An Economic Analysis of impact of the exchange rate on agricultural trade balance in Iraq for the period 2003-2022

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Abstract:

The study aims to identify impact of the exchange rate on the size of the agricultural trade balance gap, and study impact in the short and long relationship between variables in Iraq for the period 2003-2022.The study used the econometric approach to analysis using the modern methodology of co-integration, and found a relationship between the exchange rate and the agricultural trade balance gap, it appeared in a positive relationship in the short term and an inverse relationship in the long term., Adopting an exchange rate policy contributes to increasing foreign trade and the need to pay attention to diversify sources foreign trade and export in Iraq.

Keywords: exchange rate , trade balance gap, co-integration.

The first section: research methodology and previous studies

1. Introduction:

The exchange rate mechanism is considered the pivotal element in the international financial economy, and it is considered an essential element in modern financial though , (Mohamed, 2023,p525) The agricultural foreign trade sector is one of the sectors identified for the performance of any economy, including the Iraqi economy. In most economies of both developed and developing countries, importance is demonstrated by the extent to which it contributes to food security through imports to meet the needs of domestic production as well as the provision of foreign exchange through agricultural exports. The measurement of the foreign agricultural trade gap gives a clear indication of the reality of the agricultural sector in Iraq. On the other hand, it is important to indicate the impact of the exchange rate on the size of the foreign agricultural trade gap for the period 2003-2022. The exchange rate has had a significant impact on the trends in agricultural foreign trade through exports and imports of various food commodities and products. This change, which has been used by the Government and the Central Bank to activate the role of monetary policy for economic stability in general and in the agricultural sector in particular, has become the most important part of all sectors because of the policy of food security and the availability of food commodities and products for self-sufficiency. It is an indica-tor that gives a real impression of the extent to which the State and the Central Bank contribute to addressing the external trade gap, including the agricultural trade balance gap.

2. The importance of research stems from the problematic relationship between the agricultural trade balance gap and nature and impact of the exchange rate, reflecting nature of government decisions and decisions of the Central Bank and the extent to which it affects agricultural foreign trade. This has affected the Government and the Central Bank review of their decisions, which have a negative impact on agricultural output and foreign trade, The problem of research arises from the existence of a chronic deficit in the agricultural foreign trade balance due to the limited capacity of agricultural exports to cover imports. This deficit was due to the Government's dependence on the oil sector's rent.
3. The objective of the research is to analyses and study the gap in agricultural foreign trade via the examination of exports and imports of various agricultural commodities and to determine

the impact of the exchange rate on the agricultural trade balance gap for the period 2003-2022.

4. The research assumes that Iraq agricultural trade balance gap leads to the extent to which the development of the agricultural sector is known, there is a long-term causal relationship in one specific direction where the size of the agricultural gap is dependent on the exchange rate.
5. The study will rely on secondary data, which are time series data covering the period 2003-2022 that will be obtained from governmental and international bodies such as the Ministry of Agriculture, the Ministry of Planning/Central pagination Statistical, and the method of analysis will be used for the self-degradation model, distributed according to the status and stability of the data and the analysis of joint integration on time series data by using EViews 10.
6. **previous studies**

Al-Badri (2017) presented a study entitled "Assessing the impact of exchange rate sensitivity on agricultural foreign trade in Iraq for the period (1995-2014). The study aimed to analyze the short-term and long-term effects of changes in the exchange rate of the Iraqi dinar against the US dollar on bilateral trade flows in some countries." Agricultural products of Iraq with its most important trading partners in the field of trade in food and agricultural products, which are (Syria, Jordan and the Arab Emirates). The study recommended trying to study the issue of devaluing the currency through the exchange rate seriously because of its impact on increasing exports in the short term and in the long term guaranteed by policies. Others, despite their effects on non-traded goods.

Al-Abdali et al. (2015) presented a study entitled Analysis of the causal relationship between agricultural imports and some economic variables in Iraq. The study aimed to analyze the reality of Iraqi agricultural imports and their relative importance and determine the relationship between agricultural imports and some economic variables (gross domestic product, agricultural import prices, reserves The study concluded that there is a direct causal relationship from the gross domestic product to the quantity of agricultural imports, as well as the existence of a direct causal relationship from agricultural imports to the foreign reserve, with the possibility of a joint complementary relationship between them and then a long-term equilibrium relationship.

