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The Modern Trends of Economic Relations Between Iraq and China for the Period 2010 -2023

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Abstract:

Purpose: The study aims to analyze and understand the economic relations between Iraq and China in the modern era, providing insights into their development, current status, and future prospects. It seeks to identify the key factors influencing these relations and to evaluate the impact of trade, investment, and geopolitical strategies on bilateral economic ties. Additionally, the study aims to offer a nuanced understanding of the challenges and opportunities present in the Iraq-China economic partnership.

Theoretical Framework: The study utilizes frameworks that explain bilateral economic relations, including theories on trade, investment, and geopolitical influence. It integrates insights and data from studies such as Shanshool (2022), Gul (2022), Wuthnow (2017), and Shareef (2016), providing a foundation for understanding the economic dynamics between Iraq and China.

Design/Methodology/Approach: A mixed-method approach was employed, combining qualitative and quantitative analyses with a historical examination of bilateral relations between Iraq and China. Data were gathered from sources such as the Observatory of Economic Complexity (2022) for China (CHN) and Iraq (IRQ), as well as academic databases including PubMed, Scopus, Web of Science, and Google Scholar to complement the financial and economic data with relevant literature. E-Views statistical software was utilized for data analysis. Linear correlation was applied to evaluate the strength and direction of relationships, with complemented by tests such as the Jarque-Bera Test, ADF Test, UR Test, Causality analysis, Cointegration, and the BPG Test.

Findings: The study provides insights into the historical development of Iraq-China relations, highlighting the challenges such as oil price volatility and political obstacles. The findings offer a detailed understanding of the contemporary economic relations between Iraq and China.

Research, Practical & Social Implications: Practical implications include recommendations for policymakers to strengthen infrastructure, streamline bureaucratic processes, and diversify investments beyond the oil sector. The study's insights can aid in formulating policies that enhance bilateral economic cooperation and address the identified challenges.

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Originality/Value: The originality and value of the study lie in its comprehensive analysis of contemporary Iraq-China economic relations. It explores less-studied areas such as technological cooperation and provides practical recommendations for fostering stronger economic ties. The study's mixed-methods approach, and the use of various statistical tools ensure a robust analysis of the bilateral economic dynamics.
Keywords: Economic Relations, Economic Growth, Trade, Development, Iraq-China.
JEL Classification Codes: F14, F15, F50, N75, O53, Q34, R11.
Research Type: Research Paper.

Authors' individual contribution: Conceptualization — S.H.I, & P.F.A.; Methodology — S.H.I.; Formal Analysis — S.H.I, & P.F.A.; Investigation — S.H.I.; Data Curation — S.H.I, & P.F.A.; Writing —Original Draft — S.H.I.; Writing — Review & Editing — S.H.I.; Visualization — S.H.I.; Supervision — S.H.I, & P.F.A.; Project Administration — S.H.I.

1.Introduction:

In recent decades, global economic and political transformations have made international cooperation and economic partnerships essential for economic growth and stability. Iraq, a major energy producer with vast natural resources, and China, one of the largest and fastest-growing emerging economies, are key players in this dynamic. This study examines the developments in economic relations between Iraq and China, the factors influencing these relations, and the challenges they face. It aims to provide valuable recommendations for enhancing these relations to achieve mutual benefits. The study analyzes trade volume, joint investments, and economic exchanges in fields from energy to infrastructure, focusing on future development. The research problem centers on how Iraq-China economic relations impact economic development, emphasizing the challenges and obstacles in cooperation. Key areas of study include the contributions of cooperation in energy and infrastructure to economic growth and the effects of oil price fluctuations and political instability on Chinese investments in Iraq. Understanding these relations can highlight opportunities and challenges, guiding the enhancement and development of cooperation for mutual benefit. The research aims to analyze current and future trends in Iraq-China economic relations, identifying opportunities and challenges.

1.1.Background Problem Statement:

In recent decades, global economic and political transformations have made international cooperation and economic partnerships crucial for fostering economic growth and stability. Iraq, a nation rich in natural resources and a significant energy producer, and China, one of the world's largest and fastest-growing economies, have emerged as key players in this dynamic. The evolution of economic relations between Iraq and China is marked by increased trade, investment, and collaboration across various sectors, particularly in energy and infrastructure. Despite the promising prospects, these relations are influenced by several challenges, including oil price fluctuations, political instability, and the complex geopolitical landscape. These factors have not only impacted the volume of trade and investment but also posed obstacles to deeper cooperation and sustained economic growth. The research problem focuses on understanding how the economic relations between Iraq and China affect the economic development of both nations, with a particular emphasis on identifying the challenges and obstacles that hinder the potential of this partnership.

Key areas of investigation include the contributions of bilateral cooperation in energy and infrastructure to economic growth, and how external factors like oil price volatility and political instability in Iraq affect Chinese investments. This study aims to provide valuable insights and recommendations for enhancing Iraq-China economic relations, ensuring mutual benefits, and addressing the challenges that stand in the way of stronger economic ties.

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1.2.Research Structure:

The structure consists of the first section, which provides an introduction highlighting the importance of international cooperation for achieving growth, focusing on the economic relations between Iraq as an energy producer and China as an emerging economic power. The second section rE-views previous studies to identify gaps and develop research hypotheses concerning the impact of oil price fluctuations and political instability on the relationship between the two countries. The third section presents the research methodology, emphasizing international trade theories and analyzing the relationships between key variables. The fourth section provides the results of the statistical and economic analysis and their interpretation. Finally, the fifth section includes a summary of the findings and recommendations to enhance economic cooperation between Iraq and China, along with a comprehensive list of references.

1.3. Research Hypothesis:

The null hypothesis (H0) is that there is no statistically significant relationship between oil price fluctuations, political instability in Iraq, and the volume of Iraqi exports to China during the period 2010-2023. And the alternative hypothesis (H1) is that there is a statistically significant relationship between oil price fluctuations, political instability in Iraq, and the volume of Iraqi exports to China during the same period.

2.Literature Review And Hypothesis Development:

By reviewing these studies, comprehensive overview of past developments and the conclusions reached, which helps identify gaps in the literature and determine future research directions:

The study by **Calabrese (1998)**, titled "China and Iraq: An Interest in Stability", recognizes the strategic importance of the Gulf due to its vast energy resources and the historical competition among major powers. China opposed any foreign power, especially that hostile to China, from controlling the Gulf. In recent years, China has also developed its economic interests in the region. The study examines how China balances its strategic and economic interests to achieve stability in the Gulf region. Overall, the study highlights the importance of stability in the Arabian Gulf for China's foreign policy and provides insights into the historical and strategic dynamics at play in the region (Calabrese, 1998).

The study by **Qian (2010),** titled "China's Energy Cooperation with Oil-Producing Countries in the Middle East," explores China's energy challenges, emphasizing that despite its coal abundance, China faces a significant oil and gas shortage. This structural issue has driven China to increase its reliance on foreign oil supplies. To address this, China has focused on energy diplomacy and enhancing cooperation with oil-producing countries in the Middle East. The study highlights the critical role of these partnerships for China's energy security, noting that despite investment challenges, China continues to strengthen its cooperation with Middle Eastern nations to secure its energy needs and foster positive relations (Qian, 2010).

