

Analysis of the Change in Exchange Rates on the Development of the Agricultural and Industrial Sector in the Environment of the Iraqi Economy

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Abstract: The subject of the study focused on the most important effects of the high foreign exchange rate on the local currency, the most important of which is the decline in development across many economic sectors. In addition to the high unemployment and economic disparity between different people, the purpose of the study was also to show the degree to which the government's management of the currency exchange rate affected the growth of the various economic sectors that use the currency sale window. It also led to a decrease in the prices of locally produced materials in the local productive sectors. It caused a decrease in industry and agriculture profits due to imported imports, which are usually somewhat poorly made.

The importance of the research lies in the fact that it focuses on a sensitive topic that can influence the growth and progress of the economic sectors in the Iraqi economy, as this can be achieved by adopting a more serious and realistic monetary policy to reach a turning point. The agricultural and industrial sectors in Iraq can also be expanded and revitalized. By following a flexible exchange rate policy, adopting protectionist policies for the product, imposing customs duties on imported goods that compete with local goods, or through some other policies that affect local production capacity.

The economic situation in Iraq can also be developed by benefiting from the experiences of other countries that have used different exchange rate policies and thus finally settled on a flexible exchange rate policy by unifying internal efforts and linking monetary and financial policies to improve the economic situation and prevent neighbouring countries from exploiting the Iraqi market to serve Its interests only, but instead, follow the policy of interest for all through protocols that restrict the entry of goods and products of neighbouring countries to serve both parties and not at the expense of one party without the other.

Keywords: The exchange rate, the development of the agricultural sector in Iraq, the development of the industrial sector in Iraq, indicators of the production of the agricultural and industrial sector.

Introduction

Stability at this rate indicates that there are no sharp rises or exaggerated fluctuations in the value of the local currency that would negatively affect the economy. The stabilization of the exchange rate is related

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to all the essential variables of the local economy, such as production, consumption, saving, investment, export and import.

The balance in the foreign exchange market also shows its importance due to the impact of the exchange rate policy on many goals related to achieving macroeconomic stability. These goals include maintaining an acceptable and continuous level of the balance of payments balance, reducing inflation rates, and stabilizing growth rates. However, monetary policy is one of the basic policies that achieve macroeconomic stability, and the balance in the foreign exchange market indicates its importance. However, the implementation of growth and stability differs from one country to another depending on the characteristics of each country, just as the Perspective Perspective of developing countries on monetary policy differs from Perspective Perspective of industrialized countries in terms of monetary policy objectives.

Therefore, developed countries believe that the main objective of monetary policy is to achieve monetary stability and reduce inflation rates on the one hand; on the other hand, developing countries believe that the objective of monetary policy extends beyond that, as they seek to achieve economic growth and monetary stability, reduce unemployment levels and stabilize currency exchange markets through While implementing different policies.

since it affects and is affected by other economic variables, and since the exchange rate is the essential tool that central banks possess to conduct monetary policy, the degree of economic stability in any country is related to the stability of the national currency exchange rate against other currencies, in addition to being affected by internal and external conditions, as a result of the trade exchange of goods and services. Between countries, monetary authorities are therefore concerned with exchange rate policies. This is especially important for countries with scarce foreign exchange resources. The consistency of the exchange rate is one of the critical variables in the growth of economic activities in any country, as it allows investors and consumers to make choices that are in their interest and the interest of the country to which they belong.

Research problem:

The decline in the level of development in the economic sectors of Iraq as a result of the rise in the foreign exchange rate (the US dollar) against the local currency (the Iraqi dinar), and this rise led to economic and social costs, most notably the loss of currency stability, weak investment conditions, speculation on the dinar, and reduced demand. Total and economic stagnation due to the recent events in Iraq led to the rise in the value of the dollar in many countries, Iraq is an example of this, and these countries depend on imports to meet local demand for a variety of types of goods, services and imported products, all of which led to a high rate of inflation, Which in turn led to a decrease in the real income of the middle class and the poor.

Research hypothesis:

The research is based on the hypothesis that the managed exchange rate dramatically affects the level of economic activity in the Iraqi economic sectors and that the political problems that Iraq witnessed in the past years increased the financial burden on monetary policy, which reduced its beneficial effects on growth and economic activity and forced Iraq to take many measures. Essential steps to secure financial resources other than oil revenues.

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Research objective:-

As a result of the Iraqi government's support for the exchange rate through the currency sale window, the relative prices of imported goods and services decreased, which caused a decrease in growth for the agricultural and industrial sectors, in addition to the poor services provided due to competition between local production and cheap imported goods that enter the Iraqi market from various assets, especially The neighboring countries that compete with local products of medium quality compared to the quality of imported goods to some extent, and this is also one of the reasons for the low prices of goods produced abroad. These and other factors will also be referred to in the research that prompted us to explore this issue, including low fees—imposed on imported goods and assistance provided to fix the exchange rate and reduce the local currency against foreign currency currencies.

