total expenditure at the cost of investment expenditures, which are reliable in raising the GDP growth rate, especially in the productive sectors. Most of the estimates of expenditures in Iraq are related to the estimation of public revenues and are related to the estimate of the quantities expected to be exported of crude oil, as well as estimates of world oil prices, which are characterized by fluctuations, which should be careful when estimating public expenditures and revenues [10]. General and table showing the impact of oil price fluctuations on oil exports and government spending.

We note through the table that government spending is related to the number of oil exports, as there is a direct relationship between oil exports and government spending. Hence, government spending rises with the rise in oil exports related to crude oil prices. For example, in 2003, when oil prices were \$ 26.9 per barrel, oil exports reached 7.519 millimeters of RDN. Thus government spending reached 1982548 millimeters of yen. On the other hand, when prices rose to \$81.1 a barrel, exports rose to 61,111 millimeters of RDR. As a result, government spending rose to 86683832 milliard of yen, as government spending rose or decreases not according to the rise in crude oil prices and oil exports [11]. Only but it grows as a result of the increase in the population or as a result of development and technical and technological progress, or in the case of crises, wars, and natural disasters, where expenditures rise despite the rise or fall in oil prices because they are exceptional cases and spending must be increased.

TABLE 3. Oil prices, oil exports, and government spending for the period (2003-2018)

Year	Oil Prices Dollar per Barrel (1)	Oil Exports (2)	Government Expenditure (3)
2003	26.9	7.519	1982548
2004	33.6	17.703	32117491
2005	46.3	21.480	35981168
2006	54.6	30.465	50963161
2007	60.5	39.433	51727468
2008	81.1	61.111	86683832
2009	52.0	41.668	69165523
2010	65.5	51.147	84657467
2011	89.7	83.006	78,757666
2012	90.2	94.103	105,139576
2013	86.2	89.402	119,127556
2014	77.2	84.303	83556300
2015	39.2	51.323	58735000
2016	32.0	41.292	70397515
2017	40.5	57.489	67067434
2018	53.0	86.259	75490115

Source- Table from the work of the researcher based on column data (1) OPEC annual report, for the years (2003-2018), - Column(2)Reliance on the information contained in the Opec Annual Statistical Bulletin for the years from 2018-2003, column (3) Republic of Iraq, Ministry of Finance, Economic Department, Technical Division for the years (2003-2018)

1.2. Per capita income

The fundamental criterion for measuring the extent of economic progress of any country is measured by the amount of per capita share of gross national product, the level of education and the level of production, the rise in per capita share indicates the improvement of the living and economic situation of the individual and that affects the improvement of life expectancy or the decrease in child mortality, the per capita share of the national product is related to oil revenues, because most oil hands depend on oil revenues to finance per capita expenditures in the form of wages and salaries and the rest of them are allocated to nutrition and housing services education and health, as oil prices affect the amount of the subsistence level of countries, especially those that depend on oil revenues, as the higher the prices, the higher the revenues, which is reflected in the per capita GDP so oil resources must be directed in line with economic development in order to raise the level of members of society, as the average per capita income is considered evidence of the progress of the state [12]. Furthermore, the rise in oil prices also leads to higher revenues in the energy sectors of oil-exporting countries, which leads to the provision of investment opportunities in various productive sectors, which is reflected in the high demand for labor and capital The following table shows the impact of price level fluctuations on revenues, GDP, and, thus, per capita output.

We note from the table above that since 2005, the average per capita output began to rise gradually as a result of the improvement of economic and security conditions, and after the lifting of the embargo on Iraq, the proportion of oil exports increased, which affects the high level of GDP, as the level of per capita GDP is linked to it, so the per capita share rose in 2005 to \$ 1470 and then witnessed the year 2014.

