



THE DIRECTION OF FISCAL AND MONETARY POLICIES IN LIGHT OF THE SHOCKS, "SECURITY OIL" IN THE IRAQI ECONOMY.

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Abstract

That rationalization of expenditures and the improvement of fiscal conditions is necessary, but the way after 2014 requires subsequent economic solutions in the sense that the treatment of the current problem is a series of actions that require the same treatments as these improvements are effective in a more mature economy with the effectiveness of the main productive sectors. Improvements cannot be made to a distorted economy in its productive base and does not have the sufficient flexibility required by improvements to give efficiency and effectiveness. The problem is weak fiscal sustainability, which is lacking in fiscal policy, that is, the ability of the state to change fiscal policy approaches. It is clear that the fiscal policy in particular (the deficit and the government debt) represented a constraint on the central bank and restricted its tools, but it carried heavy burdens that lost monetary policy ability. On the sustainability, without a change in the direction and tools of both fiscal and monetary policies in stimulating growth and public balance and the fiscal hegemony in Iraq and similar countries take other dimensions or operations of foreign currency from the oil source in the situation. As the deficit shows the importance of government debt in the central bank's balance sheet and as the size of the debt increases, the central bank directs the discrepancy between the interest rate consistent with monetary policy objectives and the cost of debt expenditure

that the Ministry of Finance is trying to reduce. Rotation, known as the sum of the interest on the issuance of bills when extinguishing the old debt with a new one, and it is worth mentioning the existence of a large government debt may gradually fade pressure of specialization and division of labor expressed by the independence of the Central Bank due to political pressures and The acute crisis imposes a change in the political environment of the state's efforts to control public finance on central banking, which is meant by fiscal hegemony. The term "budgetary processes of government spending, how to finance the deficit and the risks resulting from political debt and the non-impact on the operation of the interest rate is in its entirety. The central bank is locked in its policy towards banks and fiscal markets and credit "and hegemony continues even under the price of oil above \$ 80 a barrel, i.e. insistence on the tunnels allowed by the oil supplier is also the central bank under (hegemony) Oil-fiscal) as a weak impact on the overall demand and the overall level of prices and experience experienced by Iraq after 2003 until the collapse of the price of oil with the crisis in 2008, and the recent turnaround in domestic borrowing in 2015, a stage that may lengthen causing severe damage unless the institutions concerned preparations. Keeping pace with the day and the clock with efficient procedures

Introduction

In mid-2014, Iraq was exposed to a security shock that was characterized by the so-called "Al-Qa'ida Organization". The movement of economic and investment activity in the country was disrupted, coinciding with the collapse of oil prices. As of the end of 2014, the OPEC basket reached \$ 26.5 per barrel. In January 2016, down from the annual average of 2012 (\$ 49.49) after it was more than \$ 100 up to the month of April 2014, according to the Secretary of the US Treasury for the financing of terrorism, describes this organization as the best organization a financier we have seen at all as well as strong funding with excellent tools for propaganda on her head (fear approach) according to Some international reports indicate that this organization is approaching revenues of (1.3) million dollars per day during 2014 and surplus at the end of the year amounted to (2) billion US dollars and the summit of the fiscal activity of the organization is in (Mosul) and Iraq (Raqqqa) Syrian, (\$ 875 million) due to the control of some Iraqi areas and the looting of military equipment and some government banks, which constituted an addition to the organization estimated at \$ 1.5 billion of which (420) million in cash, as well as control of about 40% (Wheat cultivation) in Iraq, this paper reviews the fiscal and monetary policy approaches after 2003 Light of the impact at (oil security) mid-2014 through several axes and ending the search campaign of conclusions and recommendations.

Research importance

The importance of the research is an attempt to study and analyze the approaches of the fiscal and monetary policies in light of the two shocks (security_ oil) and their impact on economic performance in light of the decline of the oil resource.

Research problem

The problem of research is reflected in the negative impact of the decline in oil prices in line with the collapse of security, which accumulated the fiscal burden on the fiscal and monetary policies.

Research Hypothesis

The research starts from the assumption that the security and oil shocks in mid-2014 accumulated the fiscal burden on the fiscal and monetary policies and forced them to take

austerity measures for the purpose of providing fiscal resources away from the oil supplier.