Research importance:-

Since it is a sensitive topic that affects the Iraqi economy as well as the development and advancement of economic sectors through the adoption of more stringent and realistic monetary policies, the research is essential because it is necessary to reach a turning point through which it is possible to work on expanding and revitalizing the agricultural and industrial sectors in Iraq. This is achieved by using a flexible exchange rate policy by the Central Bank, implementing protectionist policies for the product, imposing customs duties on imported goods that compete with local goods, or any other policies that allow the development of the Iraqi economic reality in a way that serves both the citizen and the state, as well as reaching To effective solutions that dispel investors' fears of problems in the Iraqi economy. As is the case in several countries in the region, which found solutions to the challenges they faced in order to advance the economic reality in those countries, and we can also reflect on these experiences in the environment of the Iraqi economy in order to improve and advance the economic reality and follow in the footsteps of those countries that struggle with all What prevents it from achieving its goal.

Chapter 1: ((Exchange rates between theory and concept))

Because of the critical role that exchange rates play in promoting economic growth for all economic policies around the world, central banks have received an increasing amount of attention from decision-makers in those countries because economic growth is the primary objective of all economic policies of different countries, and The Central Bank of Iraq performs this task by implementing an appropriate monetary policy to resolve crises; One such policy is the exchange rate management policy.¹

The study of monetary policy, its indicators and importance in driving economic growth have always been one of the priorities managers in central banks and governments have always followed. The exchange rate policy is an economic indicator derived from the monetary policy indicators of central, government and commercial banks. Exchange rates are an essential element in international financial and economic relations and an important part of the daily work of financial departments and economic units. This importance emphasizes the strategy of development and growth of international trade relations.

Exchange rates can be considered a symbol expressing the state's economic power. Their study requires exposure to identify the concepts and regulations that explain this phenomenon and stand in the most important stations and developments that accompany foreign exchange operations. International relations involve two types of flows, the first is when goods and services move from a country to another through

¹ Prof. Dr. Mustafa Kamel Rashid and Najla Shimon Shilmon, The Role of the Central Bank in Achieving Economic Growth under the Iraqi Exchange System for the Period (2004-2017), Journal of Al-Isra University College for Social and Human Sciences, Volume (2), Issue (1) Iraq, 2020, p.100 .

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exporters, and the second is when importers pay the value of these goods and services, and since each country has its currency and its monetary system if when exchanging currencies with another country it is necessary to convert the currency of the importing country into the currency of the exporting country, or the currency of the importing country can be converted to international currency. The process takes place in a market known as the exchange market, and the price on which the transfer is based is known as the exchange rate. For this reason, it is necessary to know and understand exchange rates and their importance, how they are determined, and the impact of changing exchange rates on financial resources and economic exports between countries.²

A. The concept of exchange rate:-

The exchange rate is the process of converting several units of a particular currency into several units of another currency, which is equivalent to the value or price of a particular currency denominated in the form of units of another currency; in other words, it is a link between the prices of commodities in the domestic economy and the prices of those commodities in the international market, since the domestic price and the world price of the commodity is linked through exchange rates. It is also a significant way to exert influence on the distribution of resources among various economic sectors, the profitability of export-oriented companies, and the cost of imported resources.

B. Types of exchange rates³ :-

1. Nominal currency exchange rate:

A measure of the value of a currency that can be converted into the value of another country's currency. Since the nominal exchange rate of a currency depends on its supply and demand in the exchange market at a particular time, it is subject to change as those factors change. The components of the nominal exchange rate are:

- An official exchange rate used in current official transactions.
- The parallel exchange rate used in parallel markets.

In addition, the nominal exchange rate fluctuates every day, either positively or negatively, depending on how strong the currency is compared to other currencies in the exchange market, and this rate responds to a variety of determinants, including changing local and global prices, the evolution of interest rates, as well as other factors. Psychological effects that affect traders and determine the trends of nominal price fluctuations through the exchange rate index, which represents typical differences in the prices of other currencies to a particular currency, with the allocation of a weighted weight to each currency in parallel with the role of the state in global monetary and trade relations.

2 .Real exchange rate:-

It is the number of units of foreign goods that must be purchased to obtain one unit of domestic goods. For example, an increase in the rate of exports in combination with an increase in the production costs of the exported materials at the same rate does not lead to an increase in the rate of exports because this rise in revenue did not lead to a change in the profits made by the exporters, since the real exchange rate takes Taking into account fluctuations in both the nominal exchange rate and inflation rates, the nominal

² Prof. Dr. Mustafa Kamel Rashid and Najla Shimon Shilmon, previous source, p. 102.

³ Dr. Abd al-Rahman Ali al-Jilani, Exchange Rate Systems and their Relationship to Flotation, Organization and Labor Journal, Algeria, Volume 4, Issue 3, 2015, pg 7.

exchange rate no longer accurately reflects the real exchange rate, as developments and changes in both interest rates and price levels in all countries as well as the behaviour of exchange market participants are caused by psychological factors, It caused the nominal exchange rate to differ from the real exchange rate.

If the actual exchange rate index is moving in an upward direction, this indicates that the prices of exported goods are poorly competitive in terms of prices; On the other hand, if the index is moving in a downward direction, i.e. downward, this is considered a positive factor that leads to an increase in competitiveness, and thus encourage exports, as the movement of the actual exchange rate index is of great importance for the balance of payments, as well as for the growth of financial, monetary and commodity markets.

3. Cross exchange rates-:

The prices that occur in the financial markets (known as forex), by exchanging one type of foreign currency for another type of currency, where the risks and costs caused by floating and significant fluctuations in currency exchange rates have led to the development of a variety of monetary transactions over the decades the last three. These transactions took the most important forms:

- Simultaneous conversion formula.
- The term transfer formula.