Jubayr (2017) presented a study entitled The impact of fluctuations in the exchange rate on the structure of agricultural foreign trade in Iraq for the period (1990 - 2015), which aimed to study the impact of agricultural foreign trade and some macroeconomic variables on the behavior of the exchange rate. The study reached several conclusions, including that Total merchandise exports and imports were characterized by great fluctuation and clearly expanded after 2003, as did agricultural exports and imports. Also, agricultural exports did not contribute significantly to supplying the Iraqi balance of payments, while a large portion of the balance of payments balance goes towards importing agricultural goods, as it showed. The study shows that agricultural imports respond slightly to changes in the exchange rate because most of them are necessary final goods and primary goods, and the study reached several recommendations, the most important of which is that Iraq must evaluate its currency according to a group of currencies to avoid the fluctuations that occur in the dollar, the impact of which is evident in Iraq. Negatively, the study also concluded that it is necessary to monitor the Iraqi borders and determine the import of agricultural goods for which local production is available.

2. Theoretical framing of the research

2.1 Trade balance gap and exchange rate in Iraq for the period 2003-2022

2.1.1. The concept of the trade balance gap

The trade balance gap represents the difference between exports and imports and is the trade balance.

2.1.2. Trade balance :The balance of trade represents the difference between exports and imports (Ali, 2023,p417-433)and the trade balance index is one of the most important external economic indicators of the State.

The Trade Balance concepts, including: The trade balance defines "net exports," are the difference between exports and imports of a State over a given period of time usually of a year, indicating whether the state has a surplus or deficit in its external trade" (General Statistics Authority, 2016,p13).

It is also defined as a "systematic record that represents the difference between exports and imports and is one of the main components of the balance of payments" (Alloush, 2015,p1).

The trade balance relates to trade in goods, i.e. exports and imports of goods during the period and the trade balance indicators are highly influenced by the evolution of merchandise exports that provide hard currency acceptance global.

2.1.3. Types of trade balance: The trade balance is the core part of the balance of payments, as it illustrates the productive active and structure of the state concerned.:

2.2 Balance of trade: The balance in the trade balance means that both the creditor side and the debtor side are equal, the claims owed by the State by other States are equal to the state rights towards the outside world, and the balance is achieved when:

Domestic production + imports = Domestic demand + external demand

(local demand + external demand) = Domestic products

This case means that:

Domestic production + imports = Domestic demand + exports

Exports represent the actual external demand for domestic products, and this balance means that domestic prices are not changing (price stability), through which domestic balance is achieved, and as a result

Exchange rates tend to remain stable and not change upwards or downwards, which in turn achieves external balance, thereby achieving the economic stability of the State both internally and externally.

2.3 Surplus in the trade balance :The surplus in the trade balance occurs when economic activity in the State expands, its productive structure varies, and its flexibility and expansion increases, so that the State is able to provide surplus products, whether goods or services, and this surplus is available for export to the extent that the economy needs to import, the result of which is less able to satisfy its needs for goods and services depending on domestic production, thus resulting in a surplus in the state trade balance, often in many developed countries (Hatem, 2005,p180).

2.4 Trade deficit: The deficit in the trade balance occurs when state imports of goods and services are higher than their exports, resulting in increased demand for the currencies of exporting countries vis-à-vis increased domestic currency supply leading to a decline and deterioration in their value. In most developing countries, the deficit in the trade balance is known to be caused by their weak capacity to achieve exports of goods because of their weak capacity to provide surplus goods that can be exported to the outside world because of their weak production apparatus and low flexibility and diversification, which makes domestic production of export goods almost limited to one or two major commodities, mostly agricultural or extractive, and thus the added val0ue inherent in them is necessarily low, as the production process does not continue at later stages (Khaqani, 2014,p31)

2.5 Trade balance gap: Concept of the Foreign (international) trade gap refers to the inability of the state to meet domestic demand for goods and services, making it obliged to provide those goods and needs through imports from abroad (Najah, 2017,p54)

