

The Impact of Customs Revenues on The General Budget Deficit in A Middle East Country

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Abstract

This research aims to identify the concept of customs revenues and their impact on the state's general budget deficit. The problem of the study stems from the following question: What is the impact of customs revenues on the general budget deficit in Iraq? To answer this question, this research uses the deductive approach and the estimation approach by analyzing and measuring the impact of customs revenues in supporting the state's general budget. Among the most important results of the study are: There are many reasons that led to the emergence of a deficit in the state's general budget throughout the study period, the most important of which is the decrease in Customs revenues as a result of the weak role of tax revenues. It recommended the need to address the imbalance in the structure of public revenues by activating the role of taxes and fees and reducing dependence on the oil resource.

Keywords: Customs Revenue, Budget Deficit, Tax Revenue, Public Revenue Structure

INTRODUCTION

After 2004, the general budget of the state of Iraq showed a deficit due to high spending and this will require a large amount of financial resources to enable the government to fully implement all its operations, as customs revenues are an important and indispensable player in any economy that should achieve three vital goals, namely: financial stability, economic growth, and social development, customs revenues are one of the tools that can be used to strengthen the industrial and agricultural sectors, promote and protect local products, increase their ability to attract investment and compete with imports, and this move leads to a decrease in the import rate, By increasing the GDP and other improvements In the amount of exports, customs revenues also play a big role in providing the state's general budget with the funds it needs for public spending, as each country needs to raise tax revenues in order for the government to have the ability to implement the things required of it, whether military, social or economic.

First: the Problem of Research

The problem of the study is the dependence of any country on a variety of sources of revenue for its general budget, and from these sources are tax revenues, including customs revenues, as it is necessary to search for solutions to maximize these revenues, as the decline in customs revenues negatively affects the state budget deficit.

Second: the Purpose of the Research

The research aims to explain the concept of customs revenues, identify the reasons for the decline in customs revenues, and their impact on the state's general budget, and also aims to study customs procedures, and contribute to finding appropriate solutions to address budget deficits, through which customs revenues have a financial depth that can help the state to face internal and external economic shocks in enhancing revenues .

Third: The Importance of Research

The importance of this research is manifested in the significance of customs revenues as a source of national income This is because economic reform requires activating sovereign revenues, especially tax and customs

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revenues, due to their significant role in budget financing. We also observe that the state budget needs to increase its revenues without relying on oil resources.

Fourth: Research Hypothesis

The study assumes that the decline in customs revenues led to a decline in public revenues that finance the state budget, and therefore there is an inverse relationship between the deficit in the general budget and customs revenues.

Fifth: Research Methodology

This research uses the deduction methodology, and in the last chapter the estimated approach will be used, from the analysis and measurement of the impact of customs revenues on the deficit of the state's general budget.

Sixth: Previous Studies

Despite research in the works that dealt with the subject of customs revenues and their relationship to the general budget of the state, there was no research that directs special attention to the deficit of the state's general budget and the role of customs revenues to finance this deficit, but some books referred to addressing the deficit in general, including:

The effectiveness of some macroeconomic variables and their reflection on the budget deficit in Iraq (2004-2020) Muhannad Khamis Abed, Saadoun Adnan Khalil, 2022.

Analysis of some financial sustainability indicators and their impact on the budget deficit in Iraq (2005-2020) Firas Tahrir Mohamed, Ismail Hammadi Mejbil , 2022.

Measuring the impact of oil price fluctuations on the base of the budget deficit in Iraq for the period (2003-2020) Mohamed Naji, Sahar Tariq, Nihad Abdullatif, 2023.

Apparent reasons for the increase in public expenditures and their impact on the public budget deficit in Iraq for the period (2003-2019) Ammar Abed Hammadi, Abdulrahman Obaid Juma, 2021

Seventh: Research Plan

The first topic: the theoretical framework of customs revenues and the general budget.

The first requirement: the theoretical framework of customs revenues.

The second requirement: the general budget deficit.

The third requirement: the relationship between customs revenues and the general budget.

The second topic: the evolution of customs revenues and the general budget deficit in Iraq for the period 2004-2022

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The second requirement: the general budget deficit for the period 2004-2022.