Later, it established markets known as:

- Real-time markets.
- Futures markets.

In addition, these transactions and transfers are linked with each other at two prices, a selling price and a buying price for each currency with the corresponding other currencies, and currency exchange rates are linked according to the concept of the equilibrium triangle to buy and sell one currency against another, which ultimately leads to a return on the initial currency, from In order to achieve the most significant possible profit, and because of the presence of this triangle, some currency values often achieve surpluses compared to other currencies.

C. Exchange rate systems: -

It varies from country to country how they choose to implement the procedures that determine the exchange rate of their currencies. There are many different systems for calculating exchange rates, including the following:

1. Fixed exchange rate system:

This system has been in place since 1944 when the (Britton Woods) agreement was signed. Under this system, the member countries of the International Monetary Fund pegged their currencies to the leading currency (the US dollar), as this system worked very effectively until the agreement collapsed in 1971, however many countries continued to peg their currencies to the dollar or other major currencies, the fixed and pegged exchange rate It has disastrous repercussions for the economies of some countries, such as Mexico, which was affected by a severe financial crisis in 1994. This pattern of exchange rate instability

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was also responsible for the crisis that hit the Asian tiger economies in 1997 and the crisis that hit Argentina in 2000.⁴

2. Generalized exchange rate system:

a method of currency trading in which the exchange rate is allowed to fluctuate freely and continuously change over time and according to market forces, and the authorities' intervention is limited to affecting the speed of change in the exchange rate rather than limiting the change itself. Freedom of continuous change over time and according to market forces. This system can be implemented in a variety of ways, including:⁵

- Free Floating: The exchange rate in this pattern is determined according to supply and demand factors. Free float does not require foreign exchange reserves with local authorities, and most countries do not fully support the application of the free float system. However, the free float does not require foreign exchange reserves.
- Floating within a specified range: In this pattern, the nominal exchange rate can fluctuate and move within a specified range, either against a specific currency or a basket of currencies. This pattern can be executed against one currency or a group of currencies
- creeping exchange rate: the exchange rate of this type is adjusted from one period to another based on the change in specific indicators such as inflation rates, the situation with the balance of payments, or the deficit in the balance of payments. The lower and upper limits are set to narrow the gap between the exchange rate of the two currencies..

There are many additional exchange rate arrangements, some of which cannot be shown in the search, such as adjustable and fixed exchange rates with wide spreads. Other possible arrangements are also available. The pros and cons of each currency exchange system have been the subject of many economic studies; However, there is no definitive answer to the question of which is superior to other systems. In general, the choice of the exchange rate regime is determined by the economic objectives, sources of shocks and the structural characteristics of the economy being analyzed.

In general, the social welfare function is supposed to be adopted; However, in practice, the focus has been on the criterion of macroeconomic stability of reducing the variance of actual production and the level of prices and real consumption in the face of transitional shocks. One of the exchange rate policy's most critical issues is defining the improvement criterion. This is one of the essential issues facing exchange rate policy. Noting that economic goals, in general, may change and that it is impossible to achieve one goal without compromising the possibility of achieving another goal, in addition to studies that showed that the type of shock to which the economy is exposed is what determines the system that should be followed when determining the exchange rate, these confirmed The study found that flexible exchange rates play a more significant role in isolating the effects of nominal shocks in adjusting the balance of payments and stabilizing domestic prices.

So when exchange rates are flexible, they succeed in isolating external shocks. The studies also emphasized how important it is to distinguish between monetary and natural shocks when analyzing a system's response to shocks. Exchange rate fluctuation can occur without affecting supply and demand in the market for goods and services; However, if the shock is accurate, the exchange rate will have to be

⁴ Robert Glibin, The Political Economy of International Relations, Gulf Research Center, UAE, 2004, p. 116.

⁵ Max Corden, W. , Exchange rate policy in developing countries, IMF, 1994, p.39.

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adjusted to affect aggregate demand and, consequently, equilibrium in the real market. This is because output stability will allow the economy to withstand the temporary shock better.⁶

Chapter 2: ((The possibility of development in the agricultural and industrial sector in the environment of the Iraqi economy))

A. The concept of economic development:-

The development process is comprehensive and interdependent, and the success of this process depends on the efforts made by human beings in various manifestations and contexts. Development is a concept that has been discussed much in a variety of fields, especially the economic and social fields, which in this century has gained a great deal of attention from all The countries of the world, especially after the Second World War, due to the significant social problems that resulted and prompted the countries of the world to redouble efforts to change their conditions and improve their material conditions. As a result, the idea of development became synonymous with economic and social progress alike. What this implies is a transformation in the structure of the economy. It is characterized by an increase in the number of different productive sectors and the growth of various other service industries, such as health and education.⁷

Therefore, those responsible for development in the country need to create a balance in the sectors and not rely on one sector as a source of national income, as is the case in Iraq, due to the country's heavy dependence on oil revenues and research into reviving the agricultural sector to reach self-sufficiency and then export, where we do not forget Industry sector At the same time, the country's development officials also need to remember the industrial sector, this is one of the characteristics of economic growth. All this is done in order to achieve full economic development.