The trade process is carried out by the currencies of various countries and each country has to pay the value of its imports in the currencies of the exporting State, resulting from the inability of export earnings to cover the value of imports in the foreign trade account in the balance of payments of any country. The foreign trade account is in deficit and must be paid through other balance-of-payments lines. Here, the impact on balance-of-payments lists shows a clear relationship between the current account and the capital account through the double-entry process. However, the trade deficit is mainly the result of inadequate domestic supply of goods and services resulting from domestic demand. The State resorts to meet this deficit through imports from abroad and is initially settled in the balance-of-trade accounts and is balanced if the value of exports is equal to import values, in the case of a surplus if the value of exports is greater than the value of imports and in the case of a deficit if the value of imports is greater than the value of exports.(Barihi & myas ,2017,p319-335)

2.6 Exchange rate: The interdependence of economic relations and commercial activity among the various countries of the world, each of which has a different national currency, has led to the existence of a so-called foreign exchange rate. The overlapping interests of states and the expansion of trade have led to the need for mutual creditor and debtor relations. One of the most important problems that arise in international trade, especially after many countries have left their currencies floating is the relationship between domestic and foreign currencies, which has led to the emergence of foreign exchange markets where different currencies are sold and purchased. The currencies of different countries are usually subject to constant fluctuations and changes as a result of the overlapping of many factors that create risks in international economic transactions. It is often difficult for economic operators to avoid or cover them, causing significant losses (Al-Badri, 2017,p260-269).

- The exchange-rate mechanism is crucial to the adjustment and adjustment of the balance of payments. For the intermediary and the place where the various currencies are sold and purchased, it is the exchange market that transforms the purchasing power of the currencies of different countries. It brings together buyers and foreign exchange sellers. The exchange market consists mainly of a number of banks in which exchange-exchange activity takes place. Exchange brokers also act as intermediaries between sellers and buyers.

Based on the above, the importance of studying the exchange rate and all its different effects on the national economy is demonstrated by the fact that it affects macroeconomic variables and the volume of foreign trade, and therefore, the position of the trade and balance of payments.

2.7 The concept of the exchange rate: The foreign exchange rate is defined as the price by which another currency is exchanged (Muhannad, 2022,p60), and from this definition we conclude that the settlement of international transactions requires an instrument of settlement, the acquisition of a particular commodity from a State whose value is not paid in local currency, but rather the determination of the ratio of units in local currency to foreign currency.

Note from this definition that it focused on the exchange rate as a trade-off or adjustment instrument between international trades, and neglected to be a link between international economies. It is also defined as "the value of one unit of foreign currency is estimated in the national currency units , and can be defined as "the value of one unit of national currency versus units of foreign currency." We note that the last two definitions added that the exchange-rate is a link between the domestic economy and the rest of the international economies, and can be inferred from these definitions even though they emphasized that the exchange rate is a link between the domestic economy and the rest of the economies, and a settlement of transactions

between the countries of the world but neglected its relationship with the prices of goods and services to influence the economic sectors because it is a means of influencing the profitability of the export industries and the cost of imported resources.

In addition, there are other definitions of the exchange rate, given the multiplicity of economic intellectuals, and all of these definitions come together in the same concept: the exchange rate is a currency exchange for another currency, The foreign exchange rate is the rate at which a currency is exchanged for another , and it plays a prominent role in the competitiveness of the economy and thus in the balance of payments, inflation and real growth, According to the purchasing power parity theory (Al-Wasity ,2023,p1374-1386).

3. Technical analysis :

3.1 The table shows the exchange rate and trade balance gap in Iraq

Table 1 Official exchange rate and Agricultural trade balance gap in Iraq for 2003-2022