The study by **Dorraj & English (2012)**, titled "China's Energy Strategy in the Middle East: Opportunities for Conflict and Cooperation with the United States," examines China's energy strategy in the Middle East and its potential economic impacts. The study reveals that China leverages its financial power to secure access to Middle Eastern energy resources through various projects and joint ventures with oil companies, utilizing its substantial foreign currency reserves. It underscores China's economic strength, which enables political engagement in the region to ensure energy security and explores the potential for both conflict and cooperation with the US (Dorraj & English, 2012).

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The study by **Lin (2013)**, titled "China's Strategic Shift Towards the Four Seas Region: The Middle Kingdom Reaches the Middle East", explores China's strategy to extend its influence in the Middle East amid a declining US presence. As the US pivots towards the Asia-Pacific, China seeks to capitalize on this shift by strengthening political, economic, and military ties with countries around the Black Sea, Mediterranean, Arabian Sea (Persian Gulf), and Caspian Sea. The study evaluates the implications of China's growing presence for US interests and provides recommendations for how Washington might respond. It emphasizes China's strategic moves, including the Belt and Road Initiative, to bolster its position in the region (Lin, 2013).

Liu 's (2014) study, "China's Resource Demand and Market Opportunities in the Middle East: Policies and Practices in Iran and Iraq," examines China's investment in Iran and Iraq. It highlights that Chinese state-owned oil companies invest in these countries not just for energy resources but also for broader trade benefits. The study notes that these investments include service agreements rather than direct guarantees of oil and gas exports to China, driven by strategic and managerial considerations beyond immediate energy needs (Liu, 2014).

The study by **George (2015)**, titled "Direct Sea Trade Between Early Islamic Iraq and Tang China: From the Exchange of Goods to the Transmission of Ideas", examines maritime trade between China during the Tang period and early Islamic Iraq from the 7th to the 10th century. The study traces the emergence of Gulf trading communities in Chinese ports and analyzes the social and economic conditions that facilitated the exchange of ideas between them. Studies based on various scientific disciplines show that trade patterns were more regular than previously thought and played a significant role in cultural exchange between these two civilizations (George, 2015).

Al-Shafiy's (2015) study, "A Successful Beginning and Ambitious Cooperation Plan with CNPC and CNOOC in Iraq," rE-views the evolution of China-Iraq cooperation, especially in the oil sector, starting from the post-Gulf War period and through the economic sanctions imposed on Iraq. It highlights the role of Chinese oil companies following the 2003 US invasion, leading to significant contracts and increased oil imports from Iraq. Despite initial obstacles like UN sanctions, the study notes a rapid growth in Chinese oil imports from Iraq and predicts continued expansion, showcasing the successful economic partnership between the two countries in the oil industry post-invasion (Al-Shafiy, 2015).

The study by **Shareef (2016)**, titled "China's Dual Diplomacy: Arab Iraq and the Kurdistan Region", focuses on Iraq's foreign relations with both the East and the West, as well as international institutions. It discusses Iraq's trade partnership with China in the Eastern Hemisphere, interactions with Western powers such as the United States, and engagement with international institutions. The study provides insight into the complexities of Iraq's foreign relations and emphasizes the strategic importance of its relationship with China in the global context. Overall, it serves as a valuable reference for understanding the challenges and opportunities Iraq faces in dealing with major global powers (Shareef, n.d.).

Wuthnow's (2017) study, "Belt and Road Initiative (BRI) from a Chinese Strategic Perspective," explores the BRI's goals, risks, and implications. The study details how the BRI seeks to enhance regional stability, boost China's energy security, and expand influence in Eurasia by stabilizing China's peripheries, diversifying energy routes, and reducing dependence on the Malacca Strait. It addresses economic challenges such as credit risk and corruption, security threats like regional conflicts and terrorism, and opposition from major powers. The study argues that China must use a mix of military, intelligence, diplomatic, and economic strategies to overcome these challenges and sustain the BRI, recommending cooperative strategies to minimize conflicts with major powers like the U.S. (Wuthnow, 2017).

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The study by **Albdeery (2019)**, titled "China's Relations with Neighboring Countries: Iraq as a Model", highlights the development of Chinese relations with Middle Eastern countries, focusing on the shift towards strategic partnerships. China's projects in the Middle East are described as essential due to the region's significance within Asia and globally. The study highlights China's dynamic approach to enhancing economic and political relations in the Middle East, particularly through strategic initiatives with Central Asian and Middle Eastern countries. It delves into China's interests, tools, and strategies in the region, using Iraq as a case study (Albdeery, 2019).

The study by **Emerald Expert (2020)**, titled "Iraq Could Increasingly Depend on Chinese Oil Companies", highlights the shift that paved the way for Chinese investments and projects in Iraq's oil industry. The research indicates that Chinese oil companies are establishing a strong foothold in Iraq, while some Western companies are scaling back operations due to financial constraints and strategic changes. The Iraqi government is focusing on expanding gas energy generation alongside oil production, providing opportunities for Chinese companies to invest in major projects as investors and contractors (Emerald Expert Briefings, 2020).

Al-Taie (2021) examines "The US Trade Policy Between Protectionism and Economic Dumping for the Period 2009-2021: Implications for China and Iraq," focusing on the economic dynamics between the US, China, and Iraq, especially concerning oil. The study rE-views US trade policy from 2011 to 2021, highlighting the impact of the US-China trade war on global trade prices and its negative effects on the global economy. It suggests that resolving the trade conflict could benefit emerging oil economies like Iraq by increasing oil prices and enhancing trade. The study underscores the importance for Iraq to sustain strong trade relations with both China and the US for its economic advantage (Al-Taie, 2021).

Munim's (2022) study, "Analyzing the Impacts of the US-China Trade Conflict on Arab Economies with a Special Reference to Iraq," examines the economic effects of the trade conflict between the US and China on Arab countries, particularly oil-rich ones. The study highlights the significant impact on these countries due to their economic ties with both superpowers. It suggests strategies for Iraq to mitigate negative effects, such as diversifying economic policies and leveraging opportunities from both US and China relations while maintaining political independence. The study underscores the need for Arab countries to adapt their economic strategies in response to the trade conflict (Munim & Hamoud, 2022).

The study by **Shanshool (2022)**, titled "Iraqi-Chinese Economic Relations for the Period (2014-2021)", explores the historical interactions between Iraq and China with a focus on developments since the fall of the Iraqi regime and the role of Chinese oil companies. It examines factors at local, regional, and international levels, emphasizing the growing competition between China and the U.S. for influence in resource-rich areas. The study also evaluates prospects for their economic relationship, suggesting potential growth scenarios based on global economic changes. Findings indicate increased economic cooperation between Iraq and China, offering insights into their evolving partnership and future growth opportunities (Shanshool, 2022).

