



MEASURING AND ANALYZING THE IMPACT OF ECONOMIC EXPOSURE ON GROSS DOMESTIC PRODUCT VOLATILITY FOR PERIOD (2005-2024) IRAQ CASE STUDY

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Abstract

Economic exposure is one of the most critical indicators that countries are interested in, regardless of their economic approaches, and macroeconomic studies also focus on it because it reveals the mutual relationships between the local economy and the international economy. The danger of this indicator lies in its potential to directly or indirectly affect the formation of the gross domestic product. Therefore, the current study, which is divided into three sections, will address the most prominent concepts of economic exposure and its degrees of measurement. Then, in the second section, the structure of the Iraqi gross domestic product and the economic exposure index will be analyzed, and in the third section, a practical application will be conducted by using the distributed slowdown autoregression model (ARDL) to measure the relationship between the study variables and the dependent variable represented by the gross domestic product, leading to conclusions and recommendations.

Keywords: Economic exposure, gross domestic product, ARDL, local economy, international economy.

Introduction

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Introduction:

1. Study problem:

The study problem was based on two basic questions:

- Did economic exposure lead to tangible fluctuations in GDP throughout the study period?
- Did economic exposure have positive (moral) effects on GDP, or did it have a negative (immoral) effect on GDP throughout the study period?

2. The aim of the study:

The current study aims to show the extent of the impact of economic exposure on the structure of the Iraqi gross domestic product by analyzing the structure of Iraqi foreign trade, measuring and analyzing the relationship between economic exposure as an independent variable and gross domestic product as a dependent variable, to identify the extent of the Iraqi economy's dependence on the outside world.

3. The importance of the study:

The importance of the study lies in clarifying the nature of the relationship between economic exposure and GDP fluctuations, and indicating whether successive Iraqi governments have been able to address the dangers of the high economic exposure index and the repercussions of those risks on GDP fluctuations.



4. Study hypothesis: The study is based on the hypothesis that:
(There is a significant relationship between the rise in the value of the economic exposure index and the increase in GDP volatility.)

1. Part One

The concept and causes of economic exposure and analysis of the structure of Iraqi foreign trade

1.1: The concept of economic exposure:

The concepts associated with economic exposure have varied and multiplied, and perhaps one of the most prominent concepts that define economic exposure is (the method that aims to study all restrictions imposed on the movement of foreign trade, and to know the negative effects that removing those restrictions and obstacles has on the degree of trade competitiveness between countries) (Al-Douski 2022), Perhaps one of the most prominent concepts that clarified economic exposure is what the International Monetary Fund went to when it defined it as (removing all restrictions and obstacles facing the foreign trade sector, which is responsible for forming the balance of trade transactions and the balance of capital transactions) (17/251, IMF), The concept of economic exposure can be formulated as follows (**studying all factors related to trade restrictions imposed by countries with the aim of increasing trade protection for their economies, and its impact on the movement of foreign trade with regard to the current and capital accounts of the balance of payments of those countries**).

1.2: Reasons for economic exposure:

The term economic exposure has become more widespread, especially after the spread of the phenomenon of economic globalization and the emergence of multinational companies. With the increase in trade, financial and economic openness, the countries of the world have been divided into two parts: countries that have been able to achieve significant rates of economic openness and have benefited greatly from the globalization of capital, labor and production elements in general, and others in which economic exposure has increased and their trade and financial dependence on first-class countries has deepened By reviewing the economic exposure index, we can learn about the most prominent reasons for this exposure. The most prominent formulas for calculating economic exposure are:



$$\text{Economic Exposure} = \frac{\text{Export} + \text{Import}}{\text{GDP}} \times 100$$

From the previous formula, it can be said that countries in which exports to imports increase relative to the gross domestic product achieve economic openness, and this can be reflected in their trade balances, in which they achieve financial surpluses. However, if imports to exports increase relative to the gross domestic product at high rates, this means that the country suffers from exposure and economic dependency. The following table shows the degrees of economic exposure.