TABLE 4. Oil price, public revenues, GDP, and per capita output for the period (2003-2018)

Years	Oil price (1)	General Revenue (2)	GDP (3)	Per capita output (4)
2003	26.9	2146346	29585788.6	1190\$
2004	33.6	32982739	53923545.7	1200\$
2005	46.3	40502890	73000053.3	1470\$
2006	54.6	49055545	95587954.8	\$2200
2007	60.5	54599451	111455813.4	2500\$
2008	81.1	80252182	157026061.6	3000\$
2009	52.0	55209353	130643200.4	3764.8\$
2010	65.5	70178223	162064565.5	5880\$
2011	89.7	108807392	217327107.4	7800\$
2012	90.2	119817224	251907661.7	8880\$
2013	86.2	113767395	271091777.5	9360\$
2014	77.2	105386623	260610438.4	8640\$
2015	39.2	66470252	209491917.8	6240 \$
2016	32.0	54409270	232589016.5	6720\$
2017	40.5	77335955	225722375.5	\$7200
2018	53.0	106569	251064479.9	\$7920

* GDP for 2017 and 2018 billion dinars

Source - Table of the researcher's work based on the data of column (1) The annual report of the Organization of the Petroleum Exporting Countries, for the years (2003-2018), – Column(2) Depending on the Central Bank of Iraq, the General Directorate of Statistics and Research, the annual economic report, Baghdad, for the period from (2003-2018), column (3) Republic of Iraq, Ministry of Finance, Economic Department, Technical Division, for the years (2003-2018), column (4) Economic report of the Central Bank, for the years (2003-2018).

In 2015, the average per capita share fell due to the drop in oil prices to \$77.2 and \$39.2 per barrel for two years, respectively, and per capita for the two years reached \$8640 and \$6240, but after prices rose to \$53.0 per barrel in 2018, the per capita level rose to \$7920.

1.3. The Exchange Rate

The exchange rate of the dollar compared to the local currency has a complex relationship with the prices of crude oil, as it can move from exchange rates to oil prices, as the decline in the exchange rate of the dollar against other world currencies leads to an increase in the price of crude oil [6]. Since the price of crude oil is priced in dollars in world markets. Hence, any change in the exchange rate directly affects the price of crude oil, in the event of a decrease in the exchange rate means the appreciation of other currencies and then Increases the demand for it because of the decline in its prices through the reduction of the exchange of the dollar [13]. It is known that Iraq is a developing country with a unilateral economy, i.e., depends on the money derived from crude oil exports, the urgent need for foreign currency dollars to cover the development processes, i.e., work to increase the production of crude oil and so the need for the dollar arises. The entry of foreign currency into the country will lead to a problem known as the Dutch disease, which occurs when it causes inflows of foreign currency. An increase in real exchange rates, the Dutch disease means a significant growth in dependence on natural resources and a decline in production in the industrial sector, which is especially evident in countries that depend on natural resources for their exports and are accompanied by an increase in the flow of foreign currency [14]. The following table shows the relationship between the exchange rate and GDP

TABLE 5. Exchange rate of GDP for the period (2003-2018)

Years	Exchange rate	GDP at current prices
2003	1936	29585788.6
2004	1453	53923545.7
2005	1472	73000053.3
2006	1475	95587954.8
2007	1267	111455813.4
2008	1203	157026061.6
2009	1182	130643200.4
2010	1185	162064565.5
2011	1196	217327107.4
2012	1233	251907661.7
2013	1232	271091777.5
2014	1214	260610438.4
2015	1247	209491917.8
2016	1275	232589016.5
2017	1258	225722052.4
2018	1208.924	251064258.5

Source – A table of the researcher's work based on data for the economic report of the Central Bank for the years (2003-2018).

Most countries seek to stabilize the exchange rates of the local currency towards foreign currencies that fall on the shoulders of the monetary authority with the aim of influencing the balance of payments balance, as we note during the period from 2003 to 2018 fluctuating exchange rates as a result of the conditions experienced by the country that affected the deficit in the balance of payments and the deterioration of the value of the exchange of the local currency, but we note an improvement in the value of the local currency, especially after 2008 from 1475 for 2006 Then we note the stability of exchange rates almost to the same level until 2011 and then fell to 1208 until 2018 as the Central Bank of Iraq maintained the strength of the exchange rate as the fiscal policy bears the burden of achieving macroeconomic stability, as the exchange rate affects oil exports, oil revenue and GDP and thus reflects on the average per capita output because Iraq has adopted a policy of pegging its currency to the US dollar and therefore the price of a barrel of oil has been affected by the exchange rate.