In light of the disparity in the level of development between developed and developing countries, contemporary thought can be divided into two primary tracks: The first represents Western economic thought, which defines development as the process of creating energy that leads to a permanent increase in the average real income of the individual regularly over a period long time. The second represents Eastern philosophical thought, which defined development as the process of creating energy that leads to a permanent increase in the average real income of the individual.

Development is defined as the process that aims to bring about structural economic and social transformations in which the vast majority of society members achieve a decent life in which inequality decreases and the problems of unemployment, poverty, ignorance and disease are gradually removed. Citizens now have more possibilities for participation and the right to contribute to the future direction their country is going.

We can see from these two currents that both agree on the condition of a stable production base, whether in terms of its material or human resources, capable of raising the average per capita income while achieving high efficiency simultaneously for the performance of society. This high efficiency leads to a constant increase in the number of goods and services produced at a rate higher than the rate at which the population is expected to grow, even though these two currents take very different approaches to the problem, and these two schools of thought emphasize how fundamentally it is to focus on eliminating

⁶ 6- Zainab Hussein Awad Allah, International Economics, an overview of some issues, New University Publishing House, Alexandria, 1999, p. 95.

⁷ Prof. Ben Jamwa Fayza and Dr. Driss Rasheed, Cultural Obstacles to the Economic Development Project: Transformations of the Agricultural and Industrial Economy and the Structure of Society, Algeria, 2016, p. 1.

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inequality. Moreover, the need to achieve a more equitable distribution of the benefits of development, if we exclude the phenomenon associated with the Western economic approach based on competition in the production and exchange of goods, human thought almost converges on the nature of development as a motive for construction and progress in order to increase individual income and the welfare of society.⁸

B. agricultural sector :-

Agriculture plays a vital role in the Iraqi economy because it is one of the primary sources of employment for more than a third of the population, provides food for all members of society, provides the majority of the country's raw materials for the food industry (both plant and animal), and provides all the country's needs of animal feed, This is reflected in the amount it contributes to creating fixed capital, GDP, and the number of jobs it creates for residents.

The agricultural sector is one of the most critical sectors. However, it did not take the lead in the formation of the GDP due to the enormous contribution of the oil sector, especially in recent years that witnessed Iraq's return to the international oil market. Undoubtedly, the gross domestic product accounts show the extent to which each sector, whether service or production, contributes to shaping the national economy.⁹

1. Characteristics of the agricultural sector¹⁰:

- Dealing with living things (plants and animals) require different amounts of time.
- Some uncertain environmental conditions that impact production are related to this.
- Its links with the operations and outputs of most state ministries, especially in security, energy, oil, industry, trade, environment and water resources.
- It has a high capital need and a slow rate of expansion.

As a result, these factors overlap and impact the agricultural sector's growth and development differently than they affect it in other sectors.

2. The importance of the agricultural sector in the Iraqi economy:-¹¹

- Agriculture and the production resulting from agriculture, whether plant production or animal production, is a source of fuel for humans
- In our civilization and countries that are still developing, agriculture is still a profession that employs many people.
- Agriculture production provides vital raw materials to a wide range of companies.

3. The purposes for which agriculture aims to serve¹² :

- Achieving abundance in agricultural production, plant and animal, and agricultural industrialization.

⁸ A. Bin Jamwa Fayza and Dr. Driss Rashid, a previous source, p. 1.

⁹ Dr. Saadia Hilal Hassan, The importance of investment in the agricultural sector and its contribution to increasing production, Diwaniyah Investment Commission, Iraq, 2019, p. 1.

¹⁰ Dr. Ahmed Omar Al-Rawi, Agriculture in Iraq and Obstacles to Achieving Sustainable Development, House of Wisdom, Iraq, 2015, p. 40.

¹¹ Ahmed Al-Zouki, Agricultural Development: A Future Vision, 2007, p. 32.

¹² Dr. Saadia Hilal Hassan, a previous source, p. 1.

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- If we can produce more food than we need, we will have an export surplus to save foreign currency, which will help improve our balance of trade and balance of payments.
- Focus on making the most efficient use of the resources available for production (land, water, etc.).
- Make an effort to reduce the losses that occur during agricultural production and reduce them to the absolute minimum.

4. The specific factors of the agricultural sector: -

Among the things that contribute to the existence of the agricultural sector is the nature of the productive work on hand, the nature of the final product, the climatic and natural conditions that represent the element of danger, as well as the element of land, which represents a non-renewable resource, as well as the nature of the demand for agricultural products that are characterized by weak growth. Obstacles facing the agricultural sector in Iraq:

➤ Economic Obstacles:

Iraq is characterized by its weak production structure due to its direct dependence on oil for income. As a result, the country needs to diversify its sources of income to include the agricultural and industrial sectors. In addition, the country's current economic situation is characterized by several indicators, including¹³ :

- A. High levels of debt owed to third parties.
- B. The high number of unemployed and the large size of unemployment.
- C. Food deficit
- D. Inadequate skills and scientific and technological progress
- E. Economic dependency.
- F. And after Iraq moved from a planned economy to a market economy, there was economic volatility and uncertainty regarding the role of the market economy.
- G. The ineffectiveness or complete absence of private sector participation, as well as the failure of the sector to perform the expected function for several years, was reflected in the flight of money and expertise from the country.