Table (1) Degrees of economic exposure and state status

Degree of economic exposure	State status
Less than 50%	economic independence
50%-70%	transitional phase
More than 70%	economic dependency

- Prepared by the researcher based on the International Monetary Fund report published on the website,
<https://www.imf.org/ar/Publications/fandd/issues/2023/06/pillar-of-economic-security-ralph-ossa>

The degrees of the economic exposure index vary between different countries, as a certain increase in the index percentage indicates the integration of the country's economy with the global economy, and thus, the country is more vulnerable to external influences. However, there is another opinion that says that this standard for classifying countries as economically exposed or not is biased. The issue of economic exposure depends on whether the advanced or developing industrial country has a production system that has sufficient flexibility to allow that country to compete. Therefore, the increase in the percentage of the economic exposure index for developed countries indicates the extent of the concentration and depth of the productive capabilities of those countries, which is an indicator of independence and not economic dependence (Jawad, 2023). Among the most prominent reasons for the increase in trade dependence and economic exposure of countries are:



1. The form and pattern of division of labor and the specialization of some countries in producing and exporting raw materials that are inputs to the industries of other countries.
2. The degree of structural imbalance in the structure of economies due to the movement of international capital, as developed countries deliberately direct their capital towards certain economic sectors to invest in them without other sectors, which ultimately leads to an imbalance in the economic structure of the state, and thus deepens the intensity of trade dependency and economic exposure of the state.
3. One of the most prominent reasons for the increase in economic exposure rates is the weak economic awareness of local investors, especially in developing countries. The greater the awareness of local investors and their sense of national responsibility towards their countries, the more this leads to investing their capital at home and preventing it from escaping abroad. This acts as a kind of buffer to reduce the severity of economic exposure.
4. Weak legislation regulating the movement of capital in and out. The more the state does not have legislation regulating the movement of capital, the greater its economic exposure and commercial dependence.
5. Lack of control over the country's national borders, which makes that country more vulnerable to money smuggling, the entry of dirty money, and money laundering operations, which increases the severity of its commercial dependence and economic exposure.

1.3: Analysis of the structure of Iraqi foreign trade:

One of the most prominent features of Iraqi foreign trade is its excessive reliance on the export of crude oil on the one hand, and the import of most consumer and investment materials from abroad due to the inability of the Iraqi production system to provide those materials that the Iraqi market needs. This can be clarified by reviewing the structure of exports and imports in the following manner:

A. Analysis of export structure:

From the above, it became clear that the production and export of crude oil dominate all economic and commercial operations of the Iraqi economy. The table below shows the extent of crude oil's dominance over all Iraqi exports:



Table (2) Crude oil exports relative to total Iraqi exports for the period (2005-2024) in Iraqi dinars (billion dinars)

Years	Total exports FOB	Oil exports	Ratio of oil exports to total exports (%)
2005	28199430	27607286	97.9
2006	36329510	35352639	97.3
2007	47346052	45265131	95.6
2008	76216296	74012905	97.1
2009	46527400	45659746	98.1
2010	61236812	60868899	99.3
2011	94262623	93939072	99.6
2012	111072411	110564851	99.5
2013	106802073	25659284	24.02
2014	101419560	21554478	21.2
2015	61092220	13019552	21.3
2016	49144620	8092714	16.4
2017	68495210	67413164	98.4
2018	102768400	102100453	99.3
2019	95451090	93253993	97.6
2020	56235600	20396160	36.2
2021	106702640	100453402	94.1
2022	172345700	165121912	95.8
2023	131270628	125102774	95.3
2024	133305480	126970668	95.2

Prepared by the researcher based on statistics from the Central Bank of Iraq for the years 2005-2024, <https://cbi.iq/page/145>.

B. Analysis of the import structure:

The Iraqi market depends to a very large extent on imports from abroad, due to the stagnation of the Iraqi production system on the one hand, and the lack of development and support of the industrial and agricultural sectors on the other hand, despite the government efforts made to improve the reality of these strategic and important sectors. Consumer goods, whether industrial, agricultural, or technical, are among the most prominent components of the import content of the Iraqi market, in addition to the import of large quantities of Petroleum products to cover local consumption, which the Iraqi oil industries cannot cover. The following table shows the amounts spent to import the aforementioned materials:



Table (3) Iraqi imports for the period 2005-2024 in Iraqi dinars (billion dinars) and annual growth rate

Years	Imports (CIF)	Annual growth rate (%) (*)
2005	23802261800	0
2006	22259545000	6.4
2007	19880510000	10.6
2008	35594634400	15.7
2009	41636064000	16.9
2010	44159024000	6.05
2011	48068247500	8.8
2012	59132745000	2.3
2013	12448353600	-7.8
2014	14078869200	1.3
2015	8318933000	-4.09
2016	8267287000	-0.06
2017	38503283000	36.5
2018	46949308000	2.19
2019	58243122000	2.4
2020	14161440000	-7.56
2021	50692806000	25.7
2022	68495608000	3.5
2023	74081110000	8.1
2024	98074020000	32.3

Prepared by the researcher based on statistics from the Central Bank of Iraq for the years 2005-2024, <https://cbi.iq/page/145>

(*): The annual growth rate was calculated based on the following equation:

Growth rate = (present value – original value / original value) * 100%

2. Part Two

Analysis of the structure of the Iraqi gross domestic product and the economic exposure index