Search goal

The research aims to explain the fiscal impact of the two shocks of "oil security" on the approach of the fiscal and monetary policies, and the economic cost caused by what is known as the organization (calling) in the Iraqi economy.

Research Methodology

In order to arrive at solid results that serve the research, descriptive analysis will be used to prove the hypothesis of research.

Research limits

Spatial Boundaries: The Iraqi Economy.

Time Limits: (2003-2018).

Structure of research

In order to highlight the main variables in the research topic, the research was divided into two main interlocutors, the first being the "specific institutional and legislative frameworks for the interaction between the fiscal and monetary policies", while the second axis dealt with "the fiscal and monetary policies and obstacles to growth and economic balance in light of the shocks (oil security)".

First: Specific institutional and legislative frameworks for the interaction between the monetary and monetary policies

The interaction between the monetary and fiscal policies is controversial, which usually results in a conflict over the tools and priorities to achieve the overall objectives of economic activity. Therefore, this interaction should govern some institutional and legislative frameworks that regulate the work of the two policies (fiscal and monetary) without any clash in objectives and visions. This is a challenge for developing countries, including Iraq, as they need effective and durable coordination and consistency between the two policies to reduce the dispute. Between them, and governed by several conditions include:

1. A fiscal stability conducive to fiscal sustainability.
2. The effectiveness of both policies through clarity in vision and goals.
3. Participating in laying the foundations for the two policies (implementation and drafting).

The most important institutional and legislative frameworks are:

1. Interaction committees.
2. Independence of the Central Bank.

3. The Supervisory Board of the Currency.
4. Tools for monetary policy intervention.
5. Central Bank's profits and losses.
6. Public Debt Management Office

1. Interaction committees

These committees are the compass that determines the course of each of the two policies according to the fiscal and monetary instruments and their various official and non-official. These committees meet regularly to exchange information on the needs of the fiscal authority to transfer from the Central Bank and analyze the expected cash balances of the government and monitor the performance of the market and the approach necessary to follow. The objectives of the two policies, and the management of public debt in accordance with the fiscal situation of the country. These committees are composed of officials of the Central Bank and the Ministry of Finance, as well as the use of specialized advisers in the fiscal and monetary guidance of the Government, Access to a number of goals.

1. Provide advice on the objectives (medium and long term) of monetary policy and public debt strategy through monetary management tools and stimulate the role of the stock market.
2. Organizing the regulated sales of securities according to the government needs of cash flows and annual profit targets and estimating the absorptive capacity of the market in the light of monetary targets.
3. Make adjustments in primary and secondary market arrangements.

2. Independence of the Central Bank

In the beginning, it is necessary to distinguish between the three concepts of independence enjoyed by the Central Bank in accordance with Law No. (56) of 2004, as stipulated in paragraph (2) of Article (2), the Central Bank enjoys full independence from the government in the development of its plans and facilitate banking operations, Instructions from any person, including governmental bodies, except where there is a provision stating otherwise, and with the following three aspects of independence:

1. The independence of objectives

2. Instrument independence

3. The independence of personality

Economic independence is an independent instrument in which the central bank has the freedom to define its operational objectives and

cash flows. The main pillar of independence lies in the official restrictions imposed on the credit granted by the Monetary Authority to the Ministry of Finance. However, independence does not mean that the monetary authority no longer needs to harmonize operations with the fiscal authority. Rather, it is the efficient monetary policy based on the independence of the central bank that seeks to develop effective tools for policy alignment between the bank (Maastricht Treaty) to the legislative arrangements for the independence of the Central Bank, which stresses the strict limitations of any facilities (especially direct credit) of the Central Bank and also confirms that the purchase of government securities, not for reasons of monetary policy.

3. Supervisory Board on the currency

That the main objective of the Supervisory Board on the currency is not to leave any room for monetary policy discretionary, and thus prevents the expansion of the monetary base without offset by the cover of foreign currency equivalent to monetary expansion, this means that the central bank in practice does not have an independent monetary policy to create money. Only and its interventions in the foreign exchange market, as well as that this Council will put restrictions either to grant loans to the government or the banking system, that the impact on fiscal policy is as follows:

1. Do not reduce government deficit and increase fiscal discipline
2. One of the monetary policy's discretionary work, that is, its flexibility is low as it follows a fixed exchange rate policy, and thus the fiscal policy has the lead in macroeconomic leadership, which is efficient, robust and flexible.