The third topic: estimating the impact of customs revenues on the public budget deficit.

The first requirement: the description of the standard model used.

The second requirement: the results of the standard test for the study variables.

The first topic

The theoretical framework of customs revenues and the general budget

The first requirement is the theoretical framework for customs revenues

First: The concept of customs revenues: defined as the most important types of indirect taxes and has been linked to the development of trade between countries and the development of its objectives and forms with the development and expansion of foreign trade movement and stimulate national production and stability and reduce the import of some goods ·

It can also be defined as (a tax imposed by the State with its sovereign right over imported and exported goods, and it has been called a fee that is not imposed for a service provided by the State, but is imposed in accordance with legal and constitutional rules).

From the above, we can conclude that customs revenues are an amount of money collected by customs officials according to a tariff specified in accordance with the law, the aim of which is when imposed on imports to serve the interests of the country and raise its competitiveness, and stimulate local production to be an alternative to those imported goods, either the goal when imposed on exports for the purpose of obtaining revenues and encouraging exports as well as other economic and social goals.

Second: Types of customs revenues

A) Customs revenues according to their nature, including :

1- Import tax: It is the taxes imposed on goods imported from other countries, which are the most important types of customs taxes and the most used, and if reference is made to customs taxes, what is meant by the import tax, and in most cases there is no country that does not impose this tax on its imports under different names, as it is one of the sources of financing the general budget as well as being one of the effective means of intervention in protecting the national economy against foreign competition, The import tax has many benefits for the national economy, as follows:

- Abundant revenues, especially in countries that rely heavily on imports.
- Encouraging economic development, supporting economic sectors and protecting them from foreign competition.
- Addressing the imbalance in the balance of payments and improving the terms of trade of the state.
- Reducing and rationalizing consumption, increasing savings and raising the rate of investment in the national economy.
- Reallocate resources towards areas that are most productive and beneficial to the country.
- Strengthening national security considerations as state intervention in the imposition of import tax can be subject to certain circumstances and considerations.

2- Export tax: It is the tax imposed on goods exported abroad, as well as what enters the free zones, even if it is not exported outside the borders of the country, in the sense that the base of this tax is goods that are outside the customs scope of the country, and the imposition of this tax comes from the desire of the state that imposes it either to provide the commodity at home in order to meet the need for local consumption, Or obtain a financial resource.

3- Transit Trade Tax: It is the tax imposed on goods that pass through a certain country on their way to another country, as some countries are characterized by a strategic location and facilities in their commercial treatment and political stability, which gives them a large relative weight in the movement of international trade.

Second: Types of public budget deficit:

Periodic deficit of the general budget: This type occurs when we reach the base level (recession) of the commercial cycle, as unemployment rates are very large and then public expenditures increase, and on the contrary, unemployment is low at the top of the business cycle (state of recovery) because this situation enhances tax revenues and then leads to a reduction in public expenditures.

Structural deficit of the general budget: This type of deficit is not due to the commercial cycle as much as it is primarily due to the structure and components of the budget itself, which ultimately leads to an

increase in the actual deficit of the estimated budget deficit, due to the increasing volume of expenditures over revenues, the government's failure to rationalize public expenditures, and its inability to develop financial resources by increasing the tax base and eliminating tax evasion rates.

Accumulated deficit: This theory shows that in times of crisis that the budget deficit is normal, when public expenditures increase and taxes decrease, the deficit will occur, and there is no fear of accumulating the deficit year after year, the reason when the prosperity occurs in the economy, tax revenues will increase, and through the surplus in taxes the government can cover the deficit from previous years.

Deficits of weakness and deficits of power: These deficits are new forms of budget deficit, and deficits of weakness are caused by the weakness of the government administration and its inability to achieve revenues on the one hand and irrational spending on the other. As for the deficit of power, it results from the assistance provided by the State in an economic and social form, whether for individuals or projects, to achieve economic and social goals and work to raise growth rates in the economic sectors.