The study by **Oxford Analytica (2022)**, titled "Iraq Could Increasingly Depend on Chinese Oil Companies", highlights the growing influence of Chinese firms in Iraq's oil sector. Chinese companies have secured strong positions and significant profits in recent bidding rounds. In contrast, some Western firms are considering scaling back investments due to economic challenges and strategic shifts. The study notes that, as Iraq seeks to boost production amid eased OPEC restrictions, the role of gas is becoming more prominent. Additionally, large infrastructure projects offer opportunities for Chinese companies to invest and participate as entrepreneurs in Iraq's energy sector (Oxford Analytica, 2022).

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Gul's (2023) study, "The New Era in Continuity of the China-Iraq Relationship," examines the development of China-Iraq relations, which were minimal until the late 1970s and declined in the 1990s but have since significantly strengthened, especially post-2003, due to the oil sector. The study evaluates various local, regional, and international factors, including the impact of China's Belt and Road Initiative in Iraq. Utilizing Nye and Keohane's complex interdependence model, it predicts three potential future scenarios for their economic relationship, with development and growth being the most likely. The study provides insights into the historical and current dynamics of China-Iraq relations, emphasizing future growth opportunities and challenges in the context of global economic and political shifts (Gul, 2023).

Mukhlif (2023) explores "The Belt and Road Initiative and Its Prospects: Iraq as a Model - A Strategic Vision: Political Issues," examining the BRI's goal of revitalizing the Silk Road to boost global trade and regional development. Iraq's role as a major energy producer and strategic hub highlights its importance in China's BRI strategy. The study emphasizes Iraq's connectivity between the Arab world and Asia, vital for securing China's energy needs. The BRI aims to enhance global trade, promote regional economic growth, and increase China's geopolitical influence through strategic partnerships and infrastructure development in Iraq (Mukhlif & Dawood, 2023).

The study by **Saeed (2023)**, titled "Growth of Chinese Influence in Iraq During the Period from the US Invasion Between 2003-2013", reveals that the invasion did not bolster the US position in Iraq, as Iraqis resisted the occupation until US forces withdrew in 2011. The war cost the US more than $3 trillion with little economic benefit. China, which opposed the war from the beginning, seized opportunities post-war to enhance its military and intelligence capabilities. China's post-war political strategy bolstered its commercial and economic presence in Iraq, leading many to view China as the primary beneficiary of the conflict (Saeed & Mahmod, 2023).

2.1. Hypothesis Development: Based on the comprehensive literature review provided, the following hypothesis development can be formulated to guide research on the trends in economic relations between Iraq and China in the modern era:

2.1.1. Economic Growth and Trade Dynamics: The hypothesis that Chinese investment in Iraq's oil sector significantly enhances Iraq's exports to China is grounded in research by Shanshool (2022) and Munim (2022). These studies emphasize the pivotal role of Chinese oil companies in Iraq and their substantial impact on trade dynamics. As Chinese investment in Iraq's oil sector increases, it is expected that Iraq's export volumes to China will also grow. Shanshool (2022) highlights significant developments in economic relations within the oil sector, while Munim (2022) underscores the potential for further Chinese investments in Iraq's oil industry.

2.1.2. Impact of Political Stability: The hypothesis that political stability in Iraq positively affects the trade volume between Iraq and China is supported by the work of Shareef (2016) and Saeed (2023). These scholars discuss how political stability influences Iraq's foreign relations and trade patterns. A stable political environment is likely to enhance trade relations by providing a more secure environment for investments and trade activities. Shareef (2016) examines the complexities of Iraq's foreign relations, and Saeed (2023) explores how post-war strategies and political stability have impacted China's economic presence in Iraq.

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2.1.3. Influence of the US-China Trade Conflict: The hypothesis that the US-China trade conflict significantly impacts Iraq-China trade relations, potentially increasing Iraq's reliance on Chinese markets, is explored by Al-Taie (2021) and Munim (2022). These studies analyze how the US-China trade conflict affects global trade patterns and specifically Iraq's economic ties with China. Increased trade tensions between the US and China may present greater economic opportunities for Iraq to strengthen its trade relations with China. Al-Taie (2021) discusses the broader implications of the US-China trade conflict on Iraq's economy, while Munim (2022) delves into its effects on Arab economies, including Iraq.

2.1.4. Belt and Road Initiative (BRI) and Economic Opportunities: The hypothesis that the Belt and Road Initiative (BRI) significantly boosts economic cooperation between Iraq and China, leading to increased trade and investment opportunities, is highlighted by Mukhlif (2023) and Liu (2014). These studies underscore the strategic importance of the BRI in fostering economic relations and investment opportunities. Iraq's strategic location and abundant energy resources make it a key player in the BRI, which is expected to enhance economic collaboration between the two countries. Mukhlif (2023) explores Iraq's strategic role in the BRI, while Liu (2014) discusses China's demand for resources and the resulting market opportunities in Iraq.

2.1.5. Historical Trade Relations: The hypothesis that historical trade relations between Iraq and China significantly influence contemporary economic relations and trade patterns is supported by George (2015). This research provides historical context on trade between early Islamic Iraq and Tang China, suggesting that these historical ties continue to shape modern trade dynamics. George (2015) investigates historical trade patterns and their lasting impact on current economic relations.

These hypotheses, derived from comprehensive literature rE-views, aim to explore various factors such as investment dynamics, political stability, trade conflicts, the BRI, and historical trade relations that influence the economic ties between Iraq and China. Testing these hypotheses will provide deeper insights into the trends and drivers of this bilateral relationship.

3.Methodology:

3.1. Research's Sample:

The sample for this research includes data collected from various official sources such as the Observatory of Economic Complexity for both China (CHN) and Iraq (IRQ). This sample encompasses economic indicators, trade volumes, investment figures, and geopolitical data spanning the period from 2010 to 2023. The sample is chosen to ensure a comprehensive understanding of the economic relations between Iraq and China, reflecting both historical and contemporary trends.

3.2. Research Tools:

To collect data related to the practical dimension of the research, several research tools were employed:

- **Document Analysis:** Review of official reports, trade agreements, and policy documents from both countries.
- **Data Sources**: From Observatory of Economic Complexity (2022) China (CHN) and Iraq (IRQ) Bilateral trade, including the Central Bank of Iraq.

3.3. Data Analysis:

The data analysis was conducted using a mixed-methods approach to ensure robust findings:

- **Quantitative Analysis:** Statistical tools such as Augmented Dickey-Fuller tests, Cointegration Analysis, and Unit Root tests were utilized to examine the stability and long-term integration of key economic variables. The statistical analysis aimed to identify trends and correlations between oil prices, political stability, and trade volumes.

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- **Qualitative Analysis:** Thematic analysis of qualitative data from interviews and questionnaires was performed to identify recurring themes and insights regarding the economic relationship between Iraq and China.
- **Comparative Analysis**: A comparison of different time periods and economic scenarios to evaluate the impact of various factors on bilateral trade and investment.

3.4. Study Model:

The study model displays the relationship between the research variables, specifically focusing on independent Variables (Oil price fluctuations and political stability in Iraq with dependent Variables (Volume of Iraqi exports to China, investment levels, and trade balance).
The model hypothesizes that fluctuations in oil prices and political stability significantly impact the volume of Iraqi exports to China. By using econometric models, the study aims to validate the relationships and provide a nuanced understanding of the factors driving economic relations between Iraq and China.

