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Original Research Article

The Impact of Oil Revenues on the Gross Domestic Product in Iraq for the Period (2005–2020)

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Abstract: The oil sector plays a significant role in the Iraqi economy, particularly through its revenues, as oil exports constitute approximately 96% of total exports. These revenues influence all macroeconomic variables, including national income, gross domestic product (GDP), foreign trade, and investments in all their forms. The direction of economic development depends largely on fluctuations in global oil prices, in addition to unexpected factors such as external shocks. These exports also play a crucial role in shaping the structure of foreign trade in oil-producing countries, including Iraq, which faces numerous challenges that hinder the process of economic development, such as the lack of capital prepared for investment and insufficient domestic savings. The research problem lies in determining whether oil revenues have contributed to increasing GDP and financing the general budget, thereby improving economic growth rates. The primary objective of the research is to validate the hypothesis by highlighting the reality of the oil sector in Iraq, including its material and moral capabilities and oil privileges, and clarifying the impact and role of the oil sector in enhancing economic growth rates. The research adopts the inductive approach to achieve its objectives by exploring the concept of the oil sector and its impact on realizing desired economic growth rates, using quantitative econometric methods to measure the effect of oil revenues on GDP in Iraq through the use of the EViews 9 program. According to the econometric analysis, the relationship between oil revenues and GDP is a direct one. Oil revenues are the main source of generating national income and GDP, as Iraq directly relies on oil revenues. Thus, the hypothesis has been proven correct through both the analytical and econometric aspects, confirming that oil revenues play a key role in increasing GDP and consequently improving economic growth rates.

Keywords: Oil sector, Oil revenues, Gross domestic product, Iraq.

INTRODUCTION

Oil represents an important and essential source of energy, in addition to being the main source of income for many oil-producing countries. Moreover, it constitutes the sole source of national income for some nations, such as Iraq. Crude oil prices in the global oil market are characterized by continuous fluctuations due to imbalances and disequilibrium between oil supply and demand. Like any other oil-producing and exporting country heavily reliant on oil revenues, Iraq is directly affected by fluctuations in oil prices as well as by global economic shocks and crises that influence the level of global economic activity. The oil sector in Iraq receives considerable attention due to its crucial position in the economy, as it represents the country's wealth and the main source of national income. It also funds economic development projects and other sectors, serves as the primary financier of the general budget, and contributes to the gross domestic product. The oil sector and the Iraqi economy are closely tied to the global oil market, such that any change in crude oil prices or production levels directly affects this sector and the broader economy. Consequently, the stability of fiscal policy and the extent of budget deficits are determined by public oil revenues, which in turn depend on changes in global crude oil prices.

Research Problem:

The Iraqi economy heavily depends on oil revenues for its contribution to the gross domestic product and for financing the general budget. However, these revenues have not fulfilled their intended role in improving economic growth rates.

Research Significance:

The importance of this research lies in its focus on the oil sector in Iraq and its role in the economic development achieved in the country. This is explored through the mobilization of oil revenues to support key non-oil sectors such as agriculture, industry, and services, in order to increase their contribution to the gross domestic product.

Research Hypothesis:

The research is based on the hypothesis that there is a positive relationship between oil revenues, the gross domestic product, and the economic growth rate in Iraq.

Research Objectives:

This research aims to:

1. Identify the impact of oil revenues in Iraq during the period (2005–2020).
2. Determine the extent to which oil revenues affect the gross domestic product.
3. Highlight the relative importance of the oil sector in Iraq.
4. Measure the relationship between oil revenues and the gross domestic product in Iraq.

RESEARCH METHODOLOGY

The researcher adopted the analytical approach, which relies on the inductive method in analyzing data, time series, and partial indicators, followed by the analysis of macroeconomic indicators. In addition, the quantitative method was used to measure the relationship between oil revenues and the gross domestic product.