The gross domestic product is defined as ((the monetary value of the total goods and services that are produced within a country's economy during a specific period, usually a year)) (Ahmed 2020), and many other definitions and concepts dealt with the gross domestic product, and perhaps it is important to focus here on the nature of the structure of the Iraqi gross domestic product, which is dominated by oil, as oil

constitutes approximately (45%) From the total production of the economic sectors produced in the Iraqi economy ((Ministry of Planning, Department of Economic and Financial Policies 2022), the following figure shows the structure of the gross domestic product:

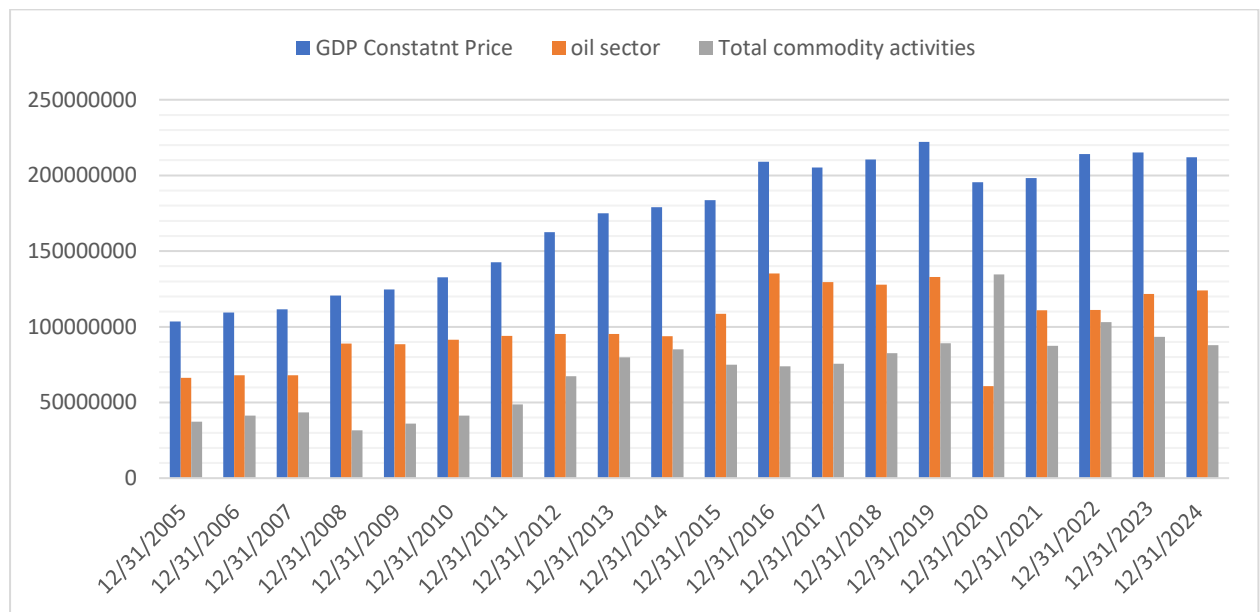


Figure (1): The sectoral structure of the Iraqi gross domestic product and the contribution of the oil sector to it relative to the total commodity sectors for the period (2005-2024)

Researcher preparation based on the Ministry of Planning, Central Bureau of Statistics, final quarterly and total estimates of the gross domestic product, for different years.

From the previous figure, it is noted that the oil sector dominates the total of other commodity sectors, and this indicates the extent of the imbalance in the structure of the Iraqi gross domestic product and the degree of dependence of the Iraqi economy on crude oil. By adopting the concepts of economic exposure described in the first section of this study and adopting the economic exposure equation that was mentioned above, the extent of economic exposure of the Iraqi economy can be explained through the following table:



Table (4) Iraqi economic exposure index for the period 2005-2024

Years	Imports	Exports	GDP	Economic exposure index %
2005	34568508	34810893	103551403.4	66.99996
2006	32287203	44786043	109389941.3	70.45734
2007	24542780	49681685	111455813.4	66.59542
2008	41769316	76025118	120626517.1	97.65219
2009	48569040	46133100	124702075	75.94271
2010	51380550	60563880	132687028.6	84.36727
2011	55929510	93226770	142700217	104.5242
2012	68800996	109847694	162587533.1	109.8785
2013	75224160	107617356	174990175	104.4867
2014	69736380	101590300	178951406.9	95.73922
2015	56485730	61092220	183616252.1	64.03461
2016	40707520	49144620	208932109.7	43.00542
2017	45298540	68495210	205130066.9	55.47395
2018	55235040	102768400	210532887.2	75.04929
2019	68521390	95451090	222141229.7	73.81452
2020	57468670	55766970	195402549.5	57.94993
2021	59231050	105971800	198337848.9	83.29366
2022	80031300	171165250	214123653.6	117.3138
2023	57735480	130874040	215232183.6	87.63072
2024	59149200	131874600	211906304	90.14541

Preparing the researcher based on previous data

From the previous table, it is clear the extent of the economic exposure of the Iraqi economy, as the value of the index rose from 66.99% in 2005 to more than 90% in 2024, with the relative value of the index fluctuating during the study period. The imbalance in Iraq's foreign trade structure is one of the primary reasons for the increase in the economic exposure index.

