The Impact of Fiscal Policy on Economic Growth in Iraq

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Abstract

This research seeks to elucidate the notion of fiscal policy and its function in facilitating economic growth in Iraq, with the study's problem arising from the following inquiry: What is the function of fiscal policy in facilitating economic growth in Iraq? This research employs a deductive and discretionary approach to analyze and assess the impact of fiscal policy on the state's economic growth, yielding significant findings. The fluctuations in the state's GDP during the study period can be attributed to several factors, notably the decline in public revenues due to the inadequate contribution of tax revenues relative to oil revenues in supporting the general budget. It is recommended to rectify the imbalance in the public revenue structure by enhancing the role of taxes and fees. Minimizing reliance on oil resources while steering state expenditure to allocate financial resources for the advantage of persons in society.

Keywords: Public revenues, GDP, Tax revenues, Public revenue structure.

Introduction

After 2004, the general budget of the State of Iraq showed fluctuations in GDP as a result of high spending, and this will require a large amount of financial resources in order to enable the government to implement all its operations in full, as fiscal policy is an important and indispensable player in any economy that should achieve three vital goals, namely: financial stability, economic growth, and social development. Public revenues are one of the tools that can be used to promote the industrial and agricultural sectors, promote and protect local products, and increase their ability to attract investment, and this move leads to a decrease in the import rate, by increasing the domestic product and so on from the improvement in the amount of exports, and public revenues, including oil, tax and tourism, play a major role in providing the state's general budget with the funds it needs for public spending, as each country needs to raise public revenues so that the government has the ability to Carrying out the things required of it, whether military, social or economic.

First: The research problem

The philosophy of the economic system in Iraq after 2003 was not clear because of the overlap of internal factors represented by the modernity of the political system and the lack of political and economic decision-makers to understand and fully convinced of the need to draw the features of a new management of the Iraqi economy capable of producing economic development programs in addition to external factors that are represented in the requirements of international organizations for the application of economic reforms has conflicted with the security and social motive, This reflected negatively on the work of fiscal policy in achieving balance for stability, growth and raising the level of consumer spending, and therefore the problem of the study is the answer to the following question: **What is the role of fiscal policy represented by customs revenues in achieving economic growth**?

Second: Research Objective

The main objective of the study is to analyze and measure the role of fiscal policy in achieving economic growth by focusing on public spending and customs revenues. As for the secondary objectives, they are to present the development of fiscal policy and achieve economic growth in the midst of the trends of development of the relationship between public expenditures and customs revenues in Iraq and to analyze the factors affecting the role of fiscal policy during the period (2004-2022 AD).

Third: Important of Study

The importance of this research is evident in the importance of public revenues as a source of national income, because economic reform requires the activation of sovereign revenues, especially tax and customs revenues, and the economy of any country can be measured through its GDP, as we note that the state budget needs to increase its revenues without relying on one resource.

Fourth: Research Hypothesis

There is a strong positive relationship between fiscal policy and economic growth in a way that enables fiscal policy (customs revenues) to increase the rate of economic growth.

Fifth: Research Methodology

This research employs the deductive technique, whereas the final chapter will utilize the estimating method to analyze and quantify the effect of customs revenues on the overall gross domestic product of the state.

Sixth: Previous Studies

Despite the search in the publications that dealt with the subject of customs revenues and their relationship to economic growth, no research was found that pays special attention to the gross domestic product and its relationship to customs revenues, but some books referred to the diversification of sources of the gross domestic product in general Including:

1- Measuring and analyzing the impact of some macroeconomic variables on economic growth in Iraq for the period (2005-2022), Idris Ramadan Haji, 2023.

2- The impact of macroeconomic variables on the gross domestic product of the Kingdom of Saudi Arabia using the autoregressive model for distributed lag periods during the period (1993-2019), Muhammad Ramadan Sharif, 2021.

3- Experimental analysis of tax revenues and their impact on economic growth in Pakistan, Nadeem Iqbal, Suliman Shinwar, Muhammad Fawad Azam, 2015.

4- The impact of tax revenues on economic growth, a case study of Nigeria and Ghana, Francis Chinedu Egbunike, Ochuko Benedict Emudainohwo, Ardi Gunardi, 2018.

Seventh research plan

The first topic: The theoretical framework of customs revenues and economic growth.

First requirement: The theoretical framework of customs revenues.

The second requirement: The theoretical framework for economic growth.

The third requirement: The relationship between customs revenues and gross domestic product.

The second topic: The development of the proceeds of customs revenues and gross domestic product in Iraq for the period 2004-2022

The first requirement: The development of the proceeds of customs revenues in Iraq for the period 2004-2022.

The second requirement: Gross domestic product for the period 2004-2022.

The third topic: Estimating the impact of customs revenues on gross domestic product.

The first requirement: Description of the standard model used.

The second requirement: Results of the standard test of the study variables.