Research Scope:

The scope of the research includes:

1. The temporal scope: the period (2005–2020).
2. The spatial scope: the geographical boundaries of Iraq.

Section One: The Reality of the Iraqi Oil Sector During the Period (2005–2020)

Iraq possesses proven crude oil reserves amounting to 115 billion barrels, ranking third globally. Meanwhile, experts estimate the existence of potential reserves ranging between 45–100 billion barrels, which could raise the total reserves to approximately 215 billion barrels or more-potentially placing Iraq at the forefront of oil-producing countries. In 2008, Iraq's average daily production reached 2.423 million barrels per day. Experts project that this figure could reach six million barrels per day or more. This relatively low production level compared to the size of reserves particularly reflects the underdevelopment of infrastructure for both production and export in this sector. It also indicates the failure to achieve economic efficiency due to numerous factors requiring further studies and scientific economic analysis (Mousa, 2010, p. 301).

First: The Concept of the Oil Sector

The petroleum sector includes all activities related to exploration, extraction, refining, transportation (primarily through tankers and pipelines), and the marketing of petroleum products. It is worth noting that the most valuable products in this sector are fuel oil and motor fuel (gasoline). Petroleum (crude oil) is also an intermediate material for many chemical products, including pharmaceuticals, solvents, fertilizers, pesticides, and plastics (Al-Jalabi, 2015, p. 12).

Second: The Importance of the Oil Sector in Iraq

The oil sector has played a significant role in shaping Iraq's economic structure since the discovery of crude oil. It is considered the primary financier of the general budget, which depends heavily on oil revenues. Oil revenues increased in the 1970s due to waves of nationalization from foreign companies and oil crises that led to higher crude oil prices, which in turn raised public revenues. However, they declined during the 1980s but improved after 2003 due to increased oil returns due to rising oil prices and production in Iraq (Al-Jalabi, 2015, p. 18).

The importance of the oil sector in Iraq can be clarified through the following:

A- The Importance of Oil Production in Iraq

Oil production operations in Iraq are among the most vital extraction processes on which the oil industry is based. Prior to 2003, this process encountered numerous problems and obstacles due to wars, economic sanctions, and poor technical management. As a result, oil production declined significantly, especially after 1991. However, the situation improved relatively after 1996 following the United Nations agreement that allowed the export of a limited quantity of oil in exchange for importing food and medicine. Oil production gradually increased, reaching its peak at 2.550 million barrels in 2000 (Al-Rubaie, 2006, p. 21).

After 2003, oil production declined relatively due to the sabotage of facilities and oil wells following the last war with the United States. Production dropped to 1.8532 million barrels in 2005. Since Iraq relies heavily on the oil sector to finance the general budget, and in light of the country's need for extensive economic reforms requiring substantial financial resources, efforts shifted toward utilizing oil energy by increasing oil production. As a result, production peaked at 2.336 million barrels in 2009, prior to the oil licensing rounds. This reinforced the dominance of the oil sector over economic activity in Iraq due to the increase in oil production and crude oil prices. Consequently, the oil sector's contribution to the gross domestic product rose significantly (Nashour, 2012, p. 5). Following the licensing rounds with foreign companies, the impact of these agreements became evident in the increase in oil production, as annual production increases began to accumulate. This was supported by the rise in crude oil prices and the global financial crisis of 2008, which improved international oil exchange rates and boosted global demand. As a result, production began to rise gradually, reaching 4.410 million barrels in 2018 (Kazem, 2007, p. 176). Iraq's oil production reached 1.8532 million barrels in 2005. Production continued to grow due to rising global oil prices and increased well utilization driven by heightened investment levels in the oil sector, reaching 3.5041 million barrels annually in 2015 with a growth rate of 12.6%. According to the latest statistics for 2019, Iraq holds a significant position in global and regional oil production, with a clear impact on global oil prices. Iraqi crude oil production reached 4.6621 million barrels with a growth rate of 5.71%, placing Iraq fourth globally in oil production (Al-Quraishi, 2020, p. 193).

This is illustrated in **Table (1)** and **Figure (1)**, which show the development of oil production volume and the growth rate of oil production in Iraq during the period (2005–2020).

Table 1: Development of Oil Production Volume in Iraq for the Period (2005–2020) (Million Barrels)

Year	Iraq's Oil Production	Growth Rate %
2005	1853.2	-
2006	1957.2	5.61
2007	2035.2	3.98
2008	2280.5	12.0
2009	2336.2	2.44
2010	2358.1	0.93
2011	2652.6	12.48
2012	2942.4	10.92
2013	2979.6	1.26
2014	3110.5	4.39
2015	3504.1	12.6
2016	4647.8	32.63
2017	4468.7	-3.85
2018	4410.0	-1.31
2019	4662.1	5.71
2020	4709.4	1.01

Source: Prepared by the researcher based on:

1. Ministry of Planning, Central Statistical Organization, National Accounts Department.
2. OPEC: Annual Statistical Bulletin (2005–2018).
3. World Oil Outlook (2006–2018).