2. Changing the Budget Pattern in Light of Crude Oil Price Fluctuations

The budget pattern in Iraq is an operational pattern where it depends on the approach of budget management that relies on mathematical applications without regard to its actual economic content, when estimating the budget pattern must calculate the price of oil and take the principle of caution and caution when evaluating it, the goal of the budget is to achieve financial and monetary balance in the country for the purpose of avoiding economic recession, which raises a state of concern for the future of the Iraqi economy in the event of exposure to external risks such as low oil prices or the decline in the volume of exports as well as The security factor whose impact is reflected on the volume of production, because Iraq depends on oil as a significant source of financing and the decline in the importance of other financial resources ⁽¹⁾ and to change the budget pattern as a result of fluctuations in oil prices and to avoid its impact on the preparation of the budget, a committee of experts must be formed to monitor and study fluctuations in the oil markets and analyze the data obtained Strictly to reach the potential impact of any change in oil prices and therefore on budget revenues, where the pattern of budgeting overcomes the docility towards

the fluctuations of global oil prices from shifts in oil prices without taking into account the principle of caution and hedging by the budget preparers of the effects of those shifts and the search for realistic alternatives that mitigate the possible impact of the overall situation of the budget [15]. In light of this has been taken into account the fluctuations in oil prices on which oil is priced that is fixed within the general budget For the state as a planner based on predictions for the future. Since the price determines the number of exports and, therefore, the revenues it obtains based on the number of exports, the general budget of the relaxed state has been prepared, i.e., setting high and low prices under a specific range of oil price fluctuations to control these fluctuations, as the general budget is prepared by setting prices for oil within a particular range in such a range at prices \$ 40 is the minimum and \$ 60 is the price that is made the preparation of the budget on its basis, and \$ 80 is the price of the upper limit [16]. So the general budget depends on the estimates of the expected world oil prices, which are characterized by extreme fluctuations, so both public expenditures and public revenues must be estimated as a result of calculating the price of a barrel of oil, as we find that the budget suffers from a hypothetical deficit, this is hard without error in estimating oil revenues due to sharp fluctuations in oil prices [17].

2.1. Ways to Counter Oil Price Fluctuations

The oil price is the most decisive variable in determining the economic and financial situation. This importance stems from the price of Iraqi oil in that it is not one of the countries of the oil surplus that can compensate for the lack of revenues in the event of low oil prices from its sovereign wealth because the fluctuations of oil prices affect the revenues collected, as Iraq depends on oil revenues to finance the general expenses of the state and this is due to the decline in non-oil revenues. Therefore, this characteristic is one of the essential criteria for which the description of the economy depends on the Iraqi Rentier Economy [18]. Therefore, to face these fluctuations, we must turn to several things, including:

2.2. Diversification of the Iraqi economy

Iraq is one of the countries in the world with crude oil reserves. The oil sector is the main contributor to the gross domestic product, so it is the dominant sector of the Iraqi economy as well as the key to obtaining the necessary financing for the rest of the other sectors to achieve the highest rates of growth in the Iraqi economy and build a diversified economy in which natural resources (oil and gas) enter, as well as the transformation of human energies into productive energies based on the principle of a market economy based on efficiency, competition and profit and loss calculations [19]. The growth of the Iraqi economy depends on the oil sector, and its growth is affected up and down. Diversifying the economic base includes the development of other economic sectors, especially the productive sectors, including the agricultural and manufacturing sectors, and the development of the service and distribution sectors. Economic diversification is defined as adopting a balanced approach to economic development to diversify sources of income based on the thoughtful integration of different economic activities and sectors [20]. To increase the contribution of economic sectors such as agriculture and

industry to the formation of GDP, reduce dependence on oil sources, and create new horizons that can absorb domestic labor and thus increase economic growth rates. The process of diversification of the economy also aims to develop new income-generating sectors so that the total dependence on the oil sector decreases, as the process of diversification will lead to the opening of new areas with higher added value and provide more productive employment opportunities for national employment.