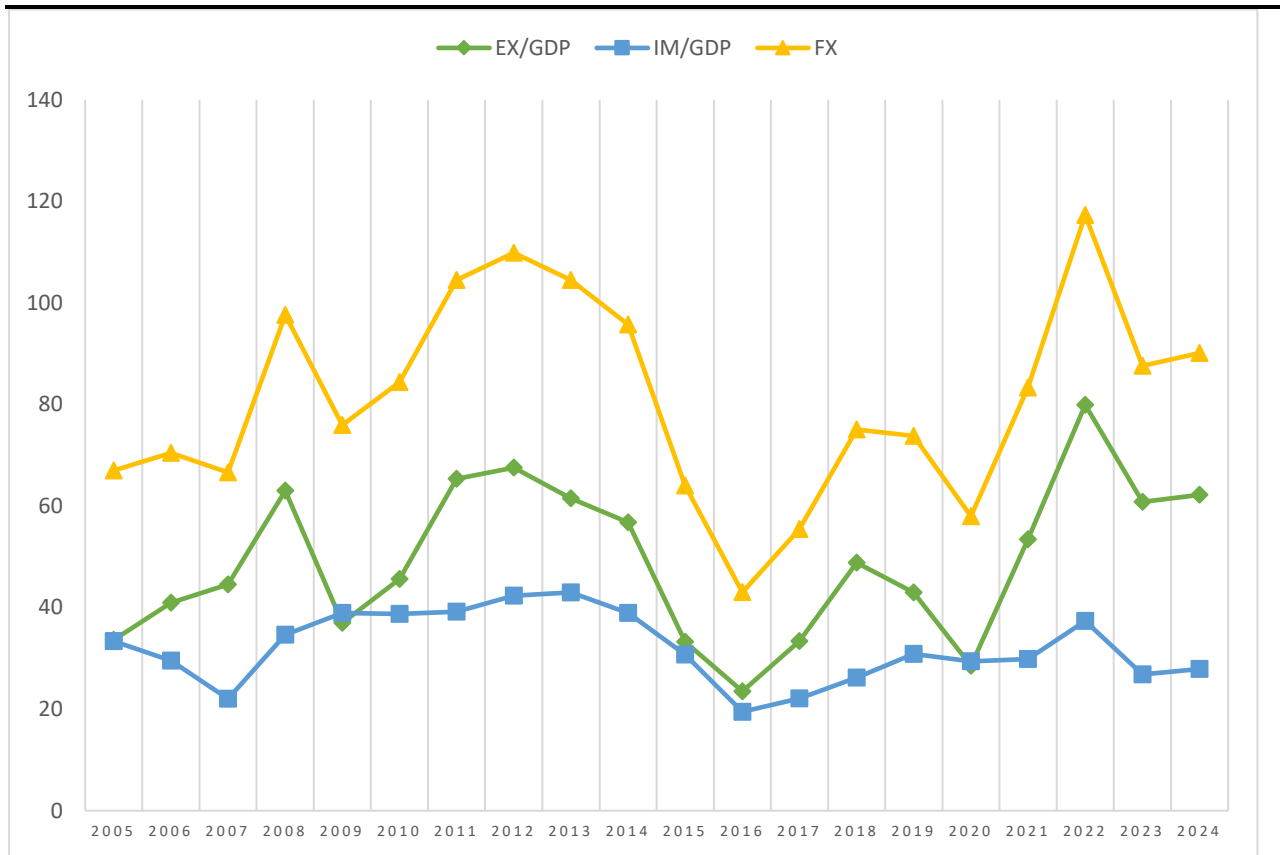


Figure (2): Ratio of imports and exports to GDP and economic exposure index % for the period (2005-2024)

Preparing the researcher based on the data in Table 4.