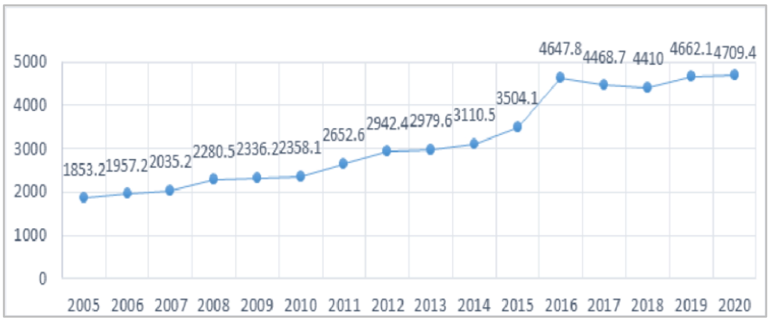

Figure 1: Development of Oil Production in Iraq for the Period 2005–2020
Source: Results generated using Excel based on the data from Table (1)

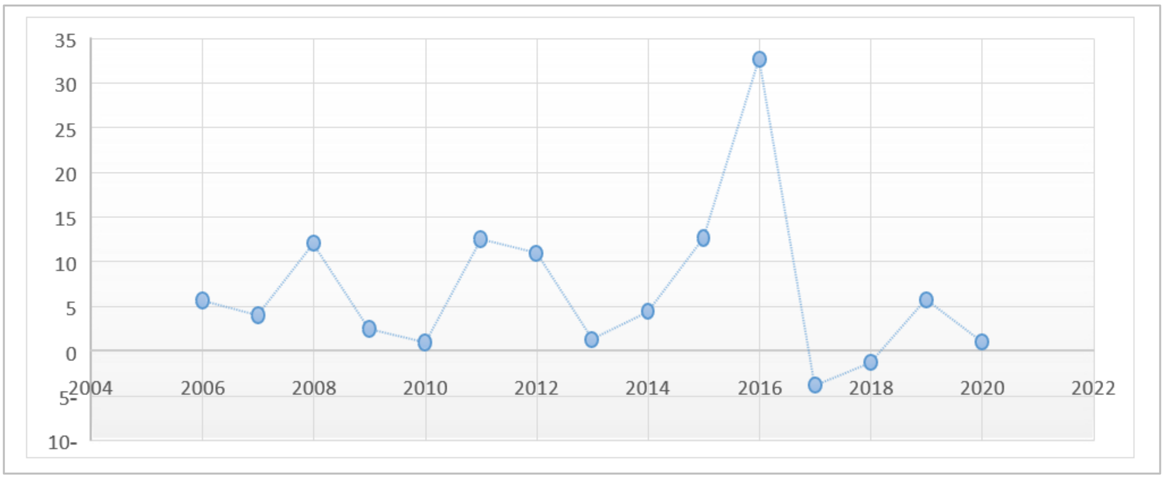

Figure 2: Growth Rate of Oil Production in Iraq for the Period 2005–2020
Source: Results generated using Excel based on the data from Table (1)

B- The Importance of Oil Reserves

Oil reserves are defined as the quantity of oil wealth located underground, based on available information from the exploration of the targeted area and the feasibility of extraction using the available and accessible production tools and equipment (Al-Halfi, 2008, p. 13). Oil reserves are among the key factors influencing the volume of oil revenues. The discovery of new extractable oil reserves at an economically viable cost—aligned with oil price levels, the extent of additional drilling, and the development of previously discovered but underutilized oil fields—will lead to an increase in oil revenues. Moreover, technological developments in extraction methods and the ability to reach new reservoir layers or reduce extraction costs will also contribute to increased oil revenues (Nashour, 2012, p. 5). Oil reserves are among the most important indicators for determining the level of oil well utilization under prevailing economic conditions. Reserves are estimated based on various criteria, including ownership, reservoir drive mechanisms, degree of certainty in their presence and recoverability, as well as extraction costs (Kazem, 2007, p. 57). It is important to note that any evaluation of reserves is subject to a degree of uncertainty, both technically and economically. Therefore, reserve estimates must be presented as a range that reflects this level of uncertainty, typically expressed in at least three values: the minimum estimate**,** most likely estimate**,** and maximum estimate**—**or in other terms, the conservative**,** realistic, and optimistic estimates (Organization of Arab Petroleum Exporting Countries – OAPEC, *Enhanced Petroleum Recovery*, Kuwait, 2009, p. 9).