3.5. Concepts of International Trade:

3.6. The Concept of Trade:

Involves the exchange of goods and services, including exports, imports, international migration, and capital movements. It is crucial for the global economy, as no country can sustain itself in isolation. Countries export their goods and services and import what their population needs (Hassan, 2000:29). Trade relies on the principle of "comparative advantage," introduced by David Ricardo, where differing production costs determine exports and imports. The Heckscher-Ohlin model explains that trade arises from varying resources among countries and emphasizes the relationship between the prices of goods, services, and production factors (Hussein, 2009:5).

3.7.The Importance of International Trade:

Is crucial for linking countries and communities and for managing surplus production beyond local market needs. It indicates a country's productive and competitive capabilities, affecting foreign currency reserves and the trade balance (Ljalaj, 2015:163). It allows countries to obtain goods at lower costs, increases national income through specialization, and facilitates the transfer of essential technologies and information. International trade balances domestic supply and demand, improves tastes, meets various needs, and fosters friendly international relations, supporting political globalization efforts (Al-Assar, 2000:12).

3.7.1. Reasons for International Trade:

International trade arises from complex economic relationships and differences in relative prices, which drive international exchange. Profit incentives and market systems are crucial, as trade would not occur without potential gains and profits:

3.7.2. Necessity of Economic Exchange with Foreign Countries:

Foreign economic relations are necessary due to the unequal distribution of production factors like climate, resources, human capital, and technology among countries. These differences prevent self-sufficiency. International trade enables countries to efficiently use their resources, maximize production, and meet goods demand through imports and exports (Abdat, 2010:38).

3.7.3. International Specialization:

Specialization in production is influenced by geographical factors and resource distribution. Countries specialize in goods that align with their natural resources, producing them more efficiently and at lower costs. They export these goods and import those they cannot produce efficiently, based on comparative advantage, enabling them to obtain necessary goods through international trade (Matar, et al., 2002:17).

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3.7.4. Enhancing the Use of Technology in Production:

Technology influences the efficient use of economic resources. High-tech countries benefit from increased productivity, reduced costs, and enhanced competitiveness. Conversely, countries with low technology face inefficient production, higher costs, and lower competitiveness. Investing in technology is crucial for improving productivity, reducing costs, and fostering economic growth (Bouchenguir & Qataf,2013:102-103).

3.7.5. Participation in International Economic Relations:

Participation in international cooperation enhances trade exchange and strengthens economic ties between countries. It facilitates technology transfer and knowledge exchange, improving production efficiency and competitiveness. In stable conditions, it promotes economic and political stability, leading to mutual gains. However, during crises, economic interactions may shrink, reducing cooperation and hindering trade. Thus, while international cooperation is vital for stability and growth, flexible strategies are needed to address challenges during exceptional times (Fadel, 2013:124).

3.8.Strategic Economic Goals of China:

3.8.1. Energy Supplies:

Is a crucial focus of China's Middle Eastern relations, driven by the need to secure foreign energy assets for its expanding economy. China's concern over the security of its maritime energy supply lines, particularly through the Malacca Strait where 80% of its oil imports pass, is heightened by U.S. maritime dominance. This situation makes China anxious about potential disruptions to its energy supplies. To mitigate these risks, China is investing in renewable energy projects like solar and wind power and is developing energy infrastructure in the Middle East, such as refineries and pipelines, to ensure a stable and reliable energy flow (Lin, 2013:32).

3.8.2. Access to European and African Markets:

For China, the Middle East is a vital commercial hub for accessing European and African markets. The region connects Europe, Africa, and Asia with Chinese markets and is central to China’s strategy for economic growth due to its strategic location and energy reserves. China is strengthening trade relations with the Middle East through free trade agreements that reduce tariffs and is using technology and digital infrastructure to enhance global market reach, boost e-commerce, and improve access to European and African consumers (Boten & Mohan, 2014:2).

3.8.3. Belt and Road Initiative (BRI):

Is China's effort to secure energy assets and supply chains while accessing markets by revitalizing the Silk Road. This initiative connects China to Central Asia and the Middle East via overland and maritime routes, aiming to restore China’s historical prominence. The BRI also seeks to reduce risks from potential maritime blockades by the U.S. It focuses on improving Middle Eastern infrastructure, including roads, railways, and ports, and promotes joint investments in infrastructure and energy projects. Additionally, the BRI enhances cultural and scientific exchanges, fostering stronger bilateral relationships and mutual understanding (Cai, 2017:3).

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Figure 1: Belt & Road Initiative (BRI) of China
Source: IAS Express. (2021, June 10). Belt & Road Initiative (BRI) of China – Will it benefit India? Retrieved from https://www.iasexpress.net/belt-road-initiative-bri-china-india-benefits-upsc/

Despite the positive outlook from the Chinese government, the Belt and Road Initiative (BRI) faces several risks. Economically, there are concerns about credit risks, macroeconomic challenges, and issues of governance and corruption in partner countries. Security-wise, there are operational risks from regional conflicts and threats like terrorism and piracy, as well as strategic risks from potential opposition by other major powers (Wuthnow, 2017:13).

3.9.The Reality of International Trade and Between Iraq and China:

3.9.1. Providing Essential and Advanced Products:

Chinese exports significantly boost the Iraqi economy by providing essential products and technology. They supply machinery and equipment for construction projects, support industries with plastics and rubber, offer affordable textiles and clothing, diversify food sources, and enhance technology transfer with advanced electronics and machinery. Strong trade relations with China also contribute to stable political ties, further supporting economic growth.

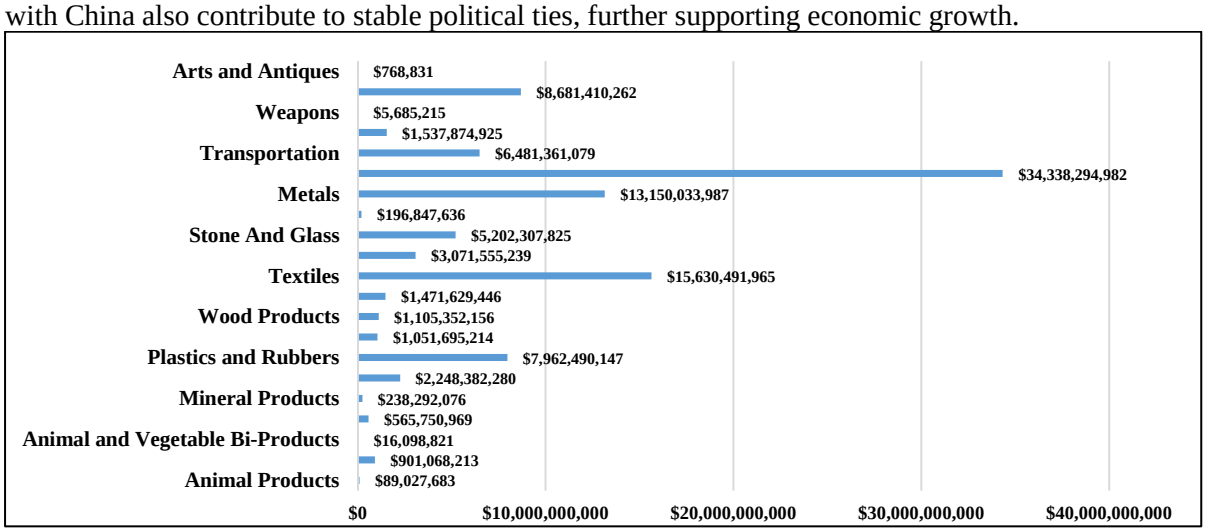

Figure 2: Common products exported to Iraq from China
Source: OEC China (CHN) and Iraq (IRQ). Retrieved from https://oec.world/en/profile/bilateral.