As for the economic challenges faced by the agricultural industry, the following measures have been implemented in cooperation with the agricultural sector:

- A. Pricing strategies and distribution methods.
- B. financing policies.
- C. trade policy.

As for the price policy, it is known that the state has adopted more than one price policy and is committed to it at different times, and sometimes it supports production inputs without supporting the final product price, including supporting outputs without subsidizing inputs, and this is why the state policy towards farmers is not Clear.

¹³ Ayad Kazem Idan Al-Tai, The agricultural investment environment and its role in attracting investment in Iraq, unpublished master's thesis, University of Baghdad, 2010, pp. 138-144.

About agricultural marketing, the state imposed prices on farms in the seventies and eighties, then abandoned that at the end of the eighties and valued strategic crops (wheat, barley, milk, yellow corn, cotton and sunflowers) as the state received the product from the farms or traders who buy the crop from the farms.

In 2003, the state began to move towards a market system, the pricing of products and production inputs became market-based, and in 2008 it set a remunerative price for wheat and barley farmers.

This pricing contributed to the demand of many farmers to plant crops (wheat and barley) in 2009, but the rapid change in the prices of wheat and barley crops caused some farmers to hesitate to produce wheat and barley crops for this season (2010-2016).

As for the financing policies, they have changed over time, as evidenced by the activity of the Agricultural Bank. The Agricultural Bank and commercial banks finance farmers with loans at high-interest rates (18-21%) as the farmer buys production supplies for his agricultural project. This method did not improve performance due to the high-interest rate. For the length of the repayment period after 2003, a \$25 billion Peasant and Smallholder Lending Fund was formed to provide concessional financing with adequate guarantees. In 2008 the Agricultural Initiative established six virtual funds to give investors interest-free loans and refers to the state's agricultural exports and imports policy. He recommends redistributing production components towards specialization in foreign trade, relying on comparative advantage, and enhancing agricultural exports. The country's foreign trade policy remained favourable for imports after 2003, including agricultural commodities and production materials. The agricultural international trade policy led to an indirect tax on agricultural producers, discouraging them from expanding production. Gradual tariffs on imported agricultural materials were needed to boost Protected agricultural production until local self-sufficiency is achieved.

➤ Political Obstacles

Political stability attracts local and foreign investment. Political stability includes internal stability represented in the role of the Iraqi state and beyond before and after 2003, as well as external stability, which is the absence of problems with neighbouring countries related to borders, wars and others. It has affected attracting investment because of the lack of political stability. Its weakness applies to the brain drain, competencies and local capital looking for a safe and stable environment. Iraq suffered from external instability due to conflicts with neighbouring countries, economic embargo, and after 2003 and political turmoil, reduced the level of attractiveness of internal investment as well, and the lack of investment awareness among Iraqis and even some state employees and societal pressure to reduce the attractiveness of investors, as well as the shift in the political system from A totalitarian central system to a decentralized federal system that guarantees a central government and local governments that need a long time to advance the agricultural reality due to the accumulation of problems and obstacles, as well as a method for drawing a strategy that central and local governments contribute to, in addition to the sectoral bodies of the ministry.

➤ Financial Obstacles

It includes several things, including:-

A. Inflation led to the deterioration of the value of the Iraqi dinar, with the depreciation of the exchange rate for the dollar and the euro, to a decrease in the actual value of the investment.

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B. The Iraqi budget deficit due to dependence on oil and foreign debt reduced financing, lending and investment in infrastructure.

C. Weak fiscal and monetary policy, inadequate banking services and other financial constraints were reflected in the agricultural sector due to the inability of farmers to pay production expenses, the Iraqi budget deficit, and the fragility of the banking system, which provides loans at favourable interest rates to enable investors to build agricultural projects.

C. Industrial sector :-

This section discusses the importance of industry in general and manufacturing in particular. Manufacturing is the main engine of economic and industrial growth due to its performance and active participation in GDP formation. Moreover, its ability to progress in technological development, as the manufacturing sector in Iraq suffers from a myriad of issues and challenges that have led to a sharp decline in the country's economic performance.¹⁴

Among these issues and challenges are the following: the majority of production lines have been closed, the technology used in them has become obsolete, the infrastructure of this industry has been destroyed (electricity, water, transport, communications, etc.), the inefficiency of the local market and the deterioration of the living situation of consumers, due to the losses suffered by these The industry and its poor economic performance, the absence of a stable political environment, as well as problems related to laws and legislation, and the lack of a strategic vision for industrial development in line with the industrial reality in Iraq, lack of confidence in commercial banks due to the low economic performance of the industry due to problems related to laws and legislation and due to the lack of a strategic vision To develop the industrial sector in line with industry in the Iraqi economy, as well as the steps that the Central Bank of Iraq and the Iraqi government should take to advance it.

1. Manufacturing industries:- One of the essential branches of the industrial sector, the manufacturing industry is responsible for transferring raw resources from the agricultural and extractive industries so that they can be used to meet the requirements of production and consumption.¹⁵

Almost everyone agrees that industry is essential nowadays and is the best indicator of economic growth. It is the fastest and most prominent means of developing national income and living standards under most circumstances¹⁶. It represents 10% to 20% of the rise in the national product, as many writers have emphasized that it should contain. Any policy adopted to address the causes of backwardness is also based on the manufacturing strategy.¹⁷

The majority of industry experts also agree that the following factors determine the importance of industrialization to the process of economic development:

¹⁴ Sawsan Shaker Majeed, The Reality of Manufacturing Industries in Iraq and Processors, Al-Hiwar Al-Modden, Issue: 6786, Iraq, 2021, p. 1.