Table 2: Iraqi Oil Reserves and Global Oil Reserves for the Period (2005–2020) / Million Barrels

Year	World Reserves	Iraq Reserves	Importance Relative to the World (%)
2005	1,198,953	115,000	9.6
2006	1,209,545	115,000	9.50
2007	1,213,008	115,000	9.5
2008	1,292,280	115,000	8.9
2009	1,332,776	115,000	8.62
2010	1,459,765	143,100	9.80
2011	1,467,811	141,350	9.62
2012	1,480,251	140,300	9.47
2013	1,490,134	144,211	9.67
2014	1,492,254	143,069	9.6
2015	1,490,454	142,503	9.56
2016	1,490,661	148,766	9.97
2017	1,492,160	147,223	9.86
2018	1,497,986	145,019	9.7
2019	1,508,670	146,020	9.67
2020	1,546,098	147,030	9.50

Source: Prepared by the researcher based on:

1. OPEC: *Annual Statistical Bulletin* (2005–2020)
2. Iraqi Ministry of Oil, data for various years (2005–2020)

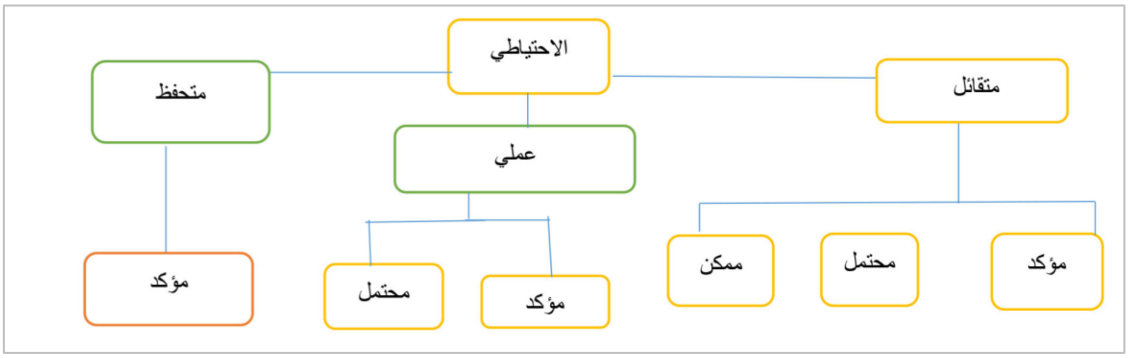

Figure 3: Classification of Oil Reserves

Source: Organization of Arab Petroleum Exporting Countries (OAPEC), *Enhanced Petroleum Recovery*, Kuwait, 2009, p. 9.

Globally, proven oil reserves for the years (2005–2008) increased from 1,198,953 to 1,292,280 million barrels, respectively. The reserves saw a more significant rise during the period (2007–2010), growing from 1,213,008 million barrels in 2007 to 1,459,765 million barrels in 2010. This increase is attributed to ongoing technological developments in exploration and prospecting, including access to new reservoir layers and reductions in extraction costs. However, global reserves in 2013 showed only a slight increase, reaching 1,490,134 million barrels. According to the latest global statistics and reports for the year 2019, Iraq ranked fifth globally in terms of the volume of confirmed oil reserves, which stood at 150 billion barrels, accounting for 10% of global proven reserves (Al-Quraishi, 2020, p. 193). Iraq's reserves are notable for their long estimated lifespan of approximately 134 years, placing the country second globally after Venezuela, which has an estimated reserve lifespan of 296 years. Iraqi reserves are also distinguished by the ease and low cost of their discovery and extraction, with the majority located in southern Iraq, particularly in the Basra Governorate (Abdul Redha, 2016, p. 9).