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As shown in the figure (2) between (2010 and 2022), Iraq imported a diverse range of products from China, with the total value of Chinese exports to Iraq during this period amounting to approximately $85,173,264,498. Among the products exported by China to Iraq, machinery topped the list with the highest total value of ($34,338,294,982). Plastics and rubbers came in second with a value of ($7,962,490,147), followed by textiles in third place with a value of ($15,630,491,965). On the other hand, weapons and antiques were among the least exported products, with weapons achieving the lowest value of ($1,069,055) and antiques valued at ($3,638,689).

3.9.2. Chinese Exports to Iraq:

The figure (3) reveals a significant increase in Chinese exports to Iraq, rising from ($3.6 billion) in (2010) to ($14 billion) in (2022). This indicates a substantial growth in demand for Chinese products in the Iraqi market. The notable increase in recent years (2020, 2021, and 2022) may be linked to the growth in economic relations between the two countries and the heightened demand for Chinese goods in Iraq due to the expansion of infrastructure and development projects.

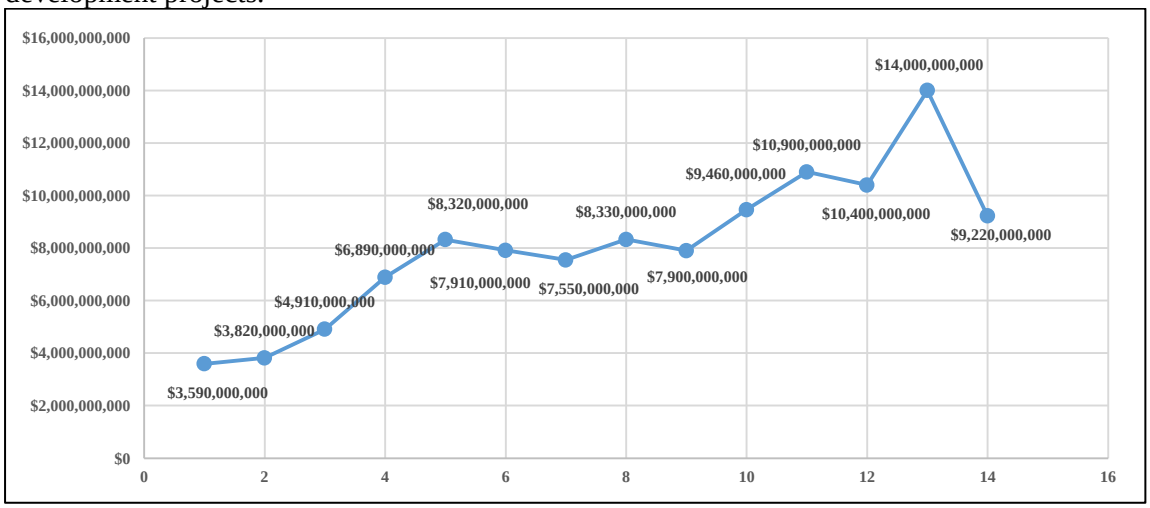

Figure 3: China's exports to Iraq during the period (2010 to 2023) in dollars
Source: OEC China (CHN) and Iraq (IRQ). Retrieved from https://oec.world/en/profile/bilateral.

3.9.3. Iraq's Oil Exports to China:

As shown in figure (4), Iraq's oil exports to China increased significantly from ($5.6 billion) in (2010) to ($34 billion) in (2022). This growth reflects the rising demand for Iraqi oil, which is a key energy source for China. However, there are noticeable fluctuations in value between the years, such as the declines in (2016) and (2020), which may be due to global oil price volatility or changes in Chinese demand for oil.

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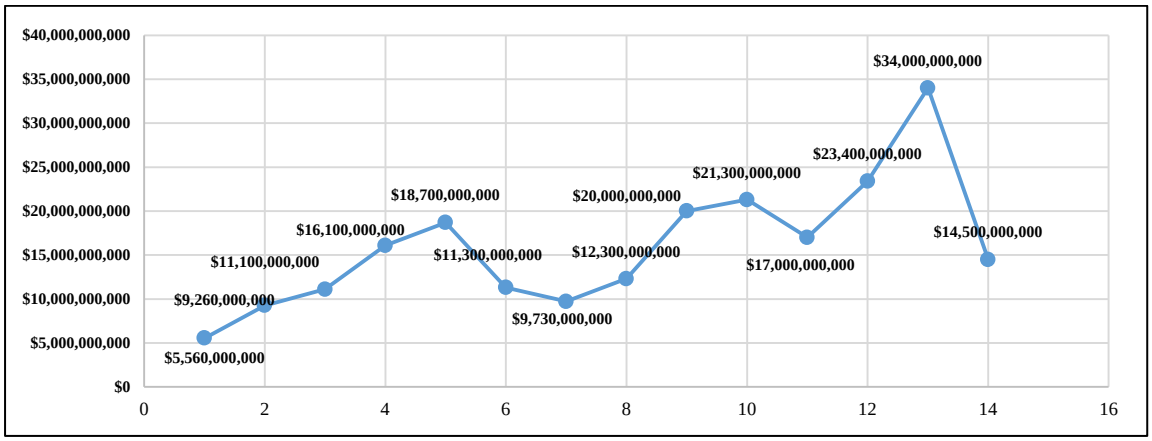

Figure 4: Export Iraq to China from Crude Petroleum and Refined Petroleum and Petroleum Coke during (2010 to 2023) in dollars, **Source**: OEC China (CHN) and Iraq (IRQ). Retrieved from https://oec.world/en/profile/bilateral.

3.9.4. The Relationship Between Iraqi Oil Prices and Iraq's Oil Exports to China:

The relationship between Iraqi oil prices and the volume of Iraq's oil exports to China reflects a complex interplay between global market prices and trade flows between the two countries. As shown in figure (4), during the years (2010-2014), there were significant fluctuations in oil prices. Prices rose markedly from around ($79.61 per barrel in 2010) to ($109.45 per barrel in 2012) before beginning to decline. The sharp drop in prices during (2015-2016) saw prices fall below ($50 per barrel). This decline can be attributed to fluctuations in global supply and demand, including the impact of increased production from the United States and other countries. From (2017 to 2022), oil prices stabilized and increased gradually, rising from approximately ($52.43 per barrel in 2017) to around ($100.08 per barrel in 2022), with some fluctuations. This period of stability and growth in prices may have influenced the increased volume of oil exports from Iraq to China, reflecting the broader economic dynamics and trade relationships between the two nations.