The weakness of the diversity of the Iraqi economy, which depends primarily on the production and export of crude oil, is the main reason for the high value of the economic exposure index. It is noted from Table (4) and Figure (2) that the ratio of exports to the gross domestic product is relatively higher than the ratio of imports to the gross domestic product, and this is what led to recording high rates of economic exposure. In addition to this, the stagnation of the Iraqi production system and the weak contribution of other non-oil production sectors led to an increase in the intensity of the dependence of the Iraqi economy and the Iraqi market on imports, as shown in the following figure:

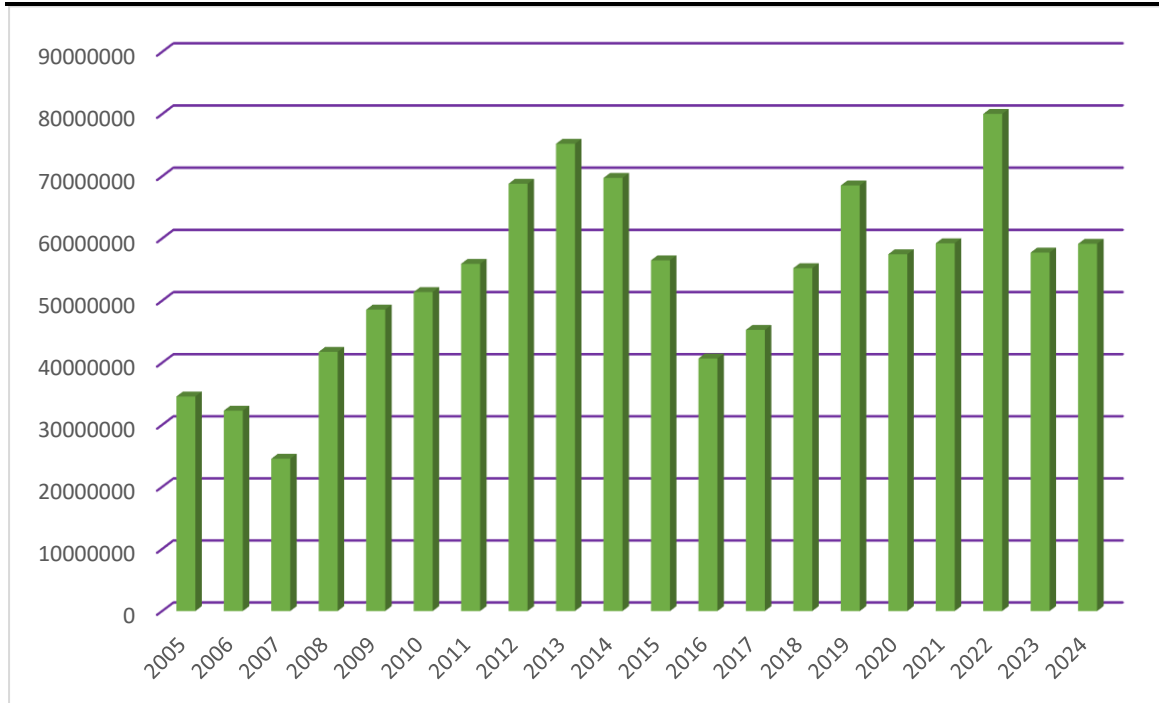


Figure (3): Iraqi imports for the period (2005-2024), billion dinars

Researcher preparation based on Table 4 data

Rapid technological development, which is closely linked to increased economic growth rates, can lead to an increase in the economic exposure index of countries (Hassan, 2024).

3. Part Three

Practical aspect of the study

In this research, the impact of fluctuations in the variables that make up the economic exposure index will be measured, which are the ratio of imports to GDP, the ratio of exports to GDP, and economic exposure rates, in addition to the official exchange rate variable and the extent of their impact on the formation of GDP for the duration of the research. The ARDL methodology (Auto Regressive Distributed Lag) will be adopted as an autoregressive model for distributed lag in estimating the relationship between the research variables.

3.1: Model description:

The proposed model consists of four independent variables: imports, exports, economic exposure rates, official exchange rates, and one dependent variable represented by gross domestic product. The equation of the proposed model can be formulated as follows:

$$\text{Log GDP} = \alpha + \beta_1 \text{Log EX} - \beta_2 \text{Log IM} - \beta_3 \text{Log EEI} - \beta_4 \text{Log EXR}$$

Which in:

GDP: Represents GDP at constant prices

EX: Total exports in Iraqi dinars measured in (FOB)

IM: Imports in Iraqi dinars measured in (CIF)

EEI: Economic Exposure Rate

EXR: Iraqi Dinar to Dollar Exchange Rate (Official Rate)

The logarithmic formula was adopted for unifying units.