1. Agricultural sector reform

The agricultural sector has dominated the Iraqi economy since ancient times. Still, it began to decline when the crude oil extraction and export industry began, so oil became the primary source contributing to the growth of other sectors such as extractive, manufacturing, construction, distribution, and service sectors. Still, the agricultural industry has lagged behind this contribution and has been growing weakly compared to the extractive sectors. Therefore, to diversify the economic base, agricultural activity must be re-promoted, and the importance of agricultural activity can be known through the following:

- A. Agriculture is a significant economic activity of any country because of its essential role in the economy, the need for greater food security, and its ability to diversify the Iraqi economy and alleviate poverty.
- B. The agricultural sector is the second largest source of labor-saving and constitutes the fourth place in contributing to the gross domestic product [21]. Therefore, work should be done to activate the agricultural sector and encourage the creation of large farms to produce the main grains and work to provide modern technological supplies, especially agricultural equipment in various fields of plowing and providing seeds, harvesters and irrigation equipment, providing laboratory devices and providing them with specialists and working to control genetic inheritances and search for improved plant breeds to achieve a high level of agricultural production
- C. The agricultural sector is one of the vital commodity productive sectors that drive the economy because of the food commodities and raw materials necessary for other sectors.
- D. The agricultural sector is an attraction for the labor force. All these factors lead to an increase in high levels of production, the filling of domestic demand for food commodities, the export of surplus abroad, and thus obtaining an additional resource besides oil exports by improving and increasing the quality of production and thus improving the balance of payments and improving the trade balance.

Thus, agriculture is included in the productive economic resources, whether at the level of crops or animal production, because of its role in the process of economic development and thus the formation of national product, as we see that countries whose agricultural sector is weak and does not constitute economic importance, we find that they suffer from problems in the field of economic growth and therefore challenging to manage these countries economically and the difficulty of determining the assumptions of the process of economic

development, For its role in meeting the needs of the local market, providing plant and animal food needs for all members of society, expanding export crops, thus creating additional revenue besides oil revenue and thus diversifying the rentier economy [22].

2. Industrial Sector Reform

The industrial sector is no less important than the agricultural sector because of its significant role in economic development. Moreover, it is an essential contributor to the financing of development programs. Still, the industrial sector is no longer far from the backwardness that has befallen the Iraqi economy during the previous decades, where it has continued to suffer from losses, administrative corruption, erosion of the productive work of machinery and equipment, and the underdevelopment of the quality of those devices. Therefore, to develop proposals for the development of the industrial sector for the advancement of the industrial sector, some actions and measures must be relied upon, the most important of which are:

- a) Stimulate the national motivation of citizens and government institutions to acquire the national product and to promote, rehabilitate and organize Iraqi industrial facilities because they have economic feasibility.
- b) The promotion of the industrial reality requires vast amounts of money. This is done through the participation of local and foreign investors to rehabilitate these facilities within the framework of partnership mechanisms between countries and the private sector.
- c) Increase the amounts allocated to industrial investment included in the general budget and then develop the industrial under a specific strategy with priorities and according to importance.
- d) Since Iraq is an oil country, which means lower production costs and increased profits for public companies and investors, whether oil enters as a raw material in industry or energy uses.
- e) Iraq has forces needing work with the skills, abilities, competencies, and experience that qualify them to work compared to the labor force from abroad.
- f) Establishing joint industries for the public sector with the private sector in some food, textile, and leather industries by taking into account the performance of production units around the purpose, follow-up, and emphasis on the productive entrance to be established in Iraq and obtaining additional revenues in addition to oil revenues [23].

2.1 Development of the tourism sector

Tourism represents an inexhaustible resource, as well as an essential resource for some countries. It contributes to improving the balance of payments, providing new job opportunities, and solving unemployment problems because it is considered an investment opportunity for the unemployed. Furthermore, it has become an important engine of development because of its impact on the balance of payments for its contribution to the provision of foreign currency to the country, as well as the activation of geographical development

and since Iraq is a country full of religious shrines and archaeological places that have religious and historical interest, in addition to ancient sites distributed throughout the country and ministerial positions that receive attention by Muslims, Christians, and Jews. It is, therefore, one of the economic components affecting the Iraqi economy because of its ability to diversify the Iraqi economy and its economic, social, and cultural implications as contributing to the development of the tourism sector [24].