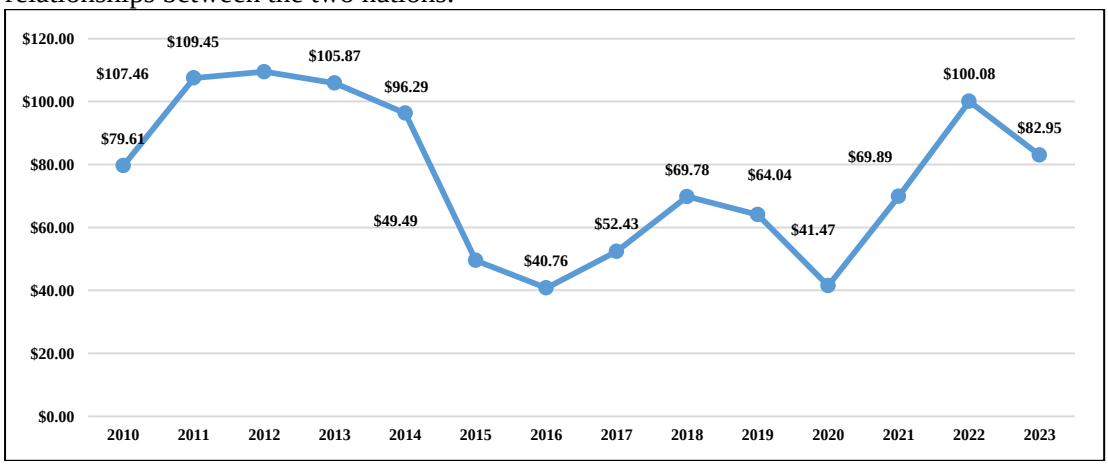

Figure 5 : The Price of Iraqi Oil Per Barrel during the period (2010 to 2023) in dollars
Source: OEC China (CHN) and Iraq (IRQ). Retrieved from https://oec.world/en/profile/bilateral.

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Higher oil prices enhance Iraqi oil export revenues, even if export volumes are stable, as demonstrated in (2011 and 2012). When prices drop, as in 2015 and 2016, revenues may decline despite increased export volumes. Recent price increases in (2021 and 2022) resulted in higher revenues, although export volumes did not see significant growth. Additionally, higher prices in (2019 and 2022) led to increased export volumes, indicating strong demand or price stability. Even during low price periods like (2015 and 2016), high export volumes persisted, showing steady or rising Chinese demand for Iraqi oil.

3.10. Analyzing Relationships Between Variables:

3.10.1. Analysis Between Research Variables:

To achieve the research objective, the linear correlation coefficient was applied to analyze the relationship between the target variables. For a more precise evaluation of the hypotheses, the null hypothesis (H0) suggests no statistically significant relationship between oil price volatility, political instability in Iraq, and Iraq's exports to China from 2010 to 2023. Conversely, the alternative hypothesis (H1) suggests a statistically significant relationship between these factors and Iraq's exports to China during the same period.

3.10.2. Applying the Equation:

To incorporate the defined variables into the time-series equation, we need to define each variable and substitute it into the following equation be expressed as (Baltagi,2008:53):

$$x_t = \sum_{i=1}^{n} a_i x_{t-i} + \sum_{j=1}^{m} b_j y_{t-j} + e_{1t}$$

$$\text{Iraq's exports to China}_t = \sum_{i=1}^{n} a_i x_{t-i} + \sum_{j=1}^{m} b_j (OIL_{t-j} + POL\_INST_{t-j}) + e_t$$

Xt: Lagged values of Iraq's exports to China.
OILt−j: Oil price fluctuations at time.
POL_&INSTt−j: Political instability at time.
ai: Coefficients for lagged values of export volume
bj: Coefficients for lagged values of oil price fluctuations
et: Error term at time.

3.10.3. Equation Analysis:

The analysis reveals that Iraq's exports to China are heavily influenced by previous export performance, due to existing trade relationships, long-term contracts, or persistent trade patterns. Additionally, changes in oil prices significantly impact Iraq's export volume to China, reflecting the country's reliance on oil.

3.11. Possible Tests and Tools to Obtain the Results:

The analysis involves various tools and tests, including the Jarque-Bera Test, which assesses if data follows a normal distribution by examining skewness and kurtosis, where a high value indicates a significant deviation from normality and a low value suggests a good fit (Ciuiu, 2008). The Augmented Dickey-Fuller (ADF) Test determines if a time series has a unit root, indicating non-stationarity, with the null hypothesis positing a unit root and the alternative suggesting stationarity (Mohamed, 2009). Other unit root tests like PP and KPSS are essential for checking stationarity in time series analysis, influencing model selection and policy decisions (Shrestha, 2066). Causality tests, such as Granger causality, help understand economic relationships and predict how one variable influence another (Sheikh, 2012; Paulrre, 1985). Estimating variable relationships involves model specification, data collection, parameter estimation, and diagnostic testing to understand dynamics and guide decisions, with Variance Inflation Factors (VIF) used to identify multicollinearity that can distort regression estimates (Verbeek, 2017; Murray, 2012). Cointegration analysis examines whether time series share a long-term equilibrium relationship, where exceeding the tabulated value indicates the series are not spurious and are stationary (Bresson, 1995; Engle & Granger, 1987; Abdul Qadir, 2004).

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The Breusch-Pagan-Godfrey Test detects heteroskedasticity, where error variance in a regression model varies, violating the assumption of constant variance in ordinary least squares (Andriani, 2017).

4.Results:

In the analysis of economic data, both statistical and economic results are crucial for drawing meaningful conclusions and making informed decisions. The statistical results offer a quantitative understanding of the data, while the economic results provide insights into the implications of these statistical findings within the broader economic context:

Table 1: Economic interpretation of descriptive statistics for Iraqi and Chinese exports

Descriptive Statistics	Price Oli of Iraq	China's Exports	Iraq's Exports
Jarque-Bera	1.188267	0.148259	1.671453
Probability	0.552041	0.928552	0.433559

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

Table (1) summarizes the descriptive statistics and Jarque-Bera test results, detailing the means, variations, and ranges of the three variables analyzed. The p-values for Iraqi oil prices, Chinese exports, and Iraqi exports are all above 0.05, indicating that the null hypothesis (H0) cannot be rejected. This suggests that there is no statistically significant relationship between oil price changes, political instability in Iraq, and the volume of Iraqi exports to China, with the data adhering to a normal distribution. Although the results suggest stability in trade relations, the fluctuations in prices and exports reflect the influence of various economic and political factors on trade dynamics between the two countries.