3.2: Time Series Stability Test:

Before conducting the regression analysis, it is necessary to perform static tests on the time series of the variables in the proposed model. The Augmented Dickey-Fuller Test (ADF) will be employed, which is one of the tests used to detect a unit root in time series. The null hypothesis ($H_0 \beta=1$) assumes that the time series is unstable or static and contains the unit root, while the alternative hypothesis ($H_0 \beta \neq 1$) assumes that the time series is stable or static and does not contain a unit root (Unit Root) (CBPhilips 1992), and the following table shows the test results:

Table (5) Time series stability test results (unit root) using the ADF test

		Level			1 st difference		
		Individual intercept	Individual intercept and trend	None	Individual Intercept	Individual intercept and trend	None
Log GDP	Statistic	-1.668758	-1.089411	2.432151	-15.75826	-15.85744	-15.39480
	Prob	0.4459	0.9276	0.9966	0.0000	0.0000	0.0000
Log Ex	Statistic	-2.111403	-2.635227	0.81276	-15.41053	-15.38438	-15.39480
	Prob	0.2405	0.2651	0.8869	0.0000	0.0000	0.0000
Log Im	Statistic	-1.913639	-2.049872	0.524288	-15.38233	-15.36669	-15.39480
	Prob	0.3257	0.5706	0.8284	0.0000	0.0000	0.0000
Log EEI	Statistic	-2.172132	-2.167687	0.151607	-15.36721	-15.33477	-15.39480
	Prob	0.2172	0.5050	0.7292	0.0000	0.0000	0.0000
Log Exr	Statistic	-2.140056	-2.247092	-0.413477	-15.37207	-15.46047	-15.39480
	Prob	0.2293	0.4609	0.5336	0.0000	0.0000	0.0000



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From the results of the (ADF) test, it is clear that all-time series of the variables of the proposed model are unstable at the level, and stabilized after taking the first differences, and thus the assumption of nothingness ($H_0 : \beta=1$) can be rejected, and it can be said that the time series of the model variables are first-order static (I_0), and based on that, the proposed model can be estimated using the (ARDL) methodology.

3.3: Homoscedasticity Test:

The ARCH test will be used to detect instability in the variance homogeneity across the random error limits of the proposed model, under the null hypothesis. H_0) assumes the existence of variance homogeneity between the successive values of the random error limits, and the test results can be explained from the following table:

Table (6) ARCH test results to detect the problem of variance homogeneity stability

Heteroskedasticity Test: ARCH

F-statistic	0.213751	Prob. F(1,236)	0.6443
Obs*R-squared	0.215368	Prob. Chi-Square(1)	0.6426

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From the results of the previous table, it can be said that the null hypothesis is rejected and the alternative hypothesis that there is no problem of instability of the homogeneity of variance for the Prob value is accepted. Chi-Square is greater than 5%.

3.4: Autocorrelation Test:

To detect the existence of a problem of autocorrelation or serial correlation between the values of the random error limit of the proposed model, we will resort to the LM-Test. Test proposed by Breusch-Godfrey. According to this test, the null hypothesis assumes (no autocorrelation between the values of the residuals), while the alternative hypothesis assumes the opposite. The following table shows the test results:



Table (7) LM test results

Breusch-Godfrey Serial Correlation LM Test:

Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.001127	Prob. F(2,227)	0.9989
Obs*R-squared	0.002373	Prob. Chi-Square(2)	0.9988

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From the results of the previous table, it can be said that the null hypothesis is accepted and the alternative hypothesis is rejected because the value of Prob. Chi-Square is greater than 5%, so the test result indicates no serial correlation between the residual values.

3.5: Multicollinearity Test:

To test that the proposed model is free of the linear multiplicity problem, the Variance Inflation Factor (VIF) test will be adopted. The following table shows the test results:

Table (8) VIF Verification Inflation Factor Test Results

Variance Inflation Factors

Date: 07/14/25 Time: 03:53

Sample: 2005M01 2024M12

Included observations: 239

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LOG_GDP(-1)	0.000307	0.096321	3.588
LOG_EX	1.880980	2.009654	2.0859
LOG_EX(-1)	0.000123	1.945510	1.094
LOG_IM	1.543098	2.59560	2.50094
LOG_IM(-1)	2.579832	1.106912	1.9519
LOG_EEI	6.050957	6.1709	6.3056
LOG_EEI(-1)	0.000359	0.66273	0.122
LOG_EXR	1.971120	1.89054	1.97633
LOG_EXR(-1)	1.955312	1.88410	1.24034
C	4.001551	4.38589	4.80995

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From the results of the previous table, it is clear that the proposed model is free of the problem of linear multiplicity, as all the results of (Centered VIF) were less than 10.