4. Monetary policy intermediation tools

The choice of monetary policy instruments is one of the most important operational arrangements in the process of interaction, since the process of selection of securities will be detrimental to fiscal policy. The operational arrangements for cash management are in three different types of functions depending on the economic situation of the country and the development of its fiscal markets

- a. First order (primary market / different instrument) both policies use the primary market for the issue market, but with different securities. The monetary authority uses its own

securities (credit auctions), while the securities of the fiscal authority are used for the purpose of public debt management only. At a low level that each policy is unique in using a different tool to reach its goals.

B. Second order (different market / same instrument) fiscal authority uses the primary market for government securities primarily designed for debt purposes, while monetary authority operates through open market operations on the secondary market, with government securities outstanding. This arrangement usually prevails in developed countries that it does not require a high degree of adequacy as deficit financing occurs in primary markets while the process of achieving monetary management objectives occurs in the secondary market

C. Third order (same market / same tool)

The primary market uses government securities to finance government budget deficits and achieve monetary policy objectives in the absence of sophisticated fiscal markets, a trend that is prevalent in developing countries, including Iraq.

5. Central Bank's profits and losses

Since the central bank is the fiscal adviser to the states, its objectives are usually non-profit (governmental institutions), but it may generate profits and losses, which may be large, which is a negative impact on the fiscal policy, which call to regulate the profits and losses of the Central Bank through regulations and laws from the side That the source of profits for central banks comes from (issuing the new currency) as it will issue interest-free liabilities, or profits may be reflected through loans to the banking sector or the government, participation in the foreign exchange market or from the activity of supervising banks, About (D) High inflation rates in the economy (inflation tax) on cash balances; these profits in normal circumstances are transferred to the government as revenues. But as exceptional revenues, and therefore should not be placed by the government in its general budget or in the event of collection of these profits, the government is specified in the use of debt in priority is the government debt of the Central Bank, and these should not be transferred to the government in the case of high inflation as it will increase the current expenditure (Stay in the cycle of inflation) either losses continue mostly in foreign

exchange operations or interest on bonds issued by the Central Bank for monetary management, with the emphasis on the need to cover these losses as the daily currency of the Central Bank, i.e. the government will be obliged to cover this As it will be restricted to the government.

6. Public Debt Management Office

In the absence of sophisticated fiscal markets, there is a need for a competent and independent institution to manage public debt. The more independent the office of debt management is from the political decision-making process, the greater the institutional resistance to the government's tendency to generate inflation. On the stability of prices exclusively, which increases the credibility of the management of cash operations, and the institutional separation of public debt management ensures fiscal discipline and thus enhance fiscal sustainability, and determines responsibility for both monetary and monetary policy, which makes the debt management process, a Of the Central Bank, which is to manage the debt more realistic, it is noteworthy that the Iraqi economy and within the law (95) for 2004 identified this responsibility in an independent body, but the performance was weak and reverse, throwing the Central Bank

The second axis / fiscal and monetary policies and obstacles to growth and economic balance in light of the shocks (oil security)

1. Features of economic growth in Iraq under the policies followed after 2003

With the beginning of 2003, the value of exports rose to 100%, especially with the lifting of sanctions on the oil sector and the focus of investment contracts, which accounted for (62.2%) of the value of exports to GDP during the period (1997_2000) (55%) in 2003, increased to (63%) in 2009, and the level of openness reached (119%). The ratio of imports to output (65%) was especially for consumer goods, indicating that (open door policy) was a shock due to the policy of dumping goods that This policy has resulted in an expansion of the consumer approach and making the Iraqi economy a distinct consumer market for the neighboring countries. This calls for the need for institutional arrangements that create an appropriate environment conducive to investment. Private producer (clear strategy for investment) In the presence of a stable environment that is an incentive for investment