Table 2: Extended Dickey-Fuller (ADF) test for Iraqi and Chinese exports

Variable	t-Statistic	Prob.	Level 1%	Level 5%	Level 10%
China's Exports (Constant)	0.048087	0.9457	-4.12199	-3.14492	-2.71375
China's Exports (Constant, Trend)	-1.83454	0.6257	-4.99228	-3.8753	3.38833
Iraq's Exports (Constant)	0.070534	0.9443	-4.29707	-3.2127	-2.74768
Iraq's Exports (Constant, Trend)	-2.30484	0.3994	-5.12488	-3.93336	-3.42003

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

Table (2) reveals that the Augmented Dickey-Fuller (ADF) test value for Chinese exports is (0.048087), which exceeds the critical values at the 1%, 5%, and 10% levels, indicating that the null hypothesis of a unit root in Chinese exports cannot be rejected. The high p-value of (0.9457), which is close to 1, further supports this conclusion. This implies that the Chinese export data series is non-stationary and exhibits significant fluctuations, due to factors such as global demand changes, trade policies, economic fluctuations, oil price variations, and political instability in Iraq. The stationarity test results suggest that the performance of Chinese exports to Iraq is unstable, highlighting the need for further analysis to understand the economic relations between the two countries and the impact of these factors on trade dynamics.

Table 3: Dickey-Fuller (ADF) Tests Indicating Varying Impacts of Different Variables

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Chinese Exports (-1)	0.007996	0.166277	0.048087	0.9626
C	8.08E+08	1.30E+09	0.620086	0.5491

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

Table (3) shows the results from the Augmented Dickey-Fuller (ADF) tests, revealing that changes in Chinese exports are only slightly influenced by their previous values, indicated by a very small coefficient (0.007996) and a minimal t-statistic (0.048087). The high p-value (0.9457) confirms the non-stationarity of Chinese exports, as the null hypothesis of a unit root cannot be rejected. Additionally, the constant term is not statistically significant (t-statistic = 0.620086, p-value = 0.5491), suggesting its minimal impact on export changes. Overall, the

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model's fitness and dispersion measures indicate it may not effectively capture the dynamics of Chinese exports.

Table 4: Test Unit Root Iraq's Exports.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Iraqi Exports (-1)	-1.12472	0.487981	-2.30484	0.0546
D Iraqi Exports (-1)	0.105027	0.44221	0.237534	0.8184
C	3.20E+09	7.24E+09	0.44167	0.6681
@TREND (2010)	-3.12E+08	5.58E+08	-0.55913	0.5902

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

In Table (4), the t-statistic of (-2.304842) is slightly above the critical value of (-3.212696) at the (5%) confidence level. This suggests insufficient evidence to reject the hypothesis that Iraq's exports contain a unit root. The probability associated with this statistic is (0.0546), indicating a (5.46%) chance of rejecting the null hypothesis. Given its proximity to the (5%) level, it is challenging to conclusively reject the null hypothesis. This implies that Iraq's exports might exhibit long-term instability.

Table 5: Causality for Variables Iraqi oil prices, Chinese exports, and Iraqi exports

Null Hypothesis	Obs	F-Statistic	Prob.
China's Exports Does Not Granger Cause Price Oil of Iraq	14	0.05036	0.9513
Price Oil of Iraq Does Not Granger Cause China's Exports	14	3.46269	0.1004
Iraq's Exports Does Not Granger Cause Price Oil of Iraq	14	0.97537	0.4298
Price Oil of Iraq Does Not Granger Cause Iraq's Exports	14	1.66332	0.2662
Iraq's Exports Does Not Granger Cause China's Exports	14	3.29596	0.1082
China's Exports Does Not Granger Cause Iraq's Exports	14	1.88856	0.2311

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

Table (5) shows that the Granger causality tests do not provide strong evidence for bidirectional causal relationships among Iraqi oil prices, Chinese exports, and Iraqi exports. This implies that fluctuations in Iraqi oil prices do not significantly influence Chinese or Iraqi exports, and the impact runs the other way as well. It suggests that other factors, such as economic and trade policies and geopolitical issues, may be more influential in shaping the economic interactions among these variables.

Table 6: Estimation of The Relationship Between Oil Prices and Chinese and Iraqi Exports

Variable	Coefficient	Std. Error	T-Statistic	Prob.(P-Value)
China's Exports	-1.51e-08	2.99e-09	-5.04479	0.0005
Iraq's Exports	5.53e-09	1.15e-09	4.82608	0.0007
C (Constant)	107.3844	12.70499	8.452141	0

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

In Table (6), the regression analysis of Iraqi oil prices reveals statistically significant relationships with both Chinese and Iraqi exports. For Chinese exports, the regression coefficient was (-1.51E-08), with a standard error of (2.99E-09), a t-value of (-5.044793), and a p-value of (0.0005). These results indicate a strong inverse relationship that is statistically significant at the 0.05% level. This means that an increase in Chinese exports is associated with a decrease in Iraqi oil prices. Regarding Iraqi exports, the regression coefficient was (5.53E-09), with a standard error of (1.15E-09), a t-value of (4.826080), and a p-value of (0.0007). These results indicate a strong positive relationship that is statistically significant at the 0.05% level. This implies that an increase in Iraqi exports is linked to an increase in Iraqi oil prices. These findings suggest that changes in Chinese and Iraqi exports are influenced by fluctuations in Iraqi oil prices, highlighting the interdependencies and economic dynamics between these variables.

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Table 7: Variance Inflation Factors China's Exports and Iraq's Exports

Variable	Variance	Uncentered VIF	Centered VIF
China's Exports	8.96E-18	38.20918	4.116993
Iraq's Exports	1.31E-18	24.47364	4.116993
C (Constant)	161.4167	9.604213	NA

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

Table (7) presents the economic interpretation of the VIF test results, both China's exports and Iraq's exports is (4.116993). According to the general rule, a VIF value greater than 10 may indicate a problem of multicollinearity. Since the current values are less than 5, the multicollinearity in this model is considered moderate and not a major concern. The Uncentered VIF shows high values, with (38.20918) for China's exports and (24.47364) for Iraq's exports. These values may indicate multicollinearity in the full model, including the constant term. However, the Centered VIF is typically used to more accurately assess the extent of linear multicollinearity. The Uncentered VIF for the constant term is (9.604213), a high value, but not a direct indicator of multicollinearity between China's exports and Iraq's exports independently. Based on the Centered VIF values, there is a moderate level of linear multicollinearity between China's exports and Iraq's exports, but not to a degree that raises significant concern. Although multicollinearity may affect the stability of statistical estimates, the current values suggest that this effect is not excessive in the current model. Therefore, there seems to be no need for major corrective measures based on these results.

Table 8: Cointegration for China's Exports and Iraq's Exports

Pothesized No. of CE(s)	Eigenvalue	Trace Statistic	Trace Critical Value	Trace Prob.	Max-Eigen Statistic	Max-Eigen Critical Value	Max-Eigen Prob.
None	0.696364	23.20931	29.79707	0.2359	13.11119	21.13162	0.4421
At most 1	0.538237	10.09812	15.49471	0.2732	8.499744	14.2646	0.3302
At most 2	0.135243	1.598377	3.841465	0.2061	1.598377	3.841465	0.2061

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

In table (8) results indicate that the trace and max-eigen statistics are below their critical values for all tested ranks, with p-values above (0.05). This suggests that there is no strong evidence of cointegration between China's exports and Iraq's exports at the conventional significance levels. Indicate that there is no long-term relationship between China's exports and Iraq's exports. this means that changes in Iraqi oil prices may not continuously and jointly affect Iraq's exports to China. Other factors such as economic and trade policies, political instability, and geopolitical factors may have a greater impact on the relationship between Iraq's exports and China's exports. These factors may lead to a lack of long-term mutual effect between exports.