Year	Official exchange rate	Imports agricultural (million dollars)	Exports agricultural (million dollars)	Agricultural trade balance gap (million dollars)
2003	1836.0	41.04	157.34	-116.3
2004	1453.0	27.26	227	-199.74
2005	1469.0	10.08	161.69	-151.61
2006	1467.0	26.92	3411.7	-3384.78
2007	1255.0	19663.64	487287.2	-467624
2008	1193.0	17025.64	85402.4	-68376.8
2009	1190.0	14188.03	572689.6	-558502
2010	1190.0	14706.1	327785	-313079
2011	1190.0	38459.38	1439130	-1400671
2012	1190.0	51852.01	5299120	-5247268
2013	1190.0	16.17	3068480	-3068464
2014	1190.0	16.24	1914330	-1914314
2015	1190.0	16.94	657809	-657792
2016	1182.0	12732.99	2883430	-2870697
2017	1184.0	187837.9	11928102	-11740263.92
2018	1183.0	146672.3	14186134	-14039461.73
2019	1190.0	507376.7	12842470	-12335093.75
2020	1458.0	14589.9	1016143	-1001553.1
2021	1470.0	6640579	47647.7	6592932
2022	1470.0	296187.1	612524	-316337
Average	1307.0	398101.3	2868622	-2470521
Min value	1182.0	10.08	157.34	-14039461.7
max value	1836.0	6640579.0	14186134	-116.3

Source: Central Bank, economic reports for various years .
- Central Bureau of Statistics.

Exchange rate: During the study period, the average exchange rate was (1307.0) The lowest value was recorded in 2016 (1182.0), and the highest value was recorded in 2018 (1183.0).
Imports agricultural: During the study period, the average amount of agricultural products imported was (398101.3) million dollars. The highest value of agricultural products imported was (6640579.0) million dollars in 2021, while the lowest amount was (10.08) million dollars in 2005.
Exports Agricultural: During the study period, the average value of agricultural exports was (2868622) million dollars. The highest value of agricultural exports was recorded in 2021, at (14186134) million dollars, while the lowest value was recorded in 2005, at (157.34) million dollars.

3.2 Measuring the impact of the exchange rate on the Foreign agricultural trade gap
- Description of model
To assess the interrelationship between the exchange rate and the foreign agricultural trade gap of 2003-2022, based on the methodology of joint integration and the extent to which they affect each other, according to economic theory, where they represent the dependent variable (the trade balance gap) and the independent variable exchange rate.

Table (2) Description of sample standard model variables

Type of variable	Symbol	Variable
dependent	AFTG	Agricultural trade balance gap
independent	EX	Exchange Rate

Source: Prepared by the researcher.

4. Technical analysis tools:
4.1 Time-series static tests: The recent analysis of the time series of static tests (unit root tests), which is the necessary condition for the selection of the standard model, is one of the most important tests to qualify us to the next stage, which is to select a model that is consistent with data stability, since the use of the Ordinary Least Square (OLS) method without reference to the static tests may produce false and inaccurate results that cannot be adopted for interpretation, The study sample time series (stability) test was conducted, and two ADF and PP tests were adopted based on table data (1, 2)
4.2 The Augmented Dicky test (ADF): The results of the Dickie extended ADF test came at level I (0) as shown in table 4, as the results of the ADF test came from independent and static altruistic variables after taking the first difference I (I) with the presence of the constant without the constant and direction shown in table 4, to be confirmed at a level of morale of 1% and 5%.

Table (3) UNIT ROOT TEST (PP) (ADF)

UNIT ROOT TEST TABLE (PP)			
	At Level		
		AFTG	LNEX
With Constant	t-Statistic	-2.1402	-1.6757
	Prob.	*0.2325*	*0.4268*
		n0	n0
With Constant & Trend	t-Statistic	-2.3496	-1.4801
	Prob.	*0.3907*	*0.8002*
		n0	n0
Without Constant & Trend	t-Statistic	-1.6693	-1.5472
	Prob.	*0.0889*	*0.1117*
		*	n0
	At First Difference		

		d(AFTG)	d(LNEX)
With Constant	t-Statistic	-4.4220	-5.1071
	Prob.	*0.0032*	*0.0008*
		***	***
With Constant & Trend	t-Statistic	-4.3326	-5.3925
	Prob.	*0.0156*	*0.0022*
		**	***
Without Constant & Trend	t-Statistic	-4.5697	-5.1087
	Prob.	*0.0001*	*0.0000*
		***	***
UNIT ROOT TEST TABLE (ADF)			
	At Level		
		AFTG	LNEX
With Constant	t-Statistic	-0.3447	-1.7191
	Prob.	*0.8973*	*0.4063*
		n0	n0
With Constant & Trend	t-Statistic	-4.5522	-1.4801
	Prob.	*0.0112*	*0.8002*
		**	n0
Without Constant & Trend	t-Statistic	0.6573	-1.4717
	Prob.	*0.8475*	*0.1280*
		n0	n0
	At First Difference		
		d(AFTG)	d(LNEX)
With Constant	t-Statistic	-5.3094	-5.1071
	Prob.	*0.0007*	*0.0008*
		***	***
With Constant & Trend	t-Statistic	-3.2795	-5.2740
	Prob.	*0.1074*	*0.0027*
		n0	***
Without Constant & Trend	t-Statistic	-4.9057	-5.1155
	Prob.	*0.0001*	*0.0000*
		***	***

Source: Eviews10 output.

