

## **The role of economic intelligence in enhancing the monetary capacity of the Central Bank of Iraq (Japan as a model)**

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**Abstract.** Economic intelligence is an emerging, complex, and multidisciplinary field that has gained prominence in recent years, driven by the growing significance of the economy in shaping international relations. It has become a critical component in the operations of governments and central banks, with Japan's experience serving as a notable example of its successful implementation. In Japan, monetary management has played a pivotal role not only in fostering financial and economic stability but also in benefiting society at large. This was achieved through strategic influence on interest rates and the stimulation of investments in both the public and private sectors. In stark contrast, the Iraqi economy has faced persistent financial and monetary instability, largely due to its heavy dependence on oil revenues as a source of foreign exchange. A key finding of this research highlights the importance of revitalizing monetary management by leveraging the exchange rate tool, which has historically been controlled through oil-derived foreign exchange revenues.

**Keywords.** Economic intelligence, monetary policy, Iraqi economy, Japanese economy

### **Introduction**

Economic intelligence seeks to provide decision makers and managers with valuable and reliable information in the context of decision-making. Therefore, distinct experiences emerged that raised the interests of specialists, the most important of which