C- The Importance of Oil Exports

The export structure of any country is typically classified according to economic sectors (agriculture, industry, services) or by public and private sectors, among other classifications. In the case of the Iraqi economy, it is observed that the private sector contributes minimally to the value of exports compared to the public sector. Furthermore, the contribution of the agricultural and industrial sectors is significantly lower than that of the oil sector. This is due to several reasons, including the First Gulf War and its subsequent negative impacts, which directly affected the industrial sector, and the Second Gulf War, which resulted in an economic embargo that severely impacted all facets of the national economy. One major consequence was the near-total halt of Iraqi oil exports, which had been the primary source of financing for the general budget (Mousa, 2010, p. 303). The Iraqi economy depends directly on oil exports, and the limited contribution of other sectors has negatively affected the export structure in terms of diversification and the importance of other sectors. This has led to a clear imbalance in the competitiveness of non-oil products. After 2003, the oil sector assumed a crucial role in the Iraqi economy, contributing significantly to total exports and increasing its share in the gross domestic product due to the rise in oil prices and increased production. Since 2003, the share of oil exports in total exports has been rising. While this share was 92.4%, it rose to 97.1% in 2006. Oil exports in Iraq began to grow rapidly after 2009, primarily due to the oil licensing rounds with foreign companies and the global financial crisis in 2008, during which crude oil prices exceeded the $120 mark. Oil exports continued to increase significantly until 2018, reaching 98.3% of total exports (Central Organization for Statistics and Information Technology, 2006–2018).

Table 3: Oil Exports in Iraq for the Period (2005–2020)

Year	Total Exports	Oil Exports	Share of Oil Exports in Total Exports (%)
2005	235,099	233,993	99.5
2006	305,179	305,071	97.1
2007	409,432	397,755	93.4
2008	637,260	595,390	98.2
2009	424,054	416,686	95.7
2010	545,995	522,905	96.9
2011	856,356	830,063	99.9
2012	949,315	948,612	99.8
2013	897,148	895,536	99.7
2014	843,328	841,325	99.6
2015	494,025	492,115	99.7
2016	437,740	436,837	99.2
2017	600,224	595,603	98.3

Year	Total Exports	Oil Exports	Share of Oil Exports in Total Exports (%)
2018	851,818	838,149	98.3
2019	886,483	867,552	97.8
2020	897,723	876,851	97.6

Source: Prepared by the researcher based on:

- Central Organization for Statistics and Information Technology, Ministry of Planning, *Annual Statistical Bulletin* (2005–2020).

D- Iraqi Oil Revenues for the Period (2005–2020)

Concept of Oil Revenues: In general, oil revenues are defined as the income or proceeds earned by some oil-producing and exporting countries in the world in exchange for the production and export of a natural resource—oil. These countries receive monetary amounts representing part of the real value of this resource (Ismail, 2004, p. 24). **Table (4)** illustrates oil revenues, non-oil revenues, and total public revenues in Iraq for the period 2005–2020.

Table 4: Oil Revenues, Non-Oil Revenues, and Total Public Revenues in Iraq for the Period (2005–2020) (Million Dinars)

Year	Oil Revenues	Non-Oil Revenues	Total Public Revenues	% of Oil Revenues to Total	% of Non-Oil Revenues to Total
2005	39,480,069	1,022,821	40,502,890	97.47	2.52
2006	46,524,310	2,521,235	49,055,545	94.86	5.13
2007	51,701,300	2,898,151	54,599,451	94.69	5.30
2008	75,358,291	4,893,891	80,252,182	93.90	6.09
2009	48,871,708	6,337,645	55,243,526	88.46	11.47
2010	66,819,670	3,358,553	70,178,223	95.21	4.78
2011	98,090,214	5,747,527	103,989,089	94.32	5.52
2012	116,597,076	8,491,058	119,817,224	97.31	7.08
2013	110,677,542	8,144,251	113,840,076	97.22	7.15
2014	97,072,410	7,097,912	105,609,846	91.91	6.72
2015	51,316,221	8,815,654	66,470,251	77.19	13.26
2016	44,267,060	9,603,148	54,409,296	81.35	17.64
2017	65,071,929	11,925,397	77,422,173	84.04	15.40
2018	77,160,393	10,506,899	106,569,834	72.4	9.85
2019	80,456,620	14,748,005	107,566,995	74.7	13.71
2020	85,435,512	16,551,021	107,877,996	79.19	15.34

Source: Prepared by the researcher based on:

- Central Bank of Iraq, Directorate General of Statistics, *Annual Economic Report*, various years.