and an effective private sector, it can be said that the government's economic policy was confused during this stage except for some monetary policy contributions in order to stabilize the foundations of economic stability. Has been relatively successful compared to the previous two decades. It has established some elements of attracting foreign investment, but has been hit by the decline in the performance of complementary economic policies and specifically fiscal policy if this stability is not exploited to stimulate productive sectors and deliver them to acceptable growth rates except for the oil sector. Commodity supply within the domestic market, the data of the main instrument of fiscal policy of the public budget is under and as we explained earlier restrictions on the expansion of government jobs of a non-productive nature and high-cost oil contracts, which was greater than the effects (80%) of the total expenditure. The percentage of achievement in the investment budget did not exceed (50%) at best. The budget also deviated towards purely operational goals. The overall productivity of the sector was estimated to be more than the equivalent of 3 million government employees, complemented by pensions of more than 2 million retirees, This indicates the high distribution potential of the public budget through the income recipients (5) million, which is a huge number when taking into account the approved system of support in the race (1_5) Thus, we have 25 million people who receive government income directly or indirectly (70%) of the state-owned GDB. Its revenues account for approximately 95% of the budget revenues and with an operating strength of only 2% at best of the labor force. (8.5) million workers, or the rest of the sectors, contributing 98% of the workforce (30%), which focused on the strength of the unemployment index in the economy, where it exceeded 15% and 25% of young workers. In addition to the under-employment of 25%, unemployment reached 40% This is explained by the unemployment of production elements in the Iraqi economy, and therefore the efficiency in allocating productive resources at the lowest point, in light of the decline of the main productive sectors (agriculture-industry), with the contribution of the agricultural sector (6.5%) of the GDB, while the contribution of the industrial sector Less than (1.5%) of the

GDB due to the cessation of (90%) of the government plants and the private sector and the proportion of more than (700) thousand workers Sun engineer Unemployed workers receive wages and salaries from the state, forcing them to enter the informal labor market in the under-employment data, while the signs of contribution must be from the private sector in the direction of the Iraqi economy to the market economy in order to grow and balance the economy. In contrast to the fact that the state and its public sector dominate almost 80% of the output, leaving 20% of the private sector. Although the private sector becomes 65% of the total activity, if we exclude oil from the components However, most of this activity is service oriented and is highly correlated with productive and investment activity Thus, the Iraqi market today is an added value to the outside world at the expense of the national economic activity, which is entering the period of continuous stagnation of non-real non-oil thanks to (the policy of the door) Open) that made the labor force to take the speculative and live on the margins of the consumer foreign trade sector, that is, the model of the Iraqi economy is the birth of economic activity and cross-border consumption and savings or the so-called Iraq economic disease (Iraqi economic disease) The Dutch economy.

2. Fiscal dominance and the chronological inconsistency of monetary policies and their impact on the general balance and economic growth in light of the shocks (oil security)

In mid-2014, Iraq was exposed to a security shock that hindered the movement of economic and investment activity in the country, coinciding with the collapse of oil prices as the price of oil OPEC basket at the end of 2014 (26.5) dollars a barrel (fell to more than 65%), in January 2016 Lower than the annual average of 2012 (\$ 49.49), up from \$ 100 to the end of April 2014, according to the US Treasury Secretary for Terrorist Financing, which is described as the best funding organization we have ever seen, as well as strong funding He has excellent tools for propaganda on her head (fear approach), according to some international reports indicate that e The organization's revenues are close to (3.1) million dollars daily during 2014 and the surplus at the end of the year amounted to (2) billion US dollars and the summit of the fiscal activity of the organization

is in (Mosul) and Iraq (Raqq) Syrian, and its fiscal assets amounted to (875) million \$ 420 million in cash, as well as control of nearly 40% of the agricultural land (wheat cultivation) in Iraq. According to a report published by FATF, the goal of identifying and following up the financing of this organization is that the sources of funding are embodied in next one:

1. Illegal proceeds from land occupation and control of oil fields, banks, asset theft, refineries, taxes, extortion.
2. Collect donations through a modern and complex communication system across networks and social networking sites.
3. International external fiscal support and donations from non-profit organizations.