5. Application

5.1 Standard model estimation

The results of the analysis of the impact of the exchange rate on the agricultural trade balance gap in Iraq for the period 2003-2022 were obtained using ARDL analysis.

Table (4) analyzing the impact of the exchange rate on the agricultural trade balance gap in Iraq for the period 2003-2022

Dependent Variable: AFTG				
Method: ARDL				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
AFTG(-1)	0.152621	0.191284	0.797875	0.4480
AFTG(-2)	0.902579	0.283217	3.186878	0.0129
AFTG(-3)	-1.952900	0.420878	-4.640057	0.0017
AFTG(-4)	1.419298	0.361932	3.921448	0.0044
LNEX	2555199.	1149527.	2.222826	0.0569
LNEX(-1)	575029.9	1278996.	0.449595	0.6649
LNEX(-2)	-3828829.	1144488.	-3.345451	0.0101
C	4970762.	1752991.	2.835588	0.0220
R-squared	0.865024	Mean dependent var		3912027.
Adjusted R-squared	0.746920	S.D. dependent var		4751731.
S.E. of regression	2390456.	Akaike info criterion		32.51872
Sum squared resid	4.57E+13	Schwarz criterion		32.90501
Log likelihood	-252.1498	Hannan-Quinn criter.		32.53850
F-statistic	7.324257	Durbin-Watson stat		2.694701
Prob(F-statistic)	0.005859			

Source: Eviews10 output.

After estimating the relationship between the variables using ARDL, the results of the analysis appeared, estimating the autoregressive model for distributed time lag. We notice from the results of the analysis below that the estimated model has high explanatory power, as it is noted that the value of the coefficient of determination R2 reached (0.86), and this percentage indicates that 86% Of the changes that occurred, they are due to the influence of the independent variables (the exchange rate), and a remaining percentage of 0.14% is due to other factors that were not subject to measurement, as the F statistic came in at a value of 7.32 and significant (0.00), and the test indicates the significance of the model as a whole..

5.2 Error correction model and F-Bounds Test

The model indicates that the error correction parameter (error correction limit) was (-0.47), which is significant, and by (0.00), which is identical to the conditions of the error correction limit, as it is negative and significant, and the presence of a cointegration relationship indicates that the imbalance in the short run is corrected in the long run (Al-Attabi, 2020,p789-796).

Table 5. Error Correction Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(AFTG(-1))	-0.368977	0.150677	-2.448792	0.0400
D(AFTG(-2))	0.533602	0.158572	3.365049	0.0099
D(AFTG(-3))	-1.419298	0.235784	-6.019491	0.0003
D(LNEX)	255519.0	855307.0	2.987464	0.0174
D(LNEX(-1))	382882.0	1021488.	0.000000	0.0000
CointEq(-1)*	-0.478402	0.109351	-4.374932	0.0024
R-squared	0.854955	Mean dependent var		19559.51
Adjusted R-squared	0.782432	S.D. dependent var		4583828.
S.E. of regression	2138089.	Akaike info criterion		32.26872
Sum squared resid	4.57E+13	Schwarz criterion		32.55844
Log likelihood	-252.1498	Hannan-Quinn criter.		32.28356
Durbin-Watson stat	2.694701			

Source: Eviews10 output.

The common integration test between the independent variable of the model and the dependent variable of the ARDL self-degradation model by means of the border test, which compares a statistical value (F) to the lower and upper limits, where a statistical value (F) has been shown at (5.10) and lies between all levels of the lower and upper limits, which means that there is an interrelationship between the independent variables and the dependent variable.