(Columns 3 were calculated by the researcher based on the first four columns of data.)

Table (4**)** illustrates the total public revenues, oil revenues, and non-oil revenues in Iraq. It is evident that oil revenues dominate, displaying volatility due to their dependency on global oil prices. This excessive reliance on a single revenue source—particularly one that is rent-based such as oil leads to structural imbalances in the economy, as is the case with the Iraqi economy.

In 2005, total public revenues reached 40,502,890 million dinars, with oil revenues accounting for 97.47% of that figure. In the following years, oil revenues continued to grow, consistently exceeding 90%. Meanwhile, the share of non-oil revenues in government revenues remained volatile and did not exceed 15%, confirming the continued dominance of oil revenues over other types of revenues. In 2009, public revenues witnessed a notable decline, falling to 55,243,526 million dinars. This decline was due to the global financial crisis and the subsequent drop in oil prices. Oil revenues that year amounted to 48,871,708 million dinars, representing 88.46% of total revenues, compared to 75,358,291 million dinars in 2008, which constituted 93.90% of total revenues. During the years 2010–2012, public revenues rebounded due to rising oil prices during that period. However, in 2013, total revenues decreased compared to previous years as oil prices dropped, leading to lower oil revenues. From 2014 to 2016, public revenues continued to decline due to falling global oil prices. Since Iraq relies primarily on oil revenues, it was significantly affected. The share of oil revenues in total revenues during these years was 91.91%, 77.19%, and 81.35%, respectively. These years also coincided with the war against ISIS, which required increased government spending. Combined with limited public revenues, this situation led to budget deficits in 2015 and 2016.

In 2017, public revenues, including oil revenues, increased again, with oil revenues accounting for 84.04% of total revenues. Based on the data and percentages in Table (4), it is evident that public revenues are directly correlated with oil revenues, which in turn are linked to global oil prices. Revenues decline when prices fall and rise when prices increase. This results in significant instability in public revenues, since oil prices are determined internationally and are subject to global market fluctuations. This volatility is the main cause of fluctuations in both revenues and public expenditures.

Section Two: The Relationship Between Oil Revenues and Gross Domestic Product

First: The Extent of Oil Revenues' Contribution to the Formation of Gross Domestic Product (GDP)

Gross Domestic Product (GDP) refers to the total value of all goods and services produced, after deducting the value of intermediate goods and services. In other words, it is the sum of all value added generated within the economy. The average per capita share of GDP is calculated by dividing the GDP value by the population size (Al-Sallan & Al-Bakr, 2016, p. 5). GDP is considered one of the most important key economic indicators that reflect the level of a country's economic growth. Analyzing the GDP growth rate and its sectoral composition is among the principal steps to identify areas of imbalance and the potential for corrective measures. During the period (2005–2020), Iraq's GDP growth rate experienced significant fluctuations as a result of cumulative impacts from previous phases, including wars, economic sanctions, and the U.S. occupation. These fluctuations in GDP growth are closely tied to the volatility of oil revenues, which are influenced by numerous external factors that are beyond the control of the national economy (Central Organization for Statistics and Information Technology, various years).

Table 5: The Relative Importance of Oil Revenues in the Formation of Gross Domestic Product (GDP) in Iraq During the Period (2005–2020) At Current Prices / Million Dinars

Year	GDP at Current Prices	Oil Revenues	Contribution of Oil Revenues to GDP (%)	Annual GDP Growth Rate (%)	Oil Revenues Growth Rate (%)
2005	73,533,598.60	39,480,069	53.6	1.7	2.9
2006	95,587,954.80	46,524,310	48.6	5.6	27.9
2007	111,455,813.40	51,701,300	46.3	1.9	2.5
2008	157,026,061.60	75,358,291	47.9	8.2	0.8
2009	130,643,240.00	48,871,708	37.4	3.4	-35.1
2010	162,064,565.50	66,819,670	41.2	6.4	22.1
2011	217,327,107.40	98,090,214	45.1	7.5	18.8
2012	254,225,490.70	116,597,076	45.8	13.9	17.1
2013	273,587,529.20	110,677,542	40.4	7.6	9.9
2014	266,332,655.10	97,072,410	36.4	0.2	1.6
2015	194,680,971.80	51,316,221	26.3	-4.7	-29.1
2016	196,924,141.70	44,267,060	22.4	-13.8	-13.9
2017	221,665,709.50	65,071,929	29.3	-1.8	27.1
2018	268,918,874.00	77,160,393	28.6	2.6	12.4
2019	277,884,869.40	80,456,620	28.9	5.5	13.2
2020	198,774,325.40	85,435,512	42.9	-11.3	12.1

Source: Prepared by the researcher based on:

- Ministry of Planning and Development Cooperation – Central Organization for Statistics and Information Technology – Preparation of Annual Statistical Reports.

From the data in the table above, the following observations can be made:

A. A strong relationship is evident between GDP growth and developments in oil revenue growth. This is due to Iraq's GDP relying heavily on oil revenues, with an average contribution exceeding 38% during the period 2005–2020. This percentage is significantly higher than the contributions of other sectors such as industry, agriculture, and services to GDP (Central Organization for Statistics and Information Technology, 2005–2020). **B.** Iraq's GDP began to gradually rise from 2005, but at a moderate pace until 2008. After standing at 73,533,598.60 million dinars in 2005, it increased to 157,026,061.60 million dinars by 2008. This rise can be attributed to the early natural increase in oil exports and a gradual increase in oil revenues. Oil revenues, which were 18,414,588 million dinars or 62.2% of GDP, rose to 75,358,291 million dinars in 2008, accounting for 47.9% of GDP. After 2009, GDP began to grow significantly. From 162,064,565.50 million dinars in 2010, it reached 273,587,529.20 million dinars in 2013. This growth was driven by an increase in oil production following the oil licensing rounds, which boosted oil exports and subsequently oil revenues. Additionally, crude oil prices rose in international markets. Oil revenues increased from 48,871,708 million dinars in 2009 (37.4% of GDP) to 110,677,542 million dinars in 2013 (40.4% of GDP). After 2014, GDP experienced negative growth rates due to a global oil crisis that caused crude oil prices to fall below $30 per barrel. Consequently, GDP dropped from 266,332,655.10 million dinars in 2014 to 221,665,709.50 million dinars in 2017. Simultaneously, oil revenues declined from 97,072,410 million dinars in 2014 (36.4% of GDP) to 65,071,929 million dinars in 2017 (29.3% of GDP). After 2017, the recovery in global oil prices led to improved oil revenues, which in turn contributed to a recovery in GDP, reaching 268,918,874.00 million dinars in 2018.

Changes in oil revenues are among the most critical factors affecting economic growth and GDP in oil-exporting countries. Following 2003, Iraq experienced various developments driven by political shifts and security/military challenges. However, the rate of economic growth has remained largely dependent on fluctuations in crude oil production and prices. Thus, oil revenues have a direct and positive relationship with GDP growth in Iraq (Maoushi, 2019, p. 129).

Table 6: Percentage Contribution of Economic Sectors to Iraq's GDP for the Period (2005–2020)

Year	GDP (Million Dinars)	Oil Sector (% of GDP)	Agriculture (% of GDP)	Industry (% of GDP)	Services (% of GDP)
2005	73,533,598.60	63.9	6.9	1.32	8.85
2006	95,587,954.80	53.7	5.8	1.54	11.22
2007	111,455,813.40	53.9	4.9	1.63	12.83
2008	157,026,061.60	56.0	3.7	1.49	12.41
2009	130,643,200.40	55.5	4.4	2.4	17.86
2010	162,064,565.50	54.7	4.8	2.3	15.9
2011	217,327,107.40	58.0	4.2	1.83	13.1
2012	254,225,490.70	52.4	4.1	1.7	14.8
2013	273,587,529.20	41.5	6.5	2.7	16.0
2014	266,332,655.10	43.5	6.9	2.9	14.8
2015	194,680,971.80	60.0	4.7	1.81	22.48
2016	196,924,141.70	60.4	3.0	2.2	23.8
2017	221,665,709.50	61.5	3.2	2.3	26.7
2018	268,918,874.00	44.8	3.8	2.6	27.3
2019	277,884,869.40	52.7	4.1	1.91	28.1
2020	198,774,325.40	57.0	4.6	2.52	28.9