The third requirement: the relationship between customs revenues and the general budget

Several countries use customs tariffs to protect their industries from foreign competition and the tariff provides protection by raising the prices of imported goods. Thus, the customs tariff encourages the local establishment to increase its production as well as the availability of funds from the imposition of customs tariffs and use them to finance part of the requirements of government spending contained in the general budget. In developing countries, the financing importance of customs taxes has increased. It has become an important item of public revenues for these countries, and the main justification for this is the desire of these countries to finance their increasing government spending, especially in light of the decline in government resources, which led to the emergence of deficits in their budgets.

First: The impact of the customs tax on government revenues and the budget deficit One of the most important resources of the budgets of different countries is customs revenues, especially in developing countries, and the goal of imposing these taxes is to obtain revenues for the government that enable it to reduce the deficit or increase the surplus in the state's general budget, as we notice when the state imposes customs revenues in order to increase its revenues, it imposes them on goods whose elasticity of demand is very low, as well as if the flexibility of their supply is also low, as the matter. It depends on the elasticity of imports in relation to the tax rate, the lower the elasticity of imports, the more this leads to an increase in the government's revenue, and vice versa, if the flexibility of imports is high, this leads to a decrease in the government's revenue, whenever the elasticity of supply and demand is low, the increase in the tax rate leads to an increase in government revenues, and when the elasticity of supply and demand is high, the increase in the tax rate leads to a decrease in government revenues. It is clear from the above that the imposition of customs taxes depends on the elasticity of demand and supply on the commodity and in order to increase the revenues necessary to finance the deficit, whether in the general budget or the balance of payments, the government must be rational in imposing the tax and choosing goods with low flexibility and that when the tax is imposed on them does not lead to a significant shortage in the quantities imported from them.

Second: The relationship between taxes and financing the budget deficit:

When there is a deficit in the general budget, the government resorts to taxes to finance the general budget deficit, it is either by increasing the current tax prices or imposing a new tax for a certain period of time and then canceled, and it is preferable to resort to increasing the current tax rates by imposing a new tax because the latter needs more time and more expenses, It is possible that you will face more existing reactions than an increase in the tax rate, and there is a limit that the government cannot exceed in increasing current tax rates, because this leads to a deterioration in economic activity, frequent tax evasion and a decrease in tax revenues.

The use of taxes to finance deficits reduces per capita income and thus leads to lower private spending, It can lead to a reduction in aggregate demand and a decrease in the level of GDP, as these taxes lead to a decrease in the level of disposable income and then a decrease in consumer spending, as well as if the volume of

investments and government purchases remains unexplained, the decrease in the level of consumer spending will lead to a decrease in GDP and employment.

Direct taxes will also deduct part of the income of the labor force and indirect taxes will reduce their consumption, thus both types will lead to unwillingness to work, reduced efficiency and ability to work, and thus a decrease in their contribution to production, In the end, indirect taxes can have an effective impact in reducing aggregate demand by imposing high taxes on unnecessary goods and services, which leads to a decrease in demand.

The second topic: the evolution of customs revenues and the general budget deficit in Iraq for the period 2004-2022

The first requirement: the evolution of customs revenues in Iraq for the period 2004-2022

Represents revenues derived from customs taxes abundant outcome and a fertile helper provides the economy of the state revenues necessary for its management and financing of its expenditures, and did not without any economy of the economies of the countries of the world of its focus on the revenues of these taxes at a certain stage of development and occupy a prominent place in the financial structure, and one study indicates that customs tax revenues reached nearly a third of tax revenue in (47) developing countries during the period (1969-1971).

In order to know the financing role of customs revenues for the period (2004-2022), it is necessary to know the proceeds of customs revenues and their relative importance in both the total public revenue and the total tax revenues, as we see in the table below:

Table (1) Evolution of Customs Revenues in Iraq 2004-2022 (million dinar)				
Sunnah	Customs Revenue(1)	growth rate	General Revenue (2)	Ratio 1-2
2004	55.410	-----	15.985.526	0.3
2005	80.010	45.4	32.988.850	0.2
2006	149.710	86.2	40.435.740	0.4
2007	182.822	22.1	49.555.441	0.4
2008	307.370	68.6	71,091.104	0.4
2009	497.630	61.8	47.112.605	1.0
2010	482.130	13.8-	59,404.223	0.7
2011	334.770	21.9-	108,800.101	0.3
2012	427.042	27.8	119,517.223	0.4
2013	444.660	3.9	113,700.011	0.4
2014	374.800	15.7-	105.400.681	0.4
2015	303.520	18.9-	66,498.920	0.5
2016	489.096	61.3	54,387.840	0.9
2017	992.526	102.8	77.300.153	1.3
2018	2,261.150	18.6	106,591.871	2.1
2019	1,625.500	28.1-	107,941.850	1.5
2020	1,402.167	13.7-	63,199.700	2.2
2021	1,283,700	1.9-	109,081500	1.1
2022	1,133,300	11.71-	161,697400	0.7

Source: The work of the researcher based on the data of the Central Bank of Iraq and the General Tax Authority.

Customs revenues constitute a not small outcome as they support the state's economy with the revenues necessary to finance expenses, whether investment or operational, what happened in the Iraqi economy from the process of economic openness to abroad and sufficiency with imposing a unified tax, which is the reconstruction tax of 5% imposed on imported goods, all of which made the Iraqi markets vulnerable to the process of market dumping, and this led to an increase in unemployment rates and a decrease in the work of economic activities and a decline in the performance of the industrial, agricultural and commercial sectors in the country, These measures consequently led to the marginalization of the financial role obtained from this tax, It seemed clear to those in charge of setting the country's economic policy that no developing country can accomplish the process of economic development and its markets are open to various types of imported goods and from different global origins and of high quality, and accordingly the law on customs tariff No. 22 of 2010 was issued and is a good step in the right direction to change the course of economic policies for the better. This legislation is in force in most States of the world.

From referring to Table (2), we find that the ratio of customs revenues to general budget revenues for the year 2004 amounted to (3%) and the ratio of customs revenues to tax revenues amounted to (50%) as a result of the lifting of the economic blockade imposed on the country, However, these ratios began to decline to reach (2%) the ratio of customs revenues to public revenues, and the reason for this is due to the decline in customs revenue on the one hand, and the high percentage of tax revenues on the other hand for the year 2005, either the general growth rate of revenues of all kinds, whether customs and general has risen to reach (45.4%, 207.7%) respectively of the same year, then in 2006 the ratio of customs revenues to public revenues returned to (0.4%), Then it returned to decline in 2007, where the ratio of customs revenues to public revenues reached (0.4%), which is a continuation of the ratio from 2006, while the growth rates of customs revenues rose to (86.2%), while the growth rates of public revenues amounted to (22.6%) of the same year. As for 2009, customs revenues amounted to (497.63) million dinars, and the annual growth rate reached (61.8) and its contribution to public revenues was (1.0%), with the improvement of the security situation in Iraq, as this led to the improvement of the economic situation.

Then customs revenues began to decline by the years 2010, 2011 to (482.13) (334.77) million dinars respectively, and the annual growth rates recorded negative (-13.8%) (21.9%) This led to a decrease in the percentage of its contribution to public revenues from (0.7%) for the year 2010 to (0.3%) for the year 2011, due to the weak control over customs ports due to the presence of cases of security instability from time to time in some of the customs ports, There are other reasons, including financial administrative corruption, tax evasion and weak control bodies by the state, customs revenues witnessed an increase and at varying growth rates during the year 2012, reaching (427.042) million dinars, with a growth rate of (27.8%) and a contribution to public revenues by (0.4%), In 2013, it amounted to (444.660) million dinars and a growth rate of (3.9%) and a contribution rate to public revenues amounted to (0.4%), but it declined in 2014 to reach (374.800) million dinars with a growth rate of (-15.7%) and a contribution rate to public revenues of (0.4%), as well as in 2015, where customs revenues amounted to (303.520) million dinars with a growth rate of (-18.9%) and its contribution to public revenues reached (0.5%) due to the occupation of terrorist ISIS gangs of large areas of the country, which led to a decrease in imports. Most of these imports were military equipment to liberate the territories from the control of the terrorist ISIS, which are often materials exempt from customs tariffs, but tax revenues began to rise in 2016 to reach (489.096) million dinars and a growth rate of (61.3%) and the percentage of its contribution to public revenues (1.1%) in order to liberate a large part of the territory from terrorist ISIS gangs and stabilize the economic situation to some extent.