¹⁵ Abdel Karim, Abdel Aziz Mustafa and Dr. Hashem and Rashad Mahdi, Industrial Planning, University of Mosul, Higher Education Press, 1989, p. 25.

¹⁶ Al-Aqar and Mahmoud Fouad, Economic Features of Developing Countries, Publications Agency, Kuwait, 1982, p. 195.

¹⁷ Bettelheim and Charles, Planning and Development, House of Knowledge in Egypt, p. 56.

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- Minimizing the phenomena of imbalance or instability in economies based on a single commodity or activity that contributes little to the production of the national product.¹⁸
- Benefit from employment, especially in countries where the population is expanding rapidly, especially if we realize that this sector has unlimited potential for expansion compared to other sectors.¹⁹
- The manufacturing process encourages the development of technical skills, which in turn encourages introduction of more advanced and modern production methods. This affects the development of production methods in other sectors and encourages those industries to meet the industry's requirements on raw materials and production requirements.²⁰
- Achieving a steady growth in national revenues, as the trend towards industrialization helps use raw resources that were sold abroad. The result is an increase in income in the number of manufacturing workshops that produced these goods.
- Making an impact on the balance of payments by using the industrial sector to produce different commodities instead of importing them, thus providing foreign currencies that help in importing manufacturing supplies, provided that the industries with an increasing global demand for their products are focused on.

All of the above contribute to an economy's ability to grow on its own, which enhances economic independence, which is essential to building political independence.

2. Components necessary for the growth of the manufacturing industry: It is necessary to fulfil the basic requirements of the industry in order to provide the basis for a thriving and well-established industry in general. These preconditions include the following items:

- Sources of raw materials and forms of energy:

The manufacturing process mainly depends on converting raw materials into final products; for this reason, the availability of raw materials is one of the most critical requirements and constitutes one of the essential pillars of the manufacturing process. However, it is essential to note that raw materials and energy availability do not guarantee a booming industry, although their presence makes the way. It is possible for development unless a country has a developed infrastructure, the ability and the determination to exploit it as required.²¹

- capital:

Since its availability is necessary to finance inventions and research and to continue the production of production tools, countries that wish to build prosperous and advanced industries must take into account the preparation of the required capital because its availability is necessary to continue the production of production tools and can be done or part of it by focusing on the formation of Savings from the national capital, otherwise the state will have to rely on foreign savings to prevent a deficit in financial resources,

¹⁸ Dr. Mohieldin and Omar, Underdevelopment and Development, Dar Al-Nahda Al-Masrya, 1975, p. 228.

¹⁹ Dr. Najafi, Salem and Dr. Al-Quraishi and Muhammad Salih, Introduction to Development Economics, Dar Al-Kutub for Printing and Publishing, Mosul, 1988, p. 218.

²⁰ Dr. Muhammad and Muhammad Safwat, Determinants of Industrial Development, Journal of Petroleum and Industry News, No. (214), Abu Dhabi, May, 1988, p. 28.

²¹ Dr. Al-Ali and Abdul-Sattar Muhammad, Production Management between Theory and Practice, Part One, Basra University, 1986, p. 67.

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whether in the form of loans or aid. It is no secret that this will significantly affect the economy and the political system

➤ Human resources:

It includes the working population (skilled labour, technicians, engineers, graduates of practical studies and business managers) in the production process, where the human component is undoubted of paramount importance, Suppose we realize that contemporary industry depends on scientific research and technological development. In that case, we can see that the ready availability of a large pool of Cheap labour costs is not a decisive factor in developing a developed industry if this business is not educated and skilled.²²

➤ Market (demand volume):

The importance of the level of consumer demand for goods produced by the industry can be seen from the fact that it is among the most basic conditions for its development. When analyzing the relationship between the volume of products and market capacity, as well as when investigating the market capacity of industrial products, it is necessary to understand that Its adequacy does not determine market capacity. Instead, market capacity is determined by the level of productivity and the amount of natural capital available.²³

3. Barriers that the manufacturing industry needs to overcome:

As a result of a group of reasons created by the abnormal conditions that accompanied the Iraqi industry for two decades, such as the state of war in the eighties and the economic blockade in the nineties, they had detrimental effects on the Iraqi economy in general and on the manufacturing sector in particular, which can be summarized as follows:²⁴

- There is a lack of both strategic vision and industrial policy planning.
- The lack of development and the cessation of technological progress resulted from industrial companies' failure to deal with global technical and technological elements.
- Low investments in industrial initiatives from local, Arab and international sources.
- Existing industrial facilities have a weak structural foundation.
- Restricting access to local productive initiatives from other industries, especially the agricultural sector.
- Inefficiency in using scientific expertise and technical talents in the industrial sector.

Chapter 3: ((The role of the exchange rate and its impact on the agricultural and industrial sector in the Iraqi economy environment))

Since exchange rates are so crucial to the daily functioning of the economy, we can confidently assert that no society is immune from being adversely affected by sudden shifts in the currency exchange market.