The first section

Theoretical framework of customs revenues and economic growth

The first requirement The theoretical framework of customs revenues

First: The concept of customs revenues: It is known as the most important type of indirect taxes. Its development has been linked to the establishment of trade between countries and the development of its objectives and forms with the development and expansion of foreign trade movement, stimulating and stabilizing national production, and limiting the import of some goods [1].

It can also be defined as (a tax imposed by the state with its right to sovereignty over imported and exported goods. It has been called a fee because it is not imposed in exchange for a service provided by the state, but rather is imposed in accordance with legal and constitutional rules) [2].

From the above, we can conclude that customs revenues are an amount of money that customs employees collect according to a specific customs tariff according to the law. The goal when imposed on imports is to serve the interests of the country and raise its competitiveness, and stimulate local production to be an alternative to those imported goods, As for the goal when imposed on exports, it is for the purpose of obtaining revenues and encouraging exports in addition to other economic and social goals.

Second: Types of customs revenues:

There are several types of customs revenues, the most prominent of which are the following:

A) Customs revenues according to their nature, including:

1- Import tax: These are taxes imposed on goods imported from other countries. They are the most important and most widely used types of customs taxes. If customs taxes are referred to, what is meant is the import tax. There is usually no country that does not impose this tax on its imports under different names. It is also one of the sources of financing the general budget, in addition to being one of the effective means of intervention in protecting the national economy against foreign competition [3], as the import tax provides many benefits to the national economy, which are represented in the following [4]:

• The abundance of its proceeds, especially in countries that depend heavily on imports.

• Encouraging economic development and supporting economic sectors and protecting them from foreign competition.

• Addressing the imbalance in the balance of payments and improving the country's trade exchange rates.

• Reducing and rationalizing consumption, increasing savings, and raising the investment rate in the national economy.

1- Ahmed Taha Hussein Al-Jumaili, A study of the basic features of the general budget plans of the Iraqi state for the years 2012-2013, Tikrit University Journal of Science, Volume (19), Issue (12), College of Administration and Economics, Tikrit University, 2012, p 83.

2- - Sadiq Jaafar Kazim Al-Attabi, The impact of customs taxes in supporting the general budget of the state, an applied study in the General Authority of Iraqi Customs, Al-Muthanna Journal of Administrative Sciences and Economics, Volume (8), Issue (3), 2012, p91

3 - Dominick Salvatore, introduction to international economics, second edition, mc Grew- Hill, United States of America, 2010,p119.

4 - Adel Fleih Al-Ali, Talal Mahmoud Kadawi, Public Finance Economics, Book Two, Dar Al-Kutub for Printing and Publishing, University of Mosul, 1989, p119.

• Reallocating resources towards the most productive and beneficial areas for the country.

• Enhancing national security considerations, as state intervention in imposing import tax may be subject to certain conditions and considerations.

2- Export tax: This is the tax imposed on goods exported abroad, as well as those entering free zones even if they are not exported outside the country's borders, meaning that the base of this tax is the goods that go beyond the customs scope of the country, and the imposition of this tax comes from the desire of the state that imposes it, either to provide the commodity domestically to meet the needs of local consumption, or to obtain a financial resource [5].

3- Transit trade tax: This is the tax imposed on goods that pass through a certain country on their way to another country, as some countries are distinguished by their strategic location, facilities in their commercial transactions, and political stability, which gives them a large relative weight in the movement of international trade[6].

Third: The importance of customs taxes: The importance of customs taxes lies in the fact that they work to control imports and encourage exports, and we will explain this in the following:

A- Custom's taxes and import control:

Reducing the import of luxury and consumer goods is considered desirable. It leads to reducing consumption on the one hand and saves foreign currencies that were spent on importing these goods on the other hand. As the demand for these goods is characterized by great flexibility, it is expected to decrease as a result of the significant increase in the prices of these goods, due to the increase in the customs tax on them[7], and thus the increase in the customs tax on these imports leads to an increase in their price domestically and a decrease in the quantities imported from them, and consequently a decrease in the foreign currencies needed to pay for the import, which allows for another use of them.

However, all of this depends on the elasticity of supply and the size of the local demand for it and the elasticity of the external supply for it in relation to the elasticity of the local supply. If the elasticity is high, then a small amount of the customs tax price is sufficient to reduce the volume of imports for it and vice versa[8], In the case of inelastic local supply, the more inelastic the demand is, the higher the amount of customs tax is required to reduce the volume of imports and vice versa if the local demand is elastic. As for the elasticity of the external supply of imported goods, if that elasticity is low, the foreign supplier bears the largest burden of the customs tax and vice versa, i.e. there is a sharing of the burden of the customs tax between the supplier and the importer, and the percentage of their sharing depends on the result of the elasticity of demand for goods by the importing country and the elasticity of supply by the exporting country. In this regard, customs revenues can be used provided that efficiency is provided in building customs policy and in supplying resources towards the following transfers [9]:

1-   Transferring resources from the private sector to the public sector, i.e. obtaining sufficient financing with the least possible undesirable effects.

2-   Transferring resources from consumer industries to investment industries, and this varies taxes on both sectors.

3-   Transferring demand from imports to locally produced goods.