3.6: Proposed model for the study:

After ensuring that the proposed model is free of standard problems by conducting diagnostic tests, the (ARDL) methodology can be adopted to conduct regression estimation. Before this procedure, the optimal model must be selected, which will be adopted to estimate the relationship between the dependent variable and the independent variables. This is done by adopting the (Akaike) criterion to select the best model. The following figure shows this:

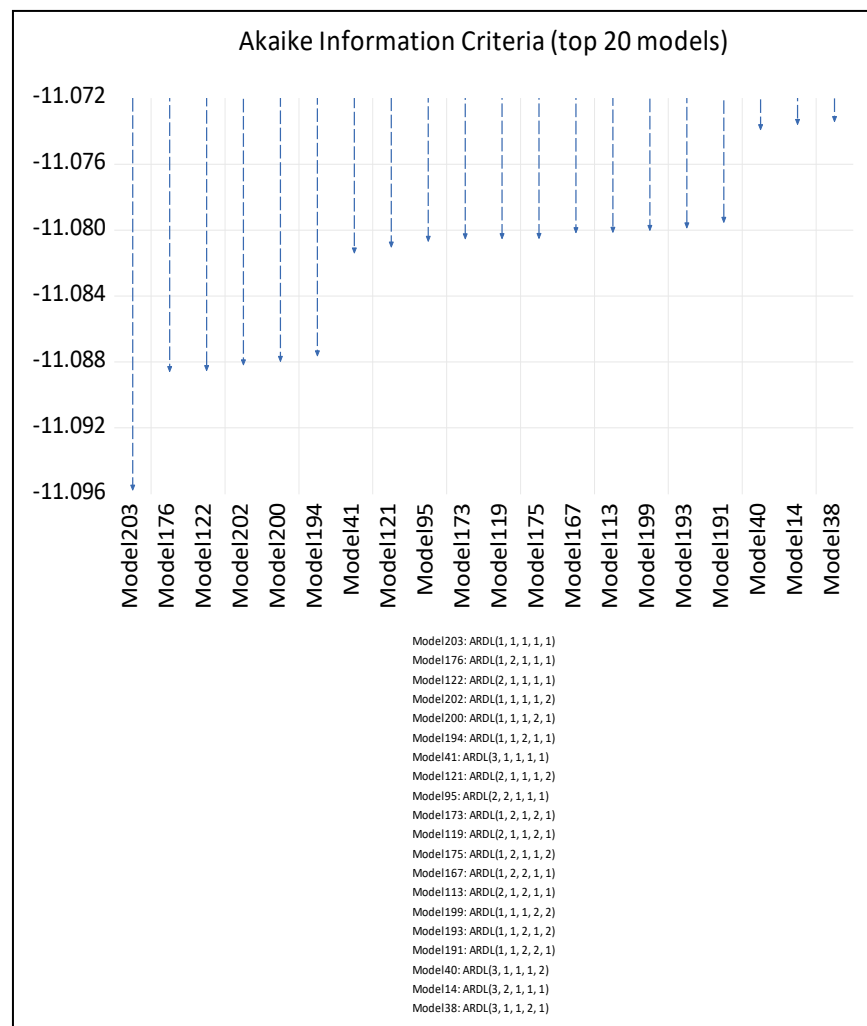


Figure (4): Akaike Information Criterion



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From the previous figure, it appears that model No. (38), in which the decelerations of the model variables are distributed (3,1,1,2,1), is the best among the proposed models, and therefore, the regression model will be as follows:

Table (9) Proposed model for the study using the ARDL methodology

Dependent Variable: LOG_GDP

Method: ARDL

Date: 07/14/25 Time: 14:29

Sample (adjusted): 2005M02 2024M12

Included observations: 239 after adjustments

Maximum dependent lags: 3 (Automatic selection)

Model selection method: Akaike info criterion (AIC)

**Dynamic regressors (2 lags, automatic): LOG_EX LOG_IM LOG_EEI
LOG_EXR**

Fixed regressors: C

Number of models evaluated: 243

Selected Model: ARDL(3, 1, 1, 2, 1)

Note: the final equation sample is larger than the selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LOG_GDP(-1)	0.955077	0.017533	54.47426	0.0000
LOG_EX	0.548926	0.004331	126.7314	0.0000
LOG_EX(-1)	-0.522088	0.011069	-47.16612	0.0000
LOG_IM	-0.396497	0.003926	-100.9958	0.0000
LOG_IM(-1)	0.377736	0.008108	46.58643	0.0000
LOG_EEI	-0.946218	0.007776	-121.6880	0.0000
LOG_EEI(-1)	0.900937	0.018949	47.54465	0.0000
LOG_EXR	-0.056958	0.008349	-6.822110	0.0000
LOG_EXR(-1)	0.058919	0.008334	7.069501	0.0000
C	0.092636	0.039387	2.351929	0.0195
R-squared	0.939934	Mean dependent var	8.221188	
Adjusted R-squared	0.929932	S.D. dependent var	0.111262	
S.E. of regression	0.000919	Akaike info criterion	-11.10467	
Sum squared resid	0.000194	Schwarz criterion	-10.95921	
		Hannan-Quinn		
Log likelihood	1337.008	criteria.	-11.04605	
F-statistic	38.72111	Durbin-Watson stat	1.999996	
Prob(F-statistic)	0.000000			