Table 9: Correlation for Iraqi Oil Prices, Chinese Exports, and Iraqi Exports

Variable	Price Oli Of Iraq	China’s Exports	Iraq’s Exports
Price Oli Of Iraq	1.000000	-0.285011	0.147140
China’s Exports	-0.285011	1.000000	0.870117
Iraq’s Exports	0.147140	0.870117	1.000000

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

In Table (9), when analyzing the correlation between variables, it appears:

- **Iraqi oil prices and China's exports**: The correlation coefficient of (-0.285011) suggests a weak negative relationship. This implies that as Iraqi oil prices rise, China's exports may slightly decrease, due to increased production or transportation costs.
- **Iraqi oil prices and Iraq's exports**: The correlation coefficient of (0.147140) indicates a weak positive relationship. This suggests that higher Iraqi oil prices may slightly boost Iraq's exports, likely due to increased revenues from oil exports.

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• **China's exports and Iraq's exports**: The correlation coefficient of (0.870117) shows a strong positive relationship. This indicates that an increase in China's exports is significantly associated with an increase in Iraq's exports.

Table 10: Breusch-Pagan-Godfrey test for Heteroskedasticity

Test Statistic	Value	Probability (p-value)
F-statistic	3.08083	0.0907
Obs*R-squared	4.95627	0.0839
Scaled explained SS	2.50257	0.2861

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

In Table (10), the results of the Breusch-Pagan-Godfrey test for heteroskedasticity indicate some evidence of heteroskedasticity in the model at a significance level of 10%. Here are the details:

• F-statistic: The associated probability was (0.0907), which is greater than the traditional significance level of (0.05). This means that we do not reject the hypothesis of homoscedasticity at this level. However, the probability is less than (0.10), suggesting some evidence of heteroskedasticity at a 10% significance level.

• Chi-Square test for Homoscedasticity: The test statistic, represented by Obs*R-squared, had an associated probability of (0.0839). This is slightly greater than the traditional significance level of (0.05), indicating that we do not reject the hypothesis of homoscedasticity at a 5% level. However, similar to the F-statistic, there is some evidence of heteroskedasticity at a 10% significance level. Overall, the results suggest that there is some evidence of heteroskedasticity in the data at a 10% significance level.

Table 11: Heteroskedasticity test using (ARCH)

Test Statistic	Value	Probability (p-value)
F-statistic	0.061571	0.8091
Obs*R-squared	0.073433	0.7864

Source: results (E-views) on data retrieved from OEC China (CHN) and Iraq (IRQ)

In Table (11), the economic interpretation of the heteroskedasticity test results using ARCH shows no evidence of heteroskedasticity in the model. Here are the details:

• F-statistic: The value was (0.061571), which is very low, indicating no presence of ARCH heteroskedasticity in the model. The associated probability for this value is (0.8091), which is significantly higher than the traditional significance level of (0.05). This means we cannot reject the null hypothesis that there is no ARCH heteroskedasticity.

• Obs*R-squared: This value was (0.073433), supporting the previous result of no heteroskedasticity. The associated probability for this value is (0.7864), also much higher than the 0.05 significance level, indicating no statistical significance for the presence of ARCH heteroskedasticity in the model. These findings support the validity of the economic conclusions drawn from the analysis, indicating no issues with ARCH-type heteroskedasticity affecting the model.

5.Conclusions And Recommendations:

5.1. Conclusions:

1.China is the largest importer of oil from Iraq, sourcing about 40% of its oil from Iraq, reflecting the strategic importance of the relationship between the two countries in the energy sector.

2.China has made substantial investments in Iraq's energy and infrastructure sectors, including major projects such as oil field development and infrastructure projects.

3.Through the Belt and Road Initiative, China aims to enhance stability in the Eurasian region and expand its influence by developing critical infrastructure and establishing strategic partnerships.

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4.The trade relationship between China and Iraq has developed significantly in recent years, with a significant increase in exports and imports from both countries. China benefits from exporting technology products and equipment to Iraq, while Iraq mainly contributes to the export of crude oil to China. The data indicates a strong increase in bilateral trade, reflecting the strengthening economic partnership between the two countries.
5.Analysis shows that oil prices significantly impact the volume of Iraq's exports to China. When oil prices rise, Iraq can achieve higher revenues from oil exports even if the quantities exported do not change significantly. Conversely, lower prices may negatively impact revenues even if quantities remain steady.
6.Political stability in Iraq plays a crucial role in determining the volume of exports to China. Political stability enhances confidence and encourages foreign investment, while instability can hinder exports by creating uncertainty and disrupting production and transportation.
7.There has been a notable increase in China's exports to Iraq over the years, indicating a growing demand for Chinese products in Iraq. This increase may result from infrastructure projects and the expansion of the Iraqi economy, which requires diverse Chinese products such as machinery and equipment.
8.There is no statistically significant relationship between fluctuations in Iraqi oil prices, political stability in Iraq, and the volume of Iraq's exports to China, indicating relative stability in the trade relations between the two countries.
9.Statistical tests indicate instability in China's exports to Iraq, necessitating deep research and analysis to better understand the economic relations between the two countries.
10. There is a lack of strong evidence of reciprocal causal relationships between Iraqi oil prices, China's exports, and Iraq's exports, suggesting that other factors play a more significant role in determining the economic relations between these variables.

5.2. Recommendations:

1.China should expand its investments in infrastructure projects in Iraq to accelerate reconstruction and improve economic conditions.
2.China should develop new strategies to enhance the Belt and Road Initiative in line with current conditions in Iraq.
3.China and Iraq should strengthen strategic partnerships in various fields to achieve sustainable development and enhance economic stability in the region.
4.Iraq should seek to diversify its export markets to reduce reliance on China as a major supporter of its oil exports. Such diversification can help achieve greater stability in oil revenues and reduce the impact of oil price fluctuations.
5.Iraq must work on improving its political and economic stability to enhance its trade relations with China and other countries. Political stability will lead to increased market confidence, encourage foreign investments, and enhance the competitiveness of Iraqi exports.
6.Iraq should develop effective management strategies to deal with oil price fluctuations, such as using financial hedging tools or negotiating long-term contracts. These strategies can help protect oil revenues from significant price volatility and improve the stability of export financial flows.
7.It is advisable to deepen studies to understand the impacts of economic and political fluctuations on trade relations between Iraq and China, especially given the stability of instability in oil prices.
8.It is recommended to continue research and studies to understand other influencing factors, such as economic and trade policies and geopolitical factors, which may affect trade relations between Iraq and China.

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Authors Declaration:

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University.

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