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[5]- The same source, p119.

6- - Adel Ahmed Hashish, Magdy Shehab, International Economic Relations, Alexandria, New University House for Publishing, 2005, p213

[7]- Adel Falih Al-Ali, Public Finance and Tax Legislation, Mosul, University House for Printing and Publishing, 2004, p 54.

8- Bodli Balqasim, The Phenomenon of Customs Evasion and Strategies to Combat It. Master's Thesis, Faculty of Economics, Abu Bakr Al-Baqaid University, 2011, p135.

[9] - Khairi Mustafa Kanana, Trends in Tax Revenues and the Factors Affecting Them, First Edition, Amman, 1998, p203.

B- Customs revenues and encouraging exports: When the state imposes its control over foreign trade, it seeks to encourage the export of local products [10] by using customs taxes, as one of the requirements of economic development is to encourage the private sector and solve the problem of the narrow scope of the local market, which is an obstacle to economic development, as customs taxes on exports tend scientifically to disappear, but some goods are considered an exception to this, which are those goods for which the state enjoys a monopoly or semi-monopoly position in terms of exporting them, as is the case with medical raw materials, petroleum, sugar, cocoa, etc. If the exporting country produces the largest part of the global supply of a commodity necessary for foreigners, i.e. inelastic demand, then the exporting country of this commodity can charge foreigners a larger part of the export tax on this commodity [11] as customs revenues generate a large amount of revenues that provide the state treasury with the necessary resources to cover current and investment expenses.

Second requirement: Economic growth

First: The concept of economic growth: Economic growth is defined as an increase in the gross domestic product or gross national product that results in an increase in the per capita share of real national income[12], while it is defined as representing the amount in which the productive capacity of various economic sectors is used. The higher the rate of exploitation of productive capacity, the higher the pace of economic growth and vice versa [13]. We can estimate that economic growth is the process of increasing the sizes of national economies, and macroeconomic indicators, especially the per capita share of the gross domestic product [14]. Economic growth is defined, according to the American economist Simon Kuznets, as a long-term increase in the ability of the population to obtain more diverse economic products. Advanced technology, institutional adaptation, and the required philosophy contribute to expanding these capabilities. According to the World Bank, annual changes in the domestic product are evaluated by the total value added obtained by all resident producers in the economy, excluding product taxes and any subsidies not included in the value of items [15].

From these concepts of growth, a number of conclusions can be drawn, the most important of which are the following:

1- Focus on long-term growth first, then on the long term, and not transient growth.

2- The existence of institutional and ideological adaptability, which indicates the role of the institutional system in the growth process [16].

3- Other definitions focus on two aspects of economic growth:

A- Excessive GDP growth, and thus cyclical growth that occurs under normal circumstances, is not considered economic growth.

B- The increase must be real and not monetary, and in order for it to be real, the effect of inflation must be eliminated, and thus there is no economic growth until the growth rate in national income exceeds the inflation rate [17].

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[10] **-** Dennisr .Appleyard and Alf red j. Field, Jr, International economics, op . c it ,2009,285 .

[11] **-** Daniels and other, "International business, "twelfth Edition, hew jorsey use,2009,322.

[12] **-** Mustafa Bin Saha, The Impact of Non-Oil Export Development on Economic Growth in Algeria, Case Study of Small and Medium Enterprises, Published Master's Thesis, Institute of Economics, Commercial Sciences and Management Sciences, Algeria, 2008, p. 8.

[13] - Ranan Mokhtar, The Relationship between Foreign Trade and Poverty and Income Distribution, Dar Al-Amal for Printing and Publishing, Algeria, First Edition, 2011, p44

[14] **-** Alina-Petronela, Concepts of Economic Growth and Development. Challenges of Crisis and of Knowledge, Economy Transdisciplinarity Cognition, Vol. 15, Issue 1/2012,P66

[15] - World Bank, Economic Report, 2010, p21

[16]- Jalal Khashab, Theories of Economic Growth, Al-Alouki Publishing House, 2007, p5.

Second: Types of economic growth[18] :

First: Automatic growth: Automatic growth is achieved from spontaneous market forces, i.e. without prior scientific planning, so that the role of the state is auxiliary and complementary to the market and not necessary, and automatic growth is characterized by stability and slowness, this pattern is the basic condition that defines most emerging countries, despite the fact that they have experienced severe short-term shocks due to economic cycles at times.

Second: Transient growth: It occurs as a result of temporary emergency factors that quickly fade away, and are often external, and when these factors fade away, this growth fades with them, and this transient growth is characterized by instability and continuity, and this pattern is the general situation in most developing countries.

Third: Planned growth: This phenomenon arises from the extensive planning process for the national economy, wherein economic growth is predicated on a holistic plan for economic and social development. The growth is intricately connected to the planners' capabilities, the feasibility of the proposed plans, and the efficacy of their execution and monitoring. Moreover, this growth is inherently self-sustaining and exhibits continuity. This model typifies the overarching scenario that characterized most socialist and prior nations, governed by social ownership of fundamental means of production and comprehensive central planning that underpins this expansion.