As for the exchange rate (EX), the parameter appeared in a direct relationship and reached (255519.0) at a significance level (1%). Here it is explained by two cases: the first is the effect on agricultural imports, and this is contrary to economic theory, which states that there is an inverse relationship between the exchange rate, where the higher the exchange rate Agricultural imports decreased, in light of the underdevelopment of the agricultural sector in Iraq, the flooding of the market with agricultural products from neighboring countries, and reforms to the monetary and banking system, including the independence of the central bank in 2004 and an attempt to raise the exchange rate of the local currency.

The second case is the impact on agricultural exports, and this is consistent with the logic of economic theory because raising the exchange rate leads to an increase in agricultural exports (an exaggerated exchange rate) in the short term.

5.3 The long-term equation between independent variables using the ARDL model

The table shows the long-term equivalent of the self-degradation model of the distributed periods of delays and notes the moral reverse relationship between the independent variable (exchange rate) and the immoral external agricultural trade gap.

Table 6. long-term ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNEX	-1460279.	1660382.	-0.879484	0.4048
C	10390350	4063568.	2.556953	0.0338
EC = AFTG - (-1460278.8315*LNEX + 10390350.0732)				

Source: Eviews10 output.

As for the exchange rate (EX), the parameter appeared in a direct relationship and reached (-1460279.0) no at a significance, Exports are the positive side of the trade balance; When it comes to the exchange rate, it has a significant impact on the balance of the foreign trade balance, and thus “this effect is transmitted through the effect of the fluctuation of the proceeds, given that the currents of capital entry, returns, and exit affect the balance of payments. When the current of exit of funds for investment abroad exceeds During a certain period, the flow of investment returns abroad, this puts pressure on it, and thus the value of each country’s exports and imports changes, leaving behind effects on its exchange rate, which may raise it or decrease it. “And when the value of exports rises relative to imports, the value of the currency will tend to the rise is a result of the side's increased demand for this currency, and this will encourage imports from abroad, leading to a return to equilibrium in the exchange rate.

5.4 Model tests

After estimating the relationship between the independent variables and the dependent variable using the ARDL cointegration analysis method, the residuals were tested to ensure that the estimated model was free of standard problems, and the Hetero test was conducted. To detect the problem of autocorrelation in the model, there are several tests that show us whether the error variance is homogeneous or not, including the Glejser test, which depends on the probability value Chi-Square. The probability value Chi-Square in the table is (0.057) to allow us to accept the null hypothesis that the model does not suffer from non-correlation. Homogeneity of variance is constant. We rejected the alternative hypothesis that the model suffers from homogeneity of variance, because it is greater (0.01). (Al-Sahoo, 2016,p47)

Table 7. Test the problem of Heteroscedasticity

F-statistic	1.444689	Prob. F(7,8)	0.3074
Obs*R-squared	8.933183	Prob. Chi-Square(7)	0.2575
Scaled explained SS	3.212640	Prob. Chi-Square(7)	0.8647

Source: Eviews10 output.

The LM Test: which also relies on the probabilities value Chi-Square, which indicates the probability value of Chi-Square in the table (0.165) to accept the premise that the model does not suffer from the self-sequence of errors, and our rejection of the alternative hypothesis that the model suffers from the self-sequence of errors, because it is larger. (0.01).

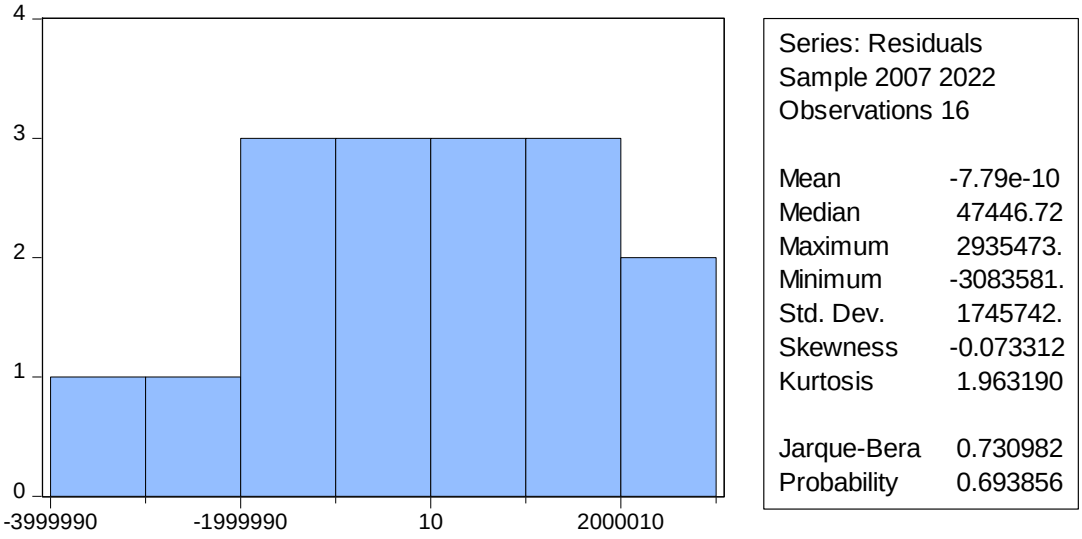
Table 8. Test Breusch-Godfrey Serial Correlation LM