According to the World Bank (11.5%), the unemployment rate in the Arab region and the expatriates abroad is estimated at 2016 according to World Bank statistics (15-29 years), non-integration (5.9%), mostly in the low-income countries of the Arab countries. Figure (22) below shows the distribution of credit funds by size of funding and country of origin. Thus, these shocks are a new challenge and obstacle to the monetary and monetary policies in the absence of consistency in the objectives and tools after 2003, where the effect of negative interaction appears through two indicators starting from the theoretical origin. The first is reflected in the (time inconsistency) especially moving away from its main objective (The currency window), which generates a huge

monetary mass in the economic activity and the depletion of foreign reserves with this effect reacts another effect of the reverse (fiscal hegemony) with the policy of stability adopted by the policy of the transfer (56) for 2004. This effect is reflected in the negative interaction through the burden of the huge budget deficit and internal public debt, which reflects a negative pressure factor on monetary policy to finance that deficit, which generates inflationary pressures and accelerates the cost of cash. The fiscal policy after 2003 has abandoned the prominent role of building a base to determine the size of the fiscal deficit. This can be seen in Table 37, where the budget deficit increased from 4,636,200 trillion dinars in 2003 to 24,194,920 trillion In 2016 with an increase of (421.87%) which reflects an additional burden on the bank Especially in the years following 2010, since the financing of the deficit will be through external loans, as is the case for the internal debt of the two countries (the debts of the Ministry of Finance due by the Central Bank and treasury bonds and remittances at commercial banks). The internal public debt rose from 5,543,684, Billion dinars in 2003 to reach (46,580,280) billion dinars in 2015 by an increase of (740.24%), and the preliminary estimates of internal public debt for 2016 may reach more than (48) trillion dinars to reach twice the amount of budget deficit, (24,194,920) billion dinars for the same year.

Table (1): The internal public debt and the debt gap on the Iraqi government for the period 2003-2016 (billion dinars)

Year	Treasury transfers in commercial banks	Public debt to the Ministry of Finance	Total internal public debt	The amount of budget deficit	Debt gap to budget deficit
2003	1555276	3988408	5543684	4636200	907484
2004	1242023	4683038	5925061	11928405	-6003344
2005	1200070	5055508	6255578	7022560	-766982
2006	251500	5055508	5307008	5570857	-263849
2007	519000	4674705	5193705	9662938	-4469233
2008	500050	3955519	4455569	9086892	-4631323
2009	4478530	3955519	8434049	18757308	-10323259
2010	5225287	3955519	9180806	22922155	-13741349
2011	3891340	3555519	7446859	15727976	-8281117
2012	3392000	3155519	6547519	14796032	-8248513
2013	1500030	2755519	4255549	19127944	-14872395
2014	7064500	2455519	9520019	23775889	-14255870
2015	19311704	2555519	46580280	25414065	21166215
2016	48218000	24218000	24023080

Source: Ministry of Finance, Public Debt Department, Annual Reports of the Central Bank for different years.

* - In 2015 were added two verbs of internal public debt, delivery bonds of 14.525 billion dinars and loans from fiscal institutions in the amount of 10461.057 billion dinars, after the

addition becomes internal public debt (46,580,280) billion Iraqi dinars.

** Preliminary estimates.

Table (2) Fiscal Dominance and Credibility of Monetary Policy (Currency Window)

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actual expenditure trillion	32.1	26.2	38.8	39	59.4	52.5	70.1	78.7	105.1	119.1	113.5	70.4
Quantities sold billion	6	10.4	11.1	15.9	25.8	33.9	36.1	39.7	48.6	53.2	51.7	44.3

Source: Prepared by the researcher based on, the Central Bank of Iraq "Annual Statistical Bulletin" Directorate General of Statistics and Research, Baghdad, different preparation. It can be said that the fiscal dominance of the government reflected on the credibility of monetary policy and specifically (the window of currency) during this stage as the (dynamic stabilizer) of monetary policy, we note from table (38) that the monetary authority is striving to control the general level of prices, This is evident in the positive relationship between the increase in government spending and the Central Bank's sales of the dollar through the currency window. Its sales rose from \$ 6 billion in 2004 to \$ 53.2 billion in 2013, down to \$ 44.3 billion in 2015 The decline is due to the identification of sales (currency window) according to article (50) of the federal budget law of 2015, which set the ceiling of sales of the Central Bank of the dollar in the auction currency (75 million dollars per day for the family / private sector), this action gives a signal that both the fiscal and monetary authorities are not seriously committed to maintain On a stable level of prices and on securing a stable level of the dinar exchange rate against the dollar after the security and oil shocks of mid-2014. These figures indicate a chronic deficit in the general budget and that real economic activity is not represented by the general budget. It weighs heavily on fiscal policy Which is reflected in the public debt (internal and external), which call for the adoption of funding means, whose basis is the basis of productive sectors in which investment plays the fundamental role and elements of the public budget and not the contrary, as well as a major obstacle reflected in the fog vision in the management of public debt in terms of Activity in the secondary market or market, in the absence of an efficient secondary market,

therefore, public debt management is concentrated in the issuance market and the borrowing market. Here there is a need for effective coordination between the fiscal and monetary authorities. Arrangements are made cash programming and targeting of monetary aggregates monetary targeting (Monetary Targeting) and the target price level and inflation