Fourth: Expanded economic expansion: This growth is pegged on income changes equal to the population growth rate leading to a 'per capita income' remain constant.

Fifth: Intensive economic growth: This growth is characterized by income growth surpassing population growth, resulting in an increase in per capita income [19].

The third requirement: The relationship between customs revenues and economic growth

The tax system is a crucial instrument of economic and social policy that directly or indirectly aids in fulfilling societal objectives, applicable in both developed and developing nations. It serves as a mechanism for addressing the economic and social challenges faced, irrespective of the governing economic or political framework. Consequently, such legislation (the tax system) should reflect the philosophy of governance and the prevailing social and economic conditions.

Consequently, the aims of the tax system in industrialized nations diverge from those of the tax system in emerging nations. It seeks to attain sustained growth rates to uphold a high income level and eradicate unemployment, so achieving economic stability and equitable tax burden distribution. In developing countries, the objective is to establish comprehensive development and enhance industrialization levels due to the inadequacies of their economic structures and infrastructure [20].

The revenues from customs taxes represent abundant proceeds and a fertile source that provides the state's economy with the necessary revenues to manage it and finance its expenses. No economy in the world's economies has been devoid of focusing on the revenues from these taxes at a certain stage of its development and occupying a prestigious place in its financial structure. One study indicates that customs tax revenues reached approximately one-third of the tax revenues in (47) developing countries during

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[17] - - Muhyiddin Hamdani, The Limits of Sustainable Development in Responding to the Challenges of the Present and the Future, Published PhD Thesis, University of Algeria, 2008, p4.

18- - Hamam Wael Muhammad Abu Shaaban, The Impact of External Financing on Economic Growth, An Applied Study of Arab Countries, Published Master's Thesis, Islamic University, Gaza, 2016.

[19] - Ali Makid, Determinants of Economic Growth in Algeria, an Econometric Study for the Period (1990-2018), Abstract of a Published Master's Thesis, University of Medea, Algeria, 2020, p. 128.
20- Muhammad Al-Hallaq, Tax Legislation, Syrian Virtual University for Publishing, 2018, p. 15.

the period (1969-1971) [21]. To know the financing role of customs revenues for the period (2004-2022), it is necessary to know the total customs revenues and their relative importance in both the total general revenue and the total tax revenues, as we see in the table below:

The second topic: The development of the proceeds of customs revenues and their contribution percentage to the gross domestic product in Iraq for the period 2004-2022

First requirement: The development of the proceeds of customs revenues in Iraq for the period 2004-2022

Table No. (1) Development of customs revenues in Iraq 2004-2022				
Year	Customs revenues (1)	Growth rate	Public revenues (2)	Ratio 1-2
2004	55.410	------	15.985.526	0.3
2005	80.010	45.4	32.988.850	0.2
2006	149.710	86.2	40.435.740	0.4
2007	182.822	22.1	49.555.441	0.4
2008	307.370	68.6	71,091.104	0.4
2009	497.630	61.8	47.112.605	1.0
2010	482.130	-13.8	59,404.223	0.7
2011	334.770	-21.9	108,800.101	0.3
2012	427.042	27.8	119.517.223	0.4
2013	444.660	3.9	113,700.011	0.4
2014	374.800	-15.7	105.400.681	0.4
2015	303.520	-18.9	66,498.920	0.5
2016	489.096	61.3	54,387.840	0.9
2017	992.526	102.8	77.300.153	1.3
2018	2,261.150	18.6	106,591.871	2.1
2019	1,625.500	-28.1	107,941.850	1.5
2020	1,402.167	-13.7	63,199.700	2.2
2021	1,283,700	-1.9	109,081500	1.1
2022	1,133,300	-11.71	161,697400	0.7

Source: Researcher's work based on data from the Central Bank of Iraq and the General Tax Authority.

Customs revenues constitute a not insignificant sum, as they support the state's economy with the revenues needed to finance expenditures, whether investment or operational. What happened in the Iraqi economy from the process of economic openness to the outside and the sufficiency of imposing a unified tax, which is the reconstruction tax at a rate of 5% imposed on imported goods, all of this made the Iraqi markets vulnerable to the process of market dumping, which led to an increase in unemployment rates and a decrease in the work of economic activities and a decline in the performance of the industrial, agricultural and commercial sectors in the country. These procedures consequently led to the

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[21]- Dr. Muhammad Saeed Al-Rahahleh and Dr. Enas Al-Khalidi, Introduction to the Study of Customs Science, Dar Al-Hamed for Publishing and Distribution, Jordan, 2012, p. 26.

marginalization of the financial role obtained from this tax, and it became clear to those in charge of setting the country's economic policy that a developing country cannot accomplish the process of economic development while its markets are open to various types of imported goods from different global origins and of high quality. Accordingly, the Customs Tariff Law No. 22 of 2010 was issued, and it is considered a good step in the right direction to change the course of economic policies for the better, and this legislation is in effect in most countries of the world [22]