F-statistic	0.869264	Prob. F(2,6)	0.4661
Obs*R-squared	3.594541	Prob. Chi-Square(2)	0.1658

Source: Eviews10 output.

Natural distribution test for the Jarque-Bera : As can be seen from figure 1, the condoms are naturally distributed in the model, and the ratio of Jarque-Bera was (0.69), which indicates acceptance of the no-fault hypothesis that the rest of the estimated model follows the natural distribution because the probabilities are greater than 0.05, which confirms acceptance of the no-fault hypothesis that random errors are naturally distributed, and thus is a good indicator of the estimated model.

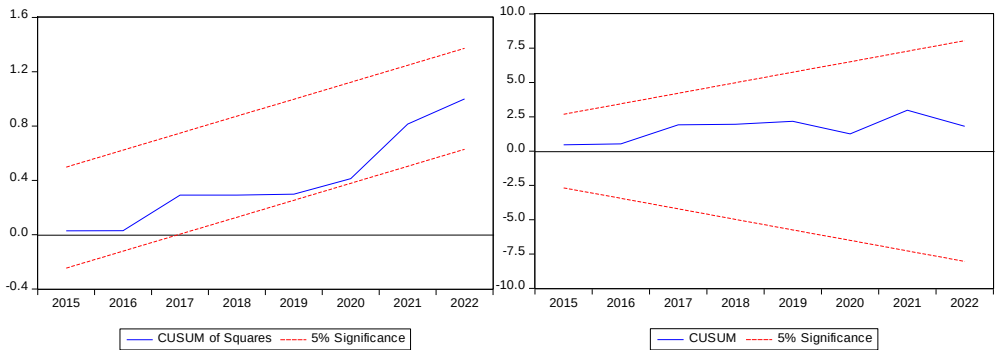
Figure (1)Test for normal distribution of residuals CUSUM and CUSUMSQ



Source: Eviews10 output.

One of the most important tests in the adequacy of the regression model was the CUSUM and CUSUMSQ tests of the short- and long-term structural stability of the model. As shown in figure 2 of the test results, all transaction values fall within the limits of confidence (critical limits) at a moral level (5%), i.e. structural stability in the study variables and short- and long-term harmony of the model, which means that the estimated model is good.

Figure (2) Tests of the cumulative sum and the square of the cumulative sum of the residuals



Source: Eviews10 output.

6 - The conclusions and recommendations:

Conclusion:

When it comes to the exchange rate, it has a significant impact on the balance of the foreign trade balance, and thus “this effect is transmitted through the effect of the fluctuation of the proceeds,

given that the currents of capital entry, returns, and exit affect the balance of payments. When the current of exit of funds for investment abroad exceeds During a certain period, the flow of investment returns abroad, this puts pressure on it, and thus the value of each country's exports and imports changes, leaving behind effects on its exchange rate, which may raise it or decrease it. "And when the value of exports rises relative to imports, the value of the currency will tend to the rise is a result of the side's increased demand for this currency, and this will encourage imports from abroad, leading to a return to equilibrium in the exchange rate.

Recommendations:

Adopting an exchange rate policy contributes to increasing foreign trade.

The need to pay attention to foreign trade and diversify sources of production and export in Iraq.

7 -Reference:-

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