Customs revenues also increased in 2018, reaching (2,261.150) million dinars with an annual growth rate of (18.6%), the contribution of customs revenues from public revenue reached (1.3%), but in 2020, customs revenues amounted to (1,402.167) million dinars with a growth rate of (-13.7%), and the ratio of the contribution of customs revenues to the state's general revenues reached (2.2%) due to the increase in imports of medical materials and devices as a result of the Corona pandemic, which is the highest percentage during the study period, due to the decrease in demand for global oil, as mentioned above.

In 2022, customs revenues amounted to (1,133,300) million dinars with an annual growth rate of (-11.71%) The contribution of customs revenues to the general revenues of the country reached (0.7%) due to the weakness in customs work at all border crossings as a result of the delay in the introduction of modern technology in this sector in the country.

Second requirement: the general budget deficit for the period 2004-2022:

We note from the data of Table (2) a deficit in the general budget for the year 2004 amounting to negative (5967644) million dinars, due to the increase in current expenditures, due to the adjustment of salaries and job allocations, and spending also included wages, allocations and bonuses to workers and the creation of new ministries and institutions, including the Ministry of Migration and Displacement and the Ministry of Environment,

In 2005, the general budget achieved a surplus of (6613675) million dinars due to the increase in the volume of exports, especially oil exports, which led to increases in public revenues, the state of surplus in the budget continued until 2008, where it amounted to (11688104) million dinars.

In 2009 and 2010, we note that the general budget has recorded a deficit of negative (5454395) million dinars and negative (25254777) million dinars, respectively, and this decline was a result of the link between Iraqi crude oil revenues and global markets, as the financial crisis had a clear impact on the decline in oil prices and the decline in oil revenues, and this in turn led to a decline in the dollar exchange rate, which affected public revenues in Iraq for that period.

In 2011 and 2012, the general budget recorded a surplus of (39160101) million dinars and (14377223) million dinars respectively, and this surplus was the result of the increase in oil revenues and the increase in oil prices globally.

The fluctuation began in the general budget for subsequent years, bringing the budget deficit to its highest level in 2016, as it reached negative (12679560) million dinars, either the reasons for the deficit in the Iraqi general budget for that period are the deterioration of the security situation and the continuation of military operations against terrorist groups (ISIS) that controlled some Iraqi provinces, either the reason for the decline in public revenues as a result of the decline in oil prices, which led to a decrease in oil revenues, which constitute the largest percentage of the revenues of the general budget.

Table (2) Evolution of the Surplus and Deficit in the General Budget in Iraq for the Period 2004-2022 (Million Dinars)

Years	Public revenues	Overhead	Surplus and deficit
2004	15985526	21953170	-5967644
2005	32988850	26375175	6613675
2006	40435740	33487877	6947863
2007	49555441	31510295	18045146
2008	71091104	59403000	11688104
2009	47112605	52567000	-5454395
2010	59404223	84659000	-25254777
2011	108800101	69640000	39160101
2012	119517223	105140000	14377223
2013	113700011	119128000	-5427989
2014	105400681	83556000	21844681
2015	66498920	70397500	-3898580
2016	54387840	67067400	12679560-

2017	77300153	75490100	1810053
2018	106591871	80873200	25718671
2019	107941850	111723600	-3781750
2020	63199700	76082400	-12882700
2021	109,081500	102,849700	6231800
2022	161,697400	116,959600	44731800

The table of the researcher's work based on the annual report of the Central Bank of Iraq for separate years.

In 2017 and 2018, there was a surplus in the general budget, as the surplus amounted to (1810053) million dinars and (25718671) million dinars, while the reason for the surplus in those years is the reason for the increase in public revenues as a result of the increase in oil revenues due to the rise in oil prices globally. In 2019 and 2020, the general budget recorded a deficit of negative (3781750) million dinars and negative (12882700) million dinars, respectively, and this came as a result of the decrease in public revenues against public expenditures on the one hand and the economic recession that hit the world as a result of the Corona epidemic, on the other hand.