Referring to Table (2), we find that the ratio of customs revenues to the general budget revenues for the year 2004 amounted to (3%) and that the ratio of customs revenues to tax revenues amounted to (50%) as a result of lifting the economic blockade imposed on the country. However, these ratios began to decline to reach (2%) the ratio of customs revenues to general revenues. The reason for this is due to the decline in customs revenues on the one hand, and the increase in the ratio of tax revenues on the other hand for the year 2005. As for the general growth rate of revenues of all types, whether customs or general, it rose to reach (45.4%, 207.7%) respectively for the same year. Then in 2006, the ratio of customs revenues to general revenues returned to reach (0.4%), then it decreased again in 2007, where the ratio of customs revenues to general revenues amounted to (0.4%), which is the same as it was in 2006. As for the growth rates of customs revenues increased to (86.2%), while the growth rates of public revenues reached (22.6%) of the same year.

As for the year 2009, customs revenues reached (497.63) million dinars, and the annual growth rate reached (61.8) and its contribution to public revenues was (1.0%), with the improvement of the security situation in Iraq, which led to an improvement in the economic situation.

Then customs revenues began to decline over the years 2010, 2011 to (482.13) (334.77) million dinars respectively, and annual growth rates were recorded negatively (13.8% -21.9%), which led to a decrease in their contribution to public revenues from (0.7%) in 2010 to (0.3%) in 2011 due to weak control over customs ports due to the presence of cases of security instability from time to time in some customs ports, and there are other reasons including administrative and financial corruption, tax evasion and weak oversight bodies by the state [23]. Customs revenues witnessed an increase and varying growth rates during the year 2012, where they reached (427.042) million dinars with a growth rate of (27.8%) and a contribution to public revenues of (0.4%), while in 2013 they reached (444.660) million dinars and a growth rate of (3.9%) and a contribution rate to public revenues of (0.4%), but it declined in 2014 to reach (374.800) million dinars and a growth rate of (15.7-%) and a contribution rate to public revenues of (0.4%), and also in 2015, where customs revenues reached (303.520) million dinars and a growth rate of (18.9-%) and its contribution rate to public revenues reached (0.5%) due to the occupation of large areas of the country by ISIS terrorist gangs, which led to a decrease in imports, and most of these imports were military equipment to liberate lands from the control of ISIS terrorists, and they are mostly materials exempt from customs tariffs, but tax revenues began to rise in 2016 to reach (489.096) million dinars and a growth rate of (61.3%) and a contribution rate of Its contribution to public revenues (1.1%) due to the liberation of a large part of the lands from the terrorist ISIS gangs and the stabilization of the economic situation somewhat. Customs revenues also increased in 2018, reaching (2,261,150) million dinars, with an annual growth rate of (18.6%). The percentage of customs revenues' contribution to public revenues reached (1.3%).

In 2020, customs revenues reached (1,402,167) million dinars, with a growth rate of (13.7-%). The percentage of customs revenues' contribution to the state's public revenues reached (2.2%), due to the increase in imports of medical materials and devices as a result of the Corona pandemic, which is the highest percentage during the study period, due to the decrease in demand for global oil, as we mentioned earlier.

22- Muntadhar Fadhel Saad Al-Batat, Hamid Jawad Maj'a, The Arabian Gulf Magazine, Volume 44, Issue 3-4, 2016, p. 8.

23- Haider Majeed Al-Fatlawi, Obstacles to Imposing Customs Taxes on E-Commerce Activity, Al-Ghari Journal of Economic and Administrative Sciences, University of Kufa, Volume 9, Issue 29, 2013, p. 53.

In 2022, customs revenues amounted to (1,133,300) million dinars, with an annual growth rate of (11.71-%). The percentage of customs revenues' contribution to the country's general revenues amounted to (0.7%). This is due to the weakness of customs work at all border crossings as a result of the delay in the introduction of modern technology in this sector in the country.

The second requirement: The development of the gross domestic product for the period 2004-2022:

Continued in Table (2), the gross domestic product was increased in 2004 up to the fluctuating growth rates until year 2008 the product was (132,176. 81) million dollars with the annual growth rate of (52. 2 %). At that point, there was a solid increase in the growth of the gross domestic product within that country more so after the cancellation of the economic sanctions as well as the change of the Iraqi polity and change of all the policies that were being instilled in that region.

In 2013, the GDP attained its peak at 224,804.87 million dollars, exhibiting a growth rate of 6.5%. Subsequently, from 2014 to 2016, the GDP contracted, recording negative annual growth rates of -2.6% and -5.4%, respectively. The reduction in GDP is attributable to the dominance of terrorist organizations, specifically ISIS, over several Iraqi provinces and oil reserves, along with a decrease in world oil prices. In 2017, the gross domestic product increased to 225,456.43 million dinars, reflecting an annual growth rate of 41.6%. The increase in gross domestic product during that period is attributable to the rise in oil prices. In 2018, the gross domestic product value, with oil at current prices, increased by 11.2% compared to 2017, reaching 251,100.01 million dinars, up from 225,456.43 million dinars in 2017, due to a 33.1% rise in the price of a barrel of oil during 2018.