3. Fiscal and monetary costs of the two shocks (oil security) and their impact on growth and general economic balance

After decades of destruction, wars, displacement, displacement, material costs and heavy spending on military operations. Since 2014 we have not seen the challenge of the largest terrorist organization that has gained a broad international reputation and expanded its influence in the Arab region in general and Iraq in particular. In a sharp contraction in the rate of growth of the Iraqi economy, according to a report issued by the International Monetary Fund in October 2014, the contraction of the Iraqi economy by (2.7%), for the first time since 2003, and this contraction came after growth of (5.9%) in 2013, While 2015 saw a further decline in economic growth (1.2%), according to IMF statistics. This was due to:

1- The drop in oil prices globally, which left its repercussions on the state budget.

2. The intensification of the military confrontation against terrorist groups.

And here we are the imam of the equation is the requirements of a large budget, especially security in exchange for a lack of funding, so the Iraqi economy is currently in a situation (fiscal crisis is worsening) in light of the survival of oil prices are low, the security developments witnessed by Iraq in 2014 and 2015 affected the Iraqi oil sector, The process of oil production in areas that are experiencing military operations, and hindered the work of

international companies in all regions of Iraq because of military confrontations and production less than 2.9 million barrels per day during the years (2014-2015) because of the control of terrorist groups on oil wells and fields, especially in Mosul , The organization controlled (13) h Oil and refineries in northern Iraq, including fields (Ain Zalah) and (Bata) Iraqis, whose daily production capacity about 30 thousand barrels of crude oil, and the field (Qayara), which has a daily production of about 7000 barrels, and estimated reserves of about 800 million barrels, (Dujail) as well as the fields in the south of Tikrit, the field (Hamrin), which produces about 5000 barrels per day, and the field (Ajil), which produces about 25 thousand barrels per day of crude oil, and 150 million cubic feet of natural gas, Negatively impacting domestic output. That the decline in oil prices globally left a significant impact on the budget of the Iraqi government after the price of oil was close to \$ 120 a barrel fell to less than (30) dollars a barrel, which contributed to increase the rates of deficit in the budget because of its reliance on export revenues of oil abroad and by (98%), and this deficit itself entered Iraq in a fiscal crisis suffocating and dangerous and threatened the Iraqi national security because it coincided with the existence of a security threat represented by a supportive organization The Iraqi budget is under great pressure as a result of increased security spending and the cost of dealing with the humanitarian crisis caused by the organization is urging , as well as the investment projects in Iraq, especially the areas that witness military operations and the suspension of the private sector as well as the government sector have left a negative impact on the Iraqi economy, that the large deficit in the general budget of the state could not meet the investment requirements, which stopped completely and was resorted to the World Bank and the International Monetary Fund In order to obtain loans, so Iraq is on the stage of a major funding crisis will be exacerbated in the case of military operations against the organization of the preacher because the cost of spending on defense and security will increase the problem in Iraq .According to the adviser and fiscal and economic expert to the Prime Minister, the appearance of Mohammed Saleh, the organization of the so-called costing the Iraqi economy cost (35) billion dollars and about