As for the year 2021, the general budget for the year 2021 recorded a surplus of (6231800) million dinars, and this came as a result of the increase in public revenues by (72.6%) compared to 2020, and this increase comes as a result of the rise in oil prices by (59.5%), as oil revenues constitute the largest percentage of total revenues, and in 2022, the general budget recorded a surplus of (44731800) million dinars, and this came as a result of the failure to approve the country's general budget law, The rate of increase in public expenditure is less than the rate of increase in public revenues.

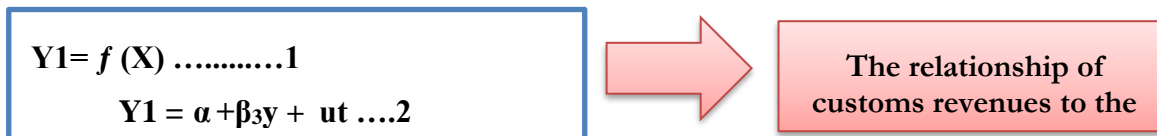
The third topic is estimating the impact of customs revenues on the public budget deficit

Before applying the methods of estimating the parameters of the regression model and examining whether there is an impact of customs revenues on the public budget deficit, some pre- and post-statistical tests of the study variables must be conducted as follows:

The first topic: Characterization of the self-regression model for distributed deceleration (ARDEL)

First: Description of the standard model used The characterization stage is one of the main stages in the preparation of any standard study, through which the variables of the study and the nature of the relationship between them can be identified as follows:

The relationship of customs revenues to the budget deficit



Second: Unit root tests: Before proceeding with the estimate, it is also necessary to study the order of integration of time series, the ARDL estimate is invalid in the presence of variables at the second difference I (2), but it needs a combination of variables I (0) and I (1). To specify integration commands, as in the following tables:

Table 3 Unit Root Tests at Levels

Null Hypothesis: Unit root (individual unit root process)			
Sample: 2004Q1 2022Q4			
Method		Statistic	Prob.**
PP - Fisher Chi-square		47.3913	0.0000
PP - Choi Z-stat		-3.99709	0.0000
Series	Prob.	Bandwidth	Obs

X	0.2458	5.0	75
Y1	0.0000	3.0	75

Table: Outputs of the statistical program (13. Eviews).

We note from the table above that the unit root tests for data are not static at the level, except for the variable Y1 static at the plane, so we will move to the first difference for the stillness of all study variables

Table (4) Unit root tests after taking the first differences

Null Hypothesis: Unit root (individual unit root process)			
Sample: 2004Q1 2022Q4			
Method		Statistic	Prob.**
PP - Fisher Chi-square		123.722	0.0000
PP - Choi Z-stat		-7.77861	0.0000
Series	Prob.	Bandwidth	Obs
X	0.0000	4.0	75
Y1	0.0000	3.0	75

Table: Outputs of the statistical program (13. Eviews).

We can see from the table above that the unit root tests for all data are integrated at the first difference, and therefore no variable was determined at the second difference.

Third: Preliminary estimation of the ARDL model It was found that the statistical tests indicate the relative quality of the estimated model through the Adjusted R-squared coefficient, where it shows that the model explains (77%) of the changes in the dependent variable budget deficit (Y1) as a result of the change in the independent variable, while (2%) due to other external variables, and the quality of the model is evident according to the (F) test and with a probability level less than (0.05), see Table (5) below

Table 5 Preliminary Estimation of the Standard Model Used

Dependent Variable: Y1			
Method: ARDL			
Sample: 2004Q2 2022Q4			
Included observations: 75			
Selected model: ARDL(1,0)			
R-squared	0.7799858	Mean dependent var	1113957.
Adjusted R-squared	0.7738743	S.D. dependent var	19989124
F-statistic	127.62585	Durbin-Watson stat	1.905765
Prob(F-statistic)	2.1292222		
*Note: p-values and any subsequent test results do not account for model selection.			