The gross domestic product of the country reached to 262,899. 18 million dinars in 2019 and the growth rate in it was 3. 2% higher than that of 2018; which resulted from the enhanced growth of agriculture industry as well as electricity sectors. The cumulative impacts of the COVID-19 pandemic and the decline in the international price of crude oil in 2020 had a severe effect on Iraq's economy such that the country's gross domestic product was 198,795. 95 million dinars and a growth rate of -24. 3%.

For 2022, Iraq emerged as the leading Arab country in terms of high GDP stands at 383, 094. 95 million dinars while the GDP's growth rate was 27. 1% in the same year. Literally it got the second position on the list of the ten rapidly developing countries of the world for 2022 by the classifications of IMF. It should be noted that the Iraqi economy is recovering, largely due to increased oil production after the elimination of restrictions and the increase in monthly quotas has been added to the decisions made by (OPEC+). Furthermore, the rise in the global crude oil prices arising from high global demand more than what obtained in the year 2021 has boosted the gross Domestic product both at the current prices as well as the constant prices due to the reduced covid-19 infections thanks to increased vaccination.

Table (2) Development of the GDP in Iraq for the period 2004-2022		
Years	Gross Domestic Product GDP	%Growth rate
2004	36,387.80	------
2005	49,819.51	36.9
2006	64,239.21	28.9
2007	86,803.59	35.1
2008	132,176.81	52.2
2009	110,807.62	-16.1
2010	136,763.34	23.4
2011	181,105.62	32.4

2012	210,975.51	16.4
2013	224,804.87	6.5
2014	218,735.94	-2.6
2015	168,320.80	-23.0
2016	159,138.74	-5.4
2017	225,456.43	41.6
2018	251,100.01	11.2
2019	262,899.18	3.2
2020	198,795.95	-24.3
2021	301,398.89	51.6
2022	383,094.95	27.1

The table is the work of the researcher based on the annual report of the Central Bank of Iraq for various years.

Section Three

**Estimating the impact of customs revenues on the gross domestic product**

Prior to implementing the parameter estimation methods for the regression model and assessing the influence of customs revenues on gross domestic product, it is essential to perform certain pre- and post-statistical tests on the research variables, as outlined below:

Section One: Description of the Autoregressive Distributed Lag (ARDEL) model

First: Description of the standard model used

The description stage is considered one of the main stages in preparing any standard study, through which the study variables and the nature of the relationship between them can be identified, as follows:-

The relationship between customs revenues and the gross domestic product

$$Y1 = f(X) \ldots\ldots\ldots 1$$
$$Y1 = \alpha + \beta_4 y + ut \ldots 2$$

The relationship between customs revenues and
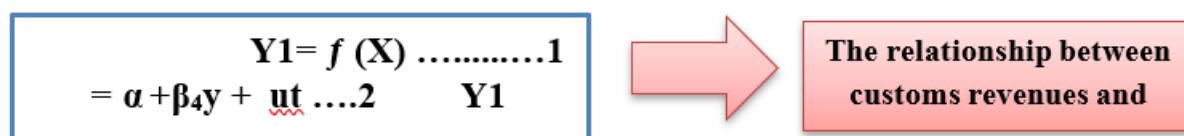
Second: Unit root tests: Prior to doing the estimation, the sequence of integration of the time series must be examined. The ARDL estimation is invalid when variables are at the second difference I(2); it necessitates a combination of variables I(0) and I(1). To ascertain the orders of integration, as seen in the subsequent tables:

Table (3): Unit root tests at levels

Null Hypothesis: Unit root (individual unit root process)		
Sample: 2004Q1 2022Q4		
Method	Statistic	Prob.**
PP - Fisher Chi-square	47.3913	0.0000
PP - Choi Z-stat	-3.99709	0.0000

Series	Prob.	Bandwidth	Obs
X	0.2458	5.0	75
Y1	0.0000	3.0	75

Table: Statistical program outputs (13. Eviews).

The table indicates that the unit root tests reveal non-stationarity at the level for the data, with the exception of variable Y1, which is stationary at the level. Consequently, we will proceed to the first difference to achieve stationarity for all study variables.

Table (4): Unit root tests after taking the first differences

Null Hypothesis: Unit root (individual unit root process)			
Sample: 2004Q1 2022Q4			
Method		Statistic	Prob.**
PP - Fisher Chi-square		123.722	0.0000
PP - Choi Z-stat		-7.77861	0.0000
Series	Prob.	Bandwidth	Obs
X	0.0000	4.0	75
Y1	0.0000	3.0	75

Table: Statistical program outputs (13. Eviews).

The table above indicates that the unit root tests for all data are integrated at the first difference, with no variable detected at the second difference.