²² Abd al-Karim, Abd al-Aziz Mustafa, Kadawi and Talal Mahmoud, Evaluation of Economic Projects, Study in Analysis of Economic Feasibility and Performance Efficiency, Dar al-Kutub for Printing and Publishing, Mosul University, 1986, p. 44.

²³ Dr. Hassan and Muhammad Salman, Industrial Planning, Dar Al-Tali'ah for Printing and Publishing, Beirut, 1974, p. 83.

²⁴ Haider Salih Muhammad, The Suggested Strategy for the Development of the Manufacturing Industry in Iraq, Institute of Technical Administration, Iraq, 2006, p. 9.

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Therefore, the global economic community is transforming the existing monetary systems. These transformations include shifting from the gold exchange rate to the exchange rate settlement system to the floating exchange rate system. For this reason, the exchange rate is an essential and fundamental variable indicator that significantly impacts a particular country's wealth. Fact is essential as there are many different views on what the exchange rate is precisely, it has been a link between different economies around the world, and it plays a prominent and influential role in financial markets. Moreover, we must not forget that most contemporary theories reveal on the impact of the exchange rate on the stability of the economic system.

A. The role of the exchange rate and its impact on the agricultural sector :-

The agricultural sector has many front and back interconnections, making it one of the essential axes that make up the national economy. The facts indicate that the agricultural sector in Iraq has been affected by political, economic and legislative changes for nearly a decade, and thus this impact was reflected in the effectiveness of the agricultural sector in variables Important in the Iraqi national economy, in the table below we took some crops in order to compare the quantities of their products in the years when the exchange rate was low and the years in which the exchange rate rose somewhat:-

Table (1): - A comparison of some agricultural crops in terms of production quantity for the years (2018-2020) (ton)

type crop	in quantity Production 2018	in quantity Production 2020
wheat	2177800	6238400
barley	246600	1756200
tomato	619500	754800
potatoes	392300	674800
Cucumber	149300	242600
watermelon	157800	200800

Source: The researcher's work is based on indicators of the Central Bureau of Statistics, Ministry of Planning.

We also note from the above table that the quantities of production for the strategic crops shown in the above table for the year 2018 were few due to the low exchange rate, whose value was (1118 dinars per dollar), which indicates the inability of local production to compete with imported products in terms of price, as the local exchange rate The Central Bank supported it through the currency sale window through the enactment of laws that allow imports to compete with local products, despite the decision-makers knowing that without placing customs restrictions that protect the local product from that competition, and it is still competing with local products with fierceness.

It also showed the increases in production for the year 2020, as shown in Table (1), which indicates the ability of local production to compete somewhat due to the policies that the Iraqi government followed in the field of raising the exchange rate and some other laws that would have strengthened competition The local product over the imported goods in order to improve the reality of those sectors, especially the agricultural sector.

Where the wheat crop witnessed a noticeable increase from (2177,800 tons) in 2018 to (6238,400 tons) in 2020 due to the increase in the price of wheat received from farmers and support for the rest of the production requirements, as the production in 2020 covered the local need for market demand for this

crop, as for the rest of the crops The other ones shown in Table (1) have also witnessed remarkable increases, which indicates the recovery of the prices of these materials and thus their ability to compete with the importer despite the unwillingness of the neighboring countries to increase these products and make the Iraqi market a promising market for the disposal of their products, whether agricultural or industrial, so we recommend decision makers By taking some measures that would contribute to the revitalization of the agricultural sector, such as the initiative to support agricultural products and mechanization, encourage the use of modern irrigation systems and support the final production of farmers by issuing some laws that limit the entry of products that compete with the local product and increase the prices of those commodities, which generates for the farmer Acceptance of returning to agricultural land and working in those lands in order to achieve self-sufficiency in the environment of the Iraqi economy.

B. The role of the exchange rate and its impact on the industrial sector :-

Among many economic sectors, the industrial sector, especially manufacturing industries, plays a vital role in achieving economic development, developing other economic sectors, and employing employees, thus contributing to the gross domestic product as it is one of the main pillars of the comprehensive development process and based on which it is possible to establish The necessary base for developing the economic and social structure, accelerating levels of economic growth, and providing factors for the well-being of the individual and society as a whole, and that the manufacturing sector in Iraq has gone through several changes until the present time, due to the difficult circumstances and challenges faced by the national economy.

Therefore, we will analyze some of the variables that occurred in some commodities for the years (2018-2020) and consider the impact of the exchange rate and other factors that affect production in this sector.

Table (2): Value of goods produced for large establishments in the industrial sector (thousand dinars)

Commodity type	The value of goods produced for the year 2018	The value of goods produced for the year 2020
oil Vegetable	93499	179140
sugar white	800765669	501188664
Cement	49869597	163436779

Source: From the researcher's work, based on indicators of the Central Bureau of Statistics, Ministry of Planning.