(15%) of gross domestic product and military allocations in the budget of \$ (25) billion dollars to support the armed forces in the budget The daily cost of the war is estimated at \$ 10 million per day, thus having a negative impact on economic growth of 1% according to IMF estimates for 2016. International reports indicate that Iraq's foreign debt reaches to (21) billion dollars, while the total economic costs And social and human resources are estimated to be around \$ 300 billion. This is in light of the decline in the GDP from 75658.8 md with an annual growth rate of 5.5% in 2013 to 70990.3 m and a negative annual growth rate of -2.4% in 2014. The volume of foreign trade decreased from (173.9) trillion dinars in 2013 to (96.3) trillion dinars in 2015, the volume of trade exchange decreased by (44.62%) during the period (2013-2015) and the economic openness index decreased from (64.8%) to (50.2%) For the same period and amounted to trade deficit (11,671,13,474) trillion dinars during the period (2014-2015) respectively, after the amount of deficit in the balance of trade (35.8) trillion dinars in 2013 this decline in total indicators The size of the impact on the Iraqi economy due to shocks (securityoil) mid-2014, that is, the Iraqi economy is not a double deficit in the balance of trade and public budget, but the deficit goes beyond duplication to the decline of aggregate demand (deflationary pressures) caused by austerity measures, Thus, the economy is in a three-dimensional recession. A fiscal deficit accompanied by high indebtedness and a decrease in the aggregate supply. Any decrease in the monetary mass and monetary base is caused by austerity measures. As the economic vision of the state is limited and the budget is reduced, D. It increases the pressure on aggregate demand (represented by lower money supply, lower local liquidity, lower central bank reserves and a decline in GDP).The low liquidity associated with the economic recession associated with fiscal crises (the case of Iraq) can be tackled by the monetary authorities based on quantitative or credit easing, a monetary policy tool that requires expansion of the monetary base which in turn increases the creditworthiness of the banking system (Investment-productivity). However, in light of the inflexibility of the productive apparatus and the disappearance of productive capacity with a view to (systematic), this tool is

inefficient and if used especially to stimulate credit, this will generate inflationary pressures and is an auxiliary factor Li aggravate the crisis, not solve them not to mention that the size of bank credit is not an important part of the productive activity. A review of the fiscal and monetary indicators of recent years shows that the Iraqi economic situation can be described as a crisis without features. The state of the economy cannot be placed in deflation or even in the case of inflation. It has a special complex situation. This structure is caused by two things:

1. Oil requirements that have reduced state revenues compulsorily. The sale of the dollar through the currency window achieves the purpose of financing government expenditure, covering import and foreign transfers. Since the dollar sold is exported by the Ministry of Finance (crude oil export) and the demand for the dollar is derived from the government tunnels on a basic basis, the central bank cannot control the supply or demand, And to limit the sale is contrary to the law of the Central Bank and the aspirations of the (IMF) as well as caused by the high level of general prices and speculation and achieve very high profit margins.

2. Measures taken in accordance with the recommendations of the World Bank.

That the rationalization of expenditures and the improvement of fiscal conditions is necessary, but the way after 2014 requires subsequent economic solutions in the sense that addressing the current problem is a series of actions that require the same treatments as these improvements are effective in a more mature economy with the effectiveness of the main productive sectors Improvements cannot be made to a distorted economy in its productive base and does not have the sufficient flexibility required by the improvements to give efficiency and effectiveness. The problem is the weak fiscal sustainability that fiscal policy lacks - the ability of the state to change fiscal policy approaches It is clear that the fiscal policy in particular (deficit and government debt) represented a constraint on the central bank and restricted its tools, but it carried heavy burdens that lost its monetary policy ability. On the sustainability, without change in the direction and tools of both fiscal and monetary policies to stimulate growth and balance General and the fiscal hegemony in Iraq and similar countries

take other dimensions or operations of foreign currency from the oil source in the situation While the deficit shows the importance of government debt in the central bank's balance sheet and as the size of the debt increases, the central bank directs the discrepancy between the interest rate consistent with monetary policy objectives and the cost of debt expenditure that the Ministry of Finance is trying to reduce. Rotation, known as the sum of interest on the issuance of bills when extinguishing the old debt with a new one, and it is worth mentioning the existence of a large government debt may gradually fade pressure of specialization and division of labor expressed by the independence of the Central Bank due to political pressures and The sharp crisis imposes a change in the political environment of the state's efforts to control public finances on central banking and the meaning of fiscal dominance. The term "budget-related operations of government spending and how to finance the deficit and the risks resulting from political debt and the non-impact on the operation of the interest rate is in its entirety The central bank is locked in its policy towards banks and fiscal markets and credit "and hegemony continues even at the price of oil high above \$ 80 a barrel, i.e. insistence on the tunnels as allowed by the oil supplier is also the central bank under (hegemony) Oil-fiscal) as a weak impact on the overall demand and the overall level of prices and experience experienced by Iraq after 2003 until the collapse of the price of oil with the crisis in 2008, and in light of the recent turnaround in domestic borrowing in 2015, a stage may be prolonged causing severe damage unless the institutions concerned preparations Keeping up with the day and the clock with efficient procedures.