Third: Initial estimation of the ARDL model

The findings of the aforementioned unit root tests indicate that the ARDL model is applicable to the data utilized in this study. The data were transformed into a quarterly format to augment the amount of observations. The statistical tests reveal the relative quality of the calculated model via the coefficient of determination. The adjusted R-squared indicates that the model accounts for 93% of the variations in the dependent variable, gross domestic product (Y1), attributable to changes in the independent variable, customs revenues, while 7% is attributed to other external factors. The model's quality is further demonstrated by the (F) test, which indicates a probability level of less than (0.05), as shown in Table (5) below.

Table (5): Initial estimate of the standard model used

				Dependent Variable: Y1
				Method: ARDL
				Sample: 2004Q2 2022Q4
				Included observations: 75
				Selected model: ARDL (1,1)
R-squared	0.933826	Mean dependent var		530864691
Adjusted R-squared	0.931030	S.D. dependent var		101643739
F-statistic	333.9797	Durbin-Watson stat		2.0287109
Prob(F-statistic)	0.000000			

Table: Statistical program outputs (13. Eviews).

Fourth: Boundary Test (Joint Integration).

Authenticating the findings of the joint integration test is evident in table (6) below where the computed (F) statistic value is (4. 278435) > maximum tabular value of (4. 363) at 5% level of significance. This implies that there is an integration relationship whereby the customs revenues acts as the independent variable while the gross domestic product acts as the dependent variable.

Table (6): Co-integration test results

Null hypothesis: No levels relationship		
Number of cointegrating variables: 1		
Trend type: Rest. constant (Case 2)		
Sample size: 75		
Test Statistic		**Value**
F-statistic		**4.278435**

	10%		5%		1%	
Sample Size	**I(0)**	**I(1)**	**I(0)**	**I(1)**	**I(0)**	**I(1)**
60	**3.127**	**3.650**	**3.803**	**4.363**	**5.383**	**6.033**
65	**3.143**	**3.623**	**3.787**	**4.343**	**5.350**	**6.017**
Asymptotic	**3.020**	**3.510**	**3.620**	**4.160**	**4.940**	**5.580**
* I(0) and I(1) are respectively the stationary and non-stationary bounds.						

Table: Statistical program outputs (13. Eviews).

The second requirement: results of the standard test for the study variables

first: The impact of customs revenues on the GDP in the short term.

Table (7): Results of the impact in the short term

Dependent Variable: D(Y1)				
Method: ARDL				
Sample: 2004Q2 2022Q4				
Included observations: 75				
Selected model: ARDL(1,1)				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
COINTEQ*	**-0.03314**	**0.0178150**	**-1.860270**	**0.0669**

D(X)	18.5144	266.31792	6.778154	0.0000
C	32.41351	1.06536	14.39019	0.0000

Table: Statistical program outputs (13. Eviews).

The customs revenue index (X) has a direct effect on the GDP index Y1 in the short term. This means that the higher the customs revenue ratio, the higher the GDP, and this is consistent with the study hypothesis.

$$CE = Y1(-1) - (18.5144*X + 32.41351)$$

*- The error correction value ECM = (-0.03314) is negative and statistically significant, indicating that it satisfies the necessary and sufficient condition for a long-term relationship between the variables. Furthermore, the short-term imbalance from the previous year (t-) is rectified within 3% of the current year (t-1).

Second: The impact of customs revenues on the gross domestic product in the long term.

Table (8): Long-term impact results

Variable *	Coefficient	Std. Error	t-Statistic	Prob.
X	0.259876	0.08984	2.487748	0.0006
C	32.41351	1.06536	14.39019	0.0000
Note: * Coefficients derived from the CEC regression.				

Table: Statistical program outputs (13. Eviews).

*- The customs revenue index (X) has a direct effect on the GDP index Y1 in the long run. This means that the higher the percentage of customs revenue, the higher the GDP, and this is consistent with the study hypothesis.

$$CE = Y1(-1) - (0.259876*X + 32.41351)$$

Third: Correlation matrix between variables.

Table (9): Correlation matrix between model variables

		Covariance Analysis: Ordinary
		Sample: 2004Q1 2022Q1
		Included observations: 76
		Balanced sample (listwise missing value deletion)
	Correlation	
Probability	**Y1**	**X**
Y1	1	

X	0.6984	1
	0.0001	-----

Table: Statistical program outputs (13. Eviews).

We note from Table (9) the following:

*- The customs revenue index X has a positive correlation with the gross domestic product index Y1, and this is consistent with the economic theory.

Fourth: Post-tests.

1- Test of heterogeneity of variance: test findings indicated, based on the ARCH test and the F-Test statistic, that they are not significant; so, we reject the hypothesis of a homogeneity of error variance issue.

Table (10): Homogeneity of variance test

Heteroskedasticity Test: ARCH			
F-statistic	22.76283	**Prob. F(1,75)**	0.2345
Obs*R-squared	12.87923	**Prob. Chi-Square(1)**	0.0964

Table: Statistical program outputs (13. Eviews).

2- The problem of autocorrelation: The findings from the LM test and the F-Test statistic indicated insignificance, leading us to reject the hypothesis of autocorrelation, as detailed in Table 11 below.