3. Establishment of sovereign funds

The Iraqi economy depends on oil revenues while moving away from other sectors, which leads the economy to danger and underdevelopment in the productive structures of the rest of the different economic sectors. However, these revenues can be benefited from in the event of a boom in oil prices through the establishment of sovereign wealth funds, as the fund contributes to the investment of part of the oil revenues and works automatically to mitigate the adverse effects in the event of low oil prices and contribute to the diversification of sources of wealth and income in the national economy[25]. The main objective of these funds is to protect the state's general budget from fluctuations in the prices of strategic commodities and commodities, such as oil, and contribute to macroeconomic stability by programming the flow of operating revenues and the strength of public spending. The phenomenon of establishing sovereign wealth funds has spread in developing and emerging countries with financial surpluses from selling raw materials and other natural resources, foremost among which is fossil fuels. Moreover, funds for foreign investment, especially in Western countries, are considered a solution to crises because they extend their assets through various developing and underdeveloped countries of the world [26]. After the wars and occupation, Iraq has gone through a phase of oppression, tyranny, and poverty. It hopes to employ oil revenues to lift it out of the dire situation it is, so oil revenues should contribute to addressing this situation to rise, so a system of social development funds has been established in addition to sovereign funds financed by oil revenues such as The Unemployed Benefit Funds, the Victims and Persons of Political Violence Benefit Fund, etc. Oil revenues contribute to the establishment of these funds in rentier States, as well as contribute to countering the decline in demand for natural resources and contribute to the diversification of the Iraqi economy, which depends on the size of reserves and production¹.

III. CONCUSSIONS AND DISCUSSION

The history of oil has been marked by fluctuations in terms of prices and production, both of which have affected the demand for oil on a global scale. Most countries worldwide rely on crude oil as their primary energy source, so these fluctuations have been particularly significant. The rates of economic growth, population growth, and development in various industries are all linked to the rates of demand for oil on a global scale. This is especially true for demand from

(1) Salim Al , Wardi, Oil Authoritarianism in Contemporary Iraq, Dar 'For my jewels, First Edition, Beirut, 2013, p 156.

developing countries, which accounts for the most significant proportion of demand, and the transportation sector takes the lead with demand for refined products. The fact that most oil-producing countries must rely on revenue from oil sales to finance their budgets has resulted in the transformation of the economies of oil-producing nations into rentier economies. This has resulted in the requirement for oil-producing nations to diversify their economies and find new sources of revenue, such as by activating their tax and customs duty systems and establishing sovereign wealth funds to capitalize on oil surpluses. Demand and supply, as well as the economic policies of nations that produce and consume oil, are the primary elements that determine the price of oil. The reliance of Iraq's public spending on oil earnings makes up the most significant proportion of the country's general budget, which is the second half. The need to address the structural imbalances of the Iraqi economy, which can be done by altering the map of the contribution of economic sectors to the formation of the gross domestic product, as well as the assistance of the industrial, agricultural, and tourism industries, while simultaneously reducing the dominance of the oil sector.

Given that each person has a share of the gross domestic product, which is the central pillar of oil revenues in its composition, and the entry of oil into all economic sectors to increase GDP and diversify sources budget, the government must work to secure the share of future generations under the rules of development because oil is a wealth that will eventually run out. This is because the government must do so under the rules of development. Since the rate of economic growth is proportional to the price of oil, businesses of all stripes must steer clear of a scenario in which oil prices are meager to reduce the amount of idle labor force and accelerate the pace of economic expansion. Gaining an advantage from the increase in oil prices by generating oil surpluses after accounting for all of the associated costs; in other words, gaining an advantage from the excess by establishing sovereign funds Create a plan for the expansion of the economy in its many different subsectors, and take steps to lessen your reliance on the oil industry. This is necessary because an economy that is overly dependent on a single commodity as a source of raw materials is prone to becoming rigid and unable to adapt to changing conditions. Especially in the case that there are problems that impact the economy of Iraq. Work should be done to create an environment that is attractive to investments, such as by developing productive industries, reforming the agricultural sector by assisting farms in increasing production by providing modern agricultural means and chemical fertilizers, and developing the tourism sector through the development of airports, lands, and shipping lines. The refining business has to be operated with the goals of selling produced products, delivering oil derivatives at affordable costs that contribute to national industries, and absorbing jobless employees.

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