Table: Outputs of the statistical program (13. Eviews)

Fourth: Boundary test (joint integration). The results of the joint integration test are evident from Table (6) below, where the calculated statistical value of (F) was (27.2581), which is greater than the maximum tabular value of (4.363) at the probability level (5%), which indicates the existence of a common integration relationship between customs revenues as an independent variable and the budget deficit as a dependent variable.

Table 6 Joint Integration Test Results

Null hypothesis: No levels relationship																																									
Number of cointegrating variables: 1																																									
Trend type: Rest. constant (Case 2)																																									
Test Statistic		Value																																							
F-statistic		27.2581																																							
<table border="1"> <thead> <tr> <th></th> <th colspan="2">10%</th> <th colspan="2">5%</th> <th colspan="2">1%</th> </tr> <tr> <th>Sample Size</th> <th>I(0)</th> <th>I(1)</th> <th>I(0)</th> <th>I(1)</th> <th>I(0)</th> <th>I(1)</th> </tr> </thead> <tbody> <tr> <td>60</td> <td>3.127</td> <td>3.650</td> <td>3.803</td> <td>4.363</td> <td>5.383</td> <td>6.033</td> </tr> <tr> <td>65</td> <td>3.143</td> <td>3.623</td> <td>3.787</td> <td>4.343</td> <td>5.350</td> <td>6.017</td> </tr> <tr> <td>Asymptotic</td> <td>3.020</td> <td>3.510</td> <td>3.620</td> <td>4.160</td> <td>4.940</td> <td>5.580</td> </tr> </tbody> </table>								10%		5%		1%		Sample Size	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)	60	3.127	3.650	3.803	4.363	5.383	6.033	65	3.143	3.623	3.787	4.343	5.350	6.017	Asymptotic	3.020	3.510	3.620	4.160	4.940	5.580
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Asymptotic	3.020	3.510	3.620	4.160	4.940	5.580																																			
* I(0) and I(1) are respectively the stationary and non-stationary bounds.																																									

Table: Outputs of the statistical program (13. Eviews).

The second requirement: the results of the standard test for the study variables

First: the impact of customs revenues on the budget deficit in the short term.

Table (7) Short-term impact results

Dependent Variable: D(Y1)				
Method: ARDL				
Sample: 2004Q2 2022Q4				
Selected model: ARDL(1,0)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
COINTEQ*	-0.15020	0.070497	-2.130689	0.0365
X**	-5.59609	2.238078	-2.500401	0.0146
C	3644002	2075683.	1.755567	0.0834

Table: Outputs of the statistical program (13. Eviews).

The customs revenue index (X) has an adverse effect on the budget deficit index Y1 in the short term, and this means that the higher the percentage of customs revenues, the lower the budget deficit, and this is identical to the hypothesis of the study.

$$CE = Y1(-1) - (-5.59609 * X + 3644002)$$

- The ECM error correction value = (-0.15020) showed a negative and significant when this result achieves the necessary and sufficient condition for the long-term relationship between the variables, and that the short-term imbalance in the previous year (t-) is corrected during (15%) of the current year (t-1).

Second: The impact of customs revenues on the public budget deficit in the long term.

Table (8) Long-term Impact Results

Variable *	Coefficient	Std. Error	t-Statistic	Prob.
X	-37.2553	15.85874	-2.349199	0.0215
C	24259532	12811100	1.893633	0.0622

Note: * Coefficients derived from the CEC regression.

Table: Outputs of the statistical program (13. Eviews).

- The customs revenue index (X) has an adverse effect on the budget deficit index Y1 in the long term, and this means the higher the percentage of customs revenues, the lower the budget deficit, and this is identical to the hypothesis of the study.

$$CE = Y1(-1) - (-37.255361 * X + 24259532.361155)$$

Third: Correlation matrix between variables.

Table (9) Correlation matrix between model variables

Covariance Analysis: Ordinary			
Sample: 2004Q1 2022Q4			
Balanced sample (listwise missing value deletion)			
Correlation			
Probability	LOGY1	X	
Y1	1		

X	-0.574153	1	
	0.0000	-----	

Table: Outputs of the statistical program (13. Eviews).

We note from Table (9) the following:

- The customs revenue index X has an inverse correlation with the budget deficit index Y1, and this is consistent with the logic of economic theory.