Table (11): Results of the problem of autocorrelation

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	332.7891	**Prob. F(2,67)**	0.2083
Obs*R-squared	67.91534	**Prob. Chi-Square(2)**	0.5495

Table: Statistical program outputs (13. Eviews).

3- The problem of normal distribution: The findings indicated that the estimated model is not devoid of the normal distribution problem with residuals, as detailed below: -
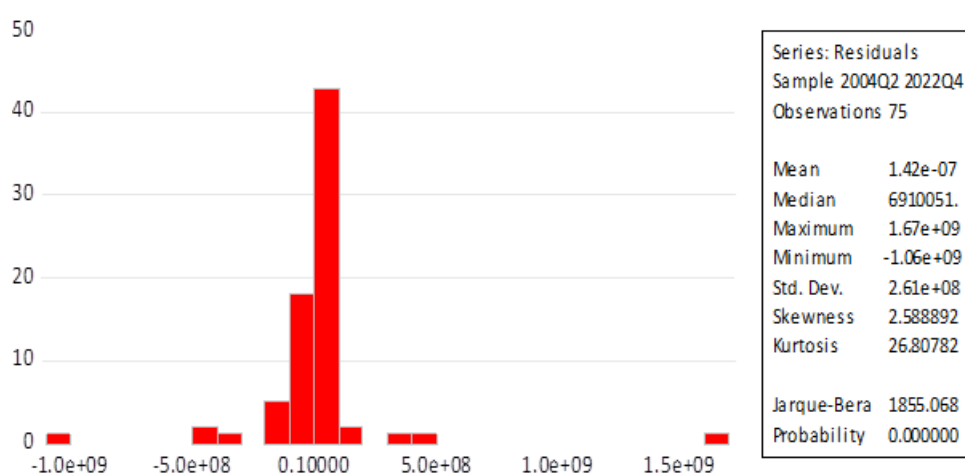

Figure: Statistical program outputs (13. Eviews).

Figure (1) Normal Distribution

4-   Structural stability test: is findings indicated that the data remained within the critical value limits at a significance level of 5%, demonstrating the model's stability in both the short and long term.
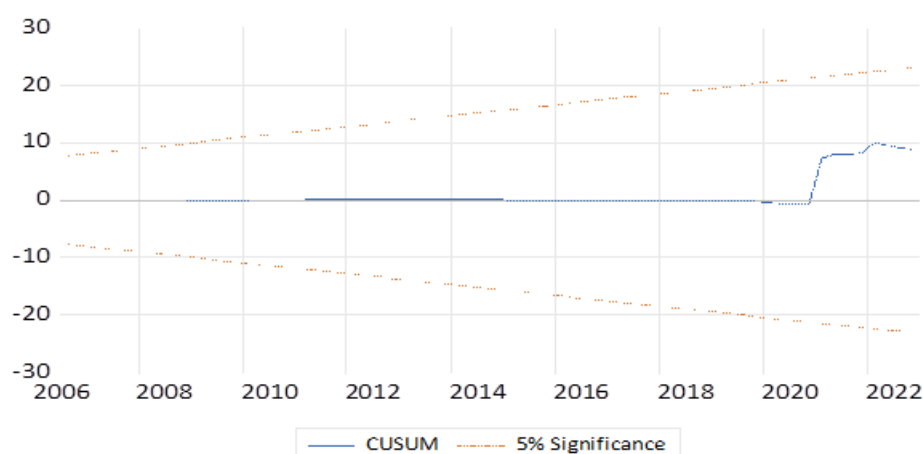
Figure (2): Results of the structural stability test of the model

Figure: Outputs of the statistical program (13. Eviews).

Conclusions and Recommendations

First: Conclusions

1- The Iraqi economy is still suffering from instability in economic growth rates, low levels of services, health care and education levels, as a result of the effects of the wars that the country has gone through, which were reflected in weak infrastructure and imbalanced production structure.

2- The highest contribution of tax revenues to the formation of the gross domestic product reached 8.6%, which is very low, due to the rampant corruption within the tax administrations, which encourages the payment of bribes instead of paying taxes due to the state, as well as the lack of control over border crossings, which deprives Iraq of large revenues.

3- The presence of oil and reliance on it as a primary source of financing the general budget leads to a decline in the relative importance of the contribution of other revenues, especially since the decline in the quantity of production for any internal reason will increase the problem of the scarcity of non-oil public revenues.

Second: Recommendations:

In light of the previous conclusions, some recommendations can be included, namely:

1- The need to address the imbalance in the structure of public revenues by activating the role of taxes and fees and reducing reliance on oil resources.

2- Controlling all land, sea and air ports in order to control customs revenues, in addition to activating means to address tax evasion and informal economic activities and not conflicting with the objectives of economic growth.

3- Working to activate deterrent penal sanctions to achieve justice, according to the applicable and special laws, which pertain to customs transactions (customs clearance agents, employees, importers, exporters), which positively reflects on their discipline and commitment to instructions, and thus leads to an increase in customs revenues.

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