***Note: p-values and any subsequent tests do not account for the model Selection.**



Preparing the researcher based on the results of the EViews 13 program.

From the results of the previous table, it is clear that the value of the clarification coefficient (R^2) is 93%, which means that more than 93% of the changes that occur in GDP fluctuations are caused by model variables, and the rest of the effects are absorbed through the random error limit or by adding other variables to the proposed model. The previous table also shows that the value of the export coefficient (EX) is positive and amounts to (0.5489), which means that increasing exports by (1%) will lead to an increase in the gross domestic product to more than 54%. The relationship is direct between exports and the composition of the gross domestic product, and this is consistent with the logic of economic theory, which confirms that increasing exports leads to an increase in cash inflows into the country and thus has a positive impact on the trade balance, which is positively reflected in the gross domestic product (Zaki Matti Aqrawi, 2015). While the value of the variable coefficient (IM) amounted to (0.3694-), this means that the relationship between imports and the composition of the gross domestic product is an inverse relationship, as the increase in the pace of imports over time leads to the depletion of cash flows abroad, which affects public and private spending and leads to a decline in aggregate demand and thus negatively affects the trade balance, which leaves negative effects on the gross domestic product. According to the results of the previous table, an increase in imports by (1%) leads to a decline in the gross domestic product by (36%), while the economic exposure index had a coefficient value of (-0.9462), and this confirms the existence of a moral inverse relationship between it and the fluctuations in the gross domestic product, as increasing the pace of imports faster than the pace of exports makes the economic exposure index high (Portfolios, On, Views 2014), which leads to a decline in the value of the gross domestic product, and this can be seen from the results of the previous table, as an increase in the value of the economic exposure index by (1%) leads to a decline in the gross domestic product by (94%). It can also be noted that the value of the exchange rate coefficient was significant and negative at (-0.0589), and this confirms that an increase in the exchange rates of the Iraqi dinar against the US dollar by (1%) will lead to a decline in the gross domestic product by (5%) due to the effects of exchange rates on the balance of payments. It is worth noting that all the estimated parameters were significant, as the calculated value of (t) is greater than its tabular value at a significance level of 5%, and its probability values are less than 5%.



3.7: Bound Test:

To determine whether a long-term equilibrium relationship exists between the variables in the proposed model, boundary tests can be used. The following table shows the test results:

Table (10) Bound-Test results for model variables

F-Bounds Test		Null Hypothesis: No level relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
		Asymptotic: n=1000		
F-statistic	1.699096	10%	2.2	3.09
k	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

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It is noted from the previous table that the statistical value (F) was less than the minimum and maximum limits at a significance level of 5%, and thus the null hypothesis that there is no long-term cointegration relationship between the variables of the proposed model is accepted.

Conclusions and Recommendations

• Conclusions:

1. From the previous measurement and analysis results, it is clear that there is agreement with the study hypothesis that there is a relationship of a moral nature between the independent variables of the model, especially the variable of the degree of economic exposure, and the dependent variable.
2. It is noted that the value of the reconciliation quality factor (R^2) increased, reaching more than 93%. This indicates that the variables selected for the study significantly affect the dependent variable.
3. It is noted from the results of Table 9 that the value of the economic exposure index has increased, reaching 94%, and this indicates the extent to which the gross domestic product is affected by the high degrees of the economic exposure index.



• **Recommendations:**

1. The necessity of reconsidering the export and import policies pursued by Iraq, especially import policies, because of their clear impact on increasing fluctuations in the gross domestic product through increasing economic exposure to global economies.
2. The necessity of drawing up strategic plans that would work to reduce the Iraqi state's dependence on the production and export of crude oil, by reconsidering tax, customs, and spending policies that are still closely linked to oil revenues, which increases the possibility and chances of the Iraqi economy being exposed to external shocks represented by the energy price shock.
3. Accelerating the enactment of legislation that enhances the manufacture of so-called import alternatives, by rehabilitating local factories and plants, by directing government support to the private sector to enhance the local product and reduce dependence on imports, and by reducing economic exposure rates to the targeted limits.

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