From the above table, we note that there is a lack of production despite the high exchange rates, due to several reasons, including the postponement of the repair of industrial buildings, factories and important laboratories - the backbone of the Iraqi industry - which were damaged and looted, and the lack of interest in scientific research, which is one of the most critical factors for the growth of The industrial sector has developed in line with the latest technological developments around the world, insufficient funding for scientific research, and the failure to embrace outstanding scientific competencies and protect them from external temptations from other countries that are working to embrace them and benefit from their minds, in addition to the absence or weakness of the role of the central body for standardization. Moreover, quality control and quality control for imported products that compete with local products, as well as the absence of laws and regulations controlling the import process in the country, the national industry and local products are not protected from competition with their imported counterparts, leaving the borders open to the arbitrary import of all kinds of inferior goods

Table (3): Value of goods produced for average establishments in the industrial sector (thousand dinars)

type Commodity	The value of goods produced for the year 2018	The value of goods produced for the year 2020
industry Food	45628939	46518999
products chemical industry	5550967	4681475
appliance electrical industry	100100	105000

Source: From the researcher's work, based on indicators of the Central Bureau of Statistics, Ministry of Planning

As for the definition of medium industry, it is (industrial establishments distributed over various industrial activities owned by the private and public sector, and the criterion adopted in classifying these establishments is that the number of employees (10-29) workers and the value of machinery and equipment exceeds one hundred million thousand dinars) where medium establishments play Size plays an important role when it comes to setting up joint ventures with local partners or entering into joint ventures with outside partners. The influx of foreign capital for these projects improves their access to financial resources and provides them with advanced technology, advanced working methods and market relations. It also brings innovative technology and products to existing markets.

In addition to producing goods that have high export opportunities and simultaneously substitute goods for imports, medium enterprises showed that they have great potential to increase exports, provide foreign exchange and reduce the balance of payments deficit. Especially in economies that transition to a market economy, such as the economy in Iraq, as we note in the table (3) , That there is fluctuation and a rise in the production rate in parallel with the rise in exchange rates, but we note that the number of these facilities is not commensurate with their importance in the development of this sector, so their Size does not constitute a blind influence on the volume of economic activity in terms of the value of production, because of what they have suffered from neglect. It is evident by the government that and stopped in many of these facilities, so the government must provide the appropriate atmosphere and capabilities to strongly activate these facilities, for example, exempting them from taxes and fees, in addition to providing financial and other support.

Table (4): Value of goods produced for small establishments in the industrial sector (thousand dinars)

type Commodity	The value of goods produced for the year 2018	The value of goods produced for the year 2020
industry Food	849353193	932400132
products chemical industry	2355506	2432478
appliance electrical industry	30697444	32047322

Source: From the researcher's work, based on indicators of the Central Bureau of Statistics, Ministry of Planning

We also note in the above table a high rise in production in the private sector and small enterprises due to the high exchange rate in addition to many factors that helped this rise, as small enterprises occupy an important place in contemporary economies and are necessary for good economic growth because they are considered a significant driver in Economic development and works to increase the gross national product. Among the most critical roles played by small enterprises (the private sector) on the economic side are the following:

1- It plays a vital role in increasing the national product, especially in developing countries, as it leads to achieving the participation of all segments of society in the national product through savings and investment processes by directing small savings towards investment and mobilizing capital that could have been directed towards consumption.

2- In addition to its importance in economic development by creating more abundant and continuous job opportunities for the unemployed at a relatively low cost compared to the cost of creating job opportunities in small industries, thus reducing the burden on the budgets of various countries in this field.

However, there are many problems and obstacles facing these facilities, including the problem of financing, as these projects face difficulty in obtaining loans from banks, as well as the absence of government support, complex routine procedures, in addition to the suspension of the customs tax law and infrastructure problems.

Where the value of food products in 2018 amounted to (849,353,193,000) billion Iraqi dinars, while the food products industry rose in 2020 to (932,400,132,000) billion Iraqi dinars, and this indicates the improvement in the economic situation for small enterprises as a result of the improvement in the reduction of the local exchange rate against currencies. This creates the ability to compete with the imported products that are produced through the local industrial sector of small and medium enterprises.

This indicator applies in terms of analysis to the chemical and electrical industries that are produced in small factories that suffer from government neglect because of some legislation that is reprehensible to restrict these projects from production that serves the environment of the Iraqi economy.

Conclusions: -

1. The exchange rate is the process of converting several units of one currency into the number of units of another currency, which is equivalent to the value or price of a particular currency denominated in the form of other currency units.
2. The presence of sharp fluctuations in the exchange rates could affect the Iraqi economy.
3. The percentage of the agricultural and industrial sector's contribution to the Iraqi economy has declined due to the presence of several problems that these sectors suffer from and because of the state's interest in oil in the first place and its dominance over the Iraqi economy, and the lack of interest in these two sectors by the state.
4. There are many problems facing the development of these sectors, including the absence of government support and the complex procedures they must go through, in addition to the suspension of customs tax laws and infrastructure problems.
5. Small and medium industries play an essential role in increasing the national product, especially in developing countries, because of their importance in the process of economic development by creating more abundant and continuous job opportunities for the unemployed at a relatively low cost and

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directing small savings towards investment and capital mobilization that was It can be directed towards consumption. However, many problems disrupt the work of these facilities.

Recommendations: -

1. Adopting a flexible exchange rate system instead of the exchange rate policy managed by the Iraqi government.
2. Enact laws that serve and support local production.
3. Brighten customs laws and policies that serve the community.
4. Work to overcome the existing problems in the agricultural and industrial sectors in the environment of the Iraqi economy by the government.
5. Orientation towards small and medium industries because they have more imports and their importance in economic development.

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