Conclusions

1. Preliminary estimates indicate that the organization of the so-called "Da'ash" cost the Iraqi economy \$ 35 billion and nearly 15% of the GDP and military allocations in the budget of \$ 25 billion to support the armed forces in the budget of 2017, It is estimated that the daily cost of the war is estimated at \$ 10 million per day and thus has a negative impact on economic growth as much as 1% according to IMF estimates for 2016. International reports indicate that Iraq ') Billion dollars, while the total cost of economic, social and human nearly

(300-500) billion dollars, and the GDP declined from (75658.8) md with an annual growth rate (5.5%) in 2013 to (70990.3) m and a negative annual growth rate (-2.4%) in 2014, Trillion dinars in 2013 to (96.3) trillion dinars in 2015, the volume of trade exchange decreased by (44.62%) during the period (2013-2015).

2. Although the legislation and laws in rent countries emphasize the independence of central banks from the government, but it is the opposite, as the ability of monetary policy to control the growth of money supply is limited because the monetary basis in these countries is increasing significantly due to increased balance of foreign assets Through the oil sector, therefore the effect is "fiscal-oil hegemony."

3. In the course of the study, it is clear that the interaction between the monetary and monetary policies should be accompanied by an efficient institutional framework that enhances the independence of the Central Bank and achieves fiscal discipline by providing alternative sources of funding for the deficit, contrary to the policy of "monetization".

4. The prohibition of the central bank funding the budget deficit (lending to the government) is very important to maintain economic stability and general balance and then reflected on economic growth positively.

5. The importance of fiscal markets, especially for developing countries or countries, in the process of transition to a market economy and the extent to which it conforms to the institutional frameworks adopted in developed countries as a necessity for the general balance and economic growth.

6. The rent method in financing government expenditure, which results from the rent nature of the economy, reduces the role of monetary policy and impairs its effectiveness in influencing aggregate demand and enhances the ability of fiscal policy to play an important role in determining the course of macroeconomic variables, including the general price level.

7. The budget deficit and the imbalance of the production structure are the most important factors affecting inflation and growth in GDP as domestic factors. The dependence on oil revenues as the sole source of financing economic activity has weakened the role and importance of other sources of finance, especially taxes, in light of changes in oil prices The volatility of the global oil market, hence the

instability of macro-economic variables and large fluctuations in the general tunnels and aggregate demand and increase the risk of investment in non-oil sectors if it is difficult for the public and private sector to develop long-term investment decisions and plans and even Term investment resulting in a decline in investment in non-oil sectors, complemented by weak legislative and mismanagement.

Recommendations

1. Seek to adopt an efficient institutional framework that enhances the effective independence of the CBI and achieves fiscal discipline by providing alternative sources of funding for the deficit, contrary to the "monetization" policy.

2. The need to contribute to the development of the Iraqi market for securities as an important window to stimulate economic growth and a basis for balance through financing operations in economic activity, and work to promote domestic credit and raise awareness of banking by monetary policy.

3. To strive for real diversification of sources of income in which the real sectors (industry - agriculture) is a locomotive for economic growth.

4. To activate the legislative and regulatory aspects of government institutions to deal with fiscal and administrative corruption.

5. Activate the role of other fiscal revenues (taxes - the Customs Authority) in light of the current double shock experienced by the Iraqi economy.

6. The need to maintain the reserves of foreign currency by the monetary authority and not to exhaust them to deal with shocks such as the shock of oil prices and the security shock, thus providing the necessary procedures for these crises.

7. To seek the formation of a higher economic body with sufficient authority and immunity, independent from political rivalries. It will include the best experts in the economic field whose main task is to draw up the long-term economic strategy of the Iraqi economy.

8. Diversify relations and economic partnerships with the regional environment and not limit them to one side, but to the general economic interest of the country and in all economic fields.

9. Strengthen and develop R & D institutions and information in order to provide data and information that contribute to the consolidation of economic policy makers to make their decisions and build the strategy necessary for the continued economic growth in the Iraqi economy.

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