Source:

1. Annual periodic reports of OPEC, various years (2006–2010)
2. Reports of the Arab Monetary Fund, various years (2005–2020)

The oil sector in Iraq contributes significantly to the gross domestic product (GDP), making the Iraqi economy a rentier economy due to its heavy reliance on the oil sector as the primary source of public revenues. The contribution of the oil sector to GDP reached 63.9% in 2005, the highest percentage during the study period. With the rise in oil prices and increased production due to growing global demand from countries such as China and India, as well as speculation in oil futures contracts for the sake of achieving exaggerated financial gains, and the depreciation of the U.S. dollar, public revenues increased, which contributed to stimulating other economic sectors. The lowest contribution of the oil sector to GDP was recorded in 2013 at 41.5%, affected by the global decline in oil prices, particularly due to Saudi Arabia's refusal being the swing producer in global markets to relinquish its market share, and the lifting of sanctions on Iran, both of which led to a collapse in prices. In 2015, the contribution of the oil sector to GDP rose again to 60%, as a result of terrorist control over several provinces such as Diyala, Anbar, Salah al-Din, and Mosul. This caused severe damage to the non-oil sectors through the destruction of infrastructure and assets, disruption of trade activities, and a decline in investor confidence.

CONCLUSIONS

1. The increase in public revenues is primarily attributed to the rise in oil revenues, which result from the general level of global oil prices.
2. The oil sector's contribution to GDP reached 60% in 2015, due to terrorist control over several provinces such as Diyala, Anbar, Salah al-Din, and Mosul. This negatively affected the non-oil sector through infrastructure destruction, asset losses, trade disruptions, and decreased investor confidence.
3. Iraq's oil production in 2005 was approximately 676.4 million barrels annually and continued to grow due to rising global oil prices and greater exploitation of oil wells. Production reached 1,279 million barrels annually in 2015 as investment in the oil sector increased.
4. The oil sector contributed 63.9% to GDP in 2005, the highest share during the study period, as a result of increased oil prices and rising production driven by growing global demand, particularly from China and India.
5. Iraq's GDP reached 277,884,869.40 million dinars in 2019, due to increased global demand for oil, which led to higher prices and thus an increase in GDP.
6. The Iraqi economy is entirely dependent on a single extractive sector—the oil sector—making it a monosectoral economy. This sector dominates public budget financing and exports, making the economy highly vulnerable to external shocks—an attribute of rentier states.
7. Analysis of the relative importance of main GDP-contributing sectors shows that a higher share of oil sector contributions leads to a decline in the share of productive sectors (industry and agriculture). This confirms an inverse

relationship between the development of oil revenues and growth rates in non-oil sectors during the study period (2005–2020).

8. The research hypothesis was validated both analytically and econometrically: oil revenues play a major role in achieving economic growth due to Iraq's dependence on these revenues to finance the general budget.
9. Oil remains an indispensable vital resource despite serious efforts to develop alternatives. It continues to hold a central position in global economies.
10. Oil revenues are the primary source of generating national income and GDP in Iraq. This excessive reliance on oil has made the economy structurally undiversified, as successive governments failed to achieve sectoral integration or develop a diversified economic structure.

RECOMMENDATIONS

1. Efforts should be directed toward utilizing the oil wealth from already discovered fields, increasing production, and expanding the number of oil export outlets to mitigate the risks posed by exceptional circumstances that may disrupt some of these channels, thereby ensuring the continuity of production and export.
2. It is possible to achieve various types of economic growth and long-term production increases by capitalizing on rising oil prices and relying on a flexible and efficiently managed production system capable of seizing available opportunities.
3. Iraq should learn from the experiences of other oil-producing countries that have diversified their economies, treated oil revenues as secondary, developed other economic sectors, and successfully withstood external shocks and economic instability caused by fluctuations in oil prices.
4. It is essential to encourage foreign investments of all kinds to revive agricultural and industrial projects and to direct investments across all economic sectors, especially the services sector, with a focus on infrastructure, energy, standards, and other essential public services.

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