Fourth: Post-tests

Variance heterogeneity test: The results according to the (ARCH) test and according to the (F-Test) statistic showed their insignificance and therefore we reject the hypothesis of the existence of the error variance homogeneity problem.

Table (10) Homogeneity Test

Heteroskedasticity Test: ARCH			
F-statistic	0.50526072	Prob. F(1,26)	0.48342
Obs*R-squared	0.53375331	Prob. Chi-Square(1)	0.46527

Table: Outputs of the statistical program (13. Eviews).

Autocorrelation problem: The results according to the (LM) test and the (F-Test) statistic showed their insignificance and therefore we reject the hypothesis of an autocorrelation problem, see Table (11) below.

Table (11) Results of the autocorrelation problem

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	2.24130	Prob. F(2,22)	0.1301
Obs*R-squared	5.24725	Prob. Chi-Square(2)	0.0725

Table: Outputs of the statistical program (13. Eviews).

The problem of normal distribution: The results showed that the estimated model is free of the problem of normal distribution of residues as follows:

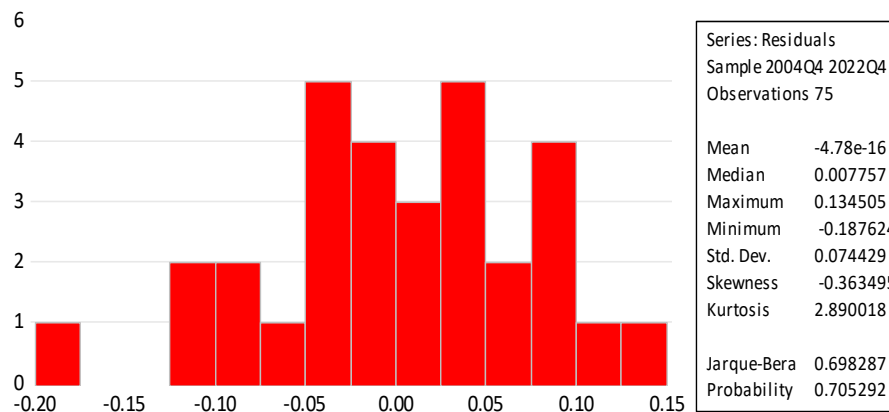


Figure: Outputs of the statistical program (13. Eviews)

Figure (1) Normal Distribution The Impact of Customs Revenues on the Budget Deficit

CONCLUSIONS AND RECOMMENDATIONS

First: Conclusions

Despite the expansion of the volume of imports, which represent the size of the tax base for customs taxes, they were not reflected on the proceeds of customs revenue, due to the low tax deduction rate, as shown in the Iraqi economy, as the rate reached 5% on all imported goods, which led to financial loss and loss of an important financial tributary.

The suspension of the imposition of customs revenues leads to the entry of most imported goods in large quantities into the Iraq without being matched by an increase in customs revenues, but in recent years we note the state's endeavour to increase its revenues, as the growth rate of customs revenues in 2017 reached (102.8%) and the percentage of its contribution to public revenues increased to (1.6%).

There are many reasons that led to the emergence of the deficit in the general budget of the sample countries throughout the study period, foremost of which is the imbalance of the structure of public spending, which is reflected in the contribution ratio of current expenditures, where we note the dominance of current expenditures on investment expenditures in the general budget, where the highest percentage (90.6%) in 2004 and the lowest percentage (66.1%) in 2013 or investment expenditures, it reached the highest rate (33.9%) in 2013.

Second: Recommendations

In light of the previous conclusions, some recommendations can be included, namely:

The need to address the imbalance in the structure of public revenues by activating the role of taxes and fees and reducing dependence on the oil resource.

Strengthening the principle of cooperation and joint coordination between ministries in order to reach a possible level of economic reform that would address the state of the public budget deficit.

Work to activate deterrent penal penalties in order to achieve justice, according to the laws in force and special, which concern customs treatment (customs output agents, employees, importers, exporters), which reflects positively on their discipline and commitment to instructions, and thus leads to an increase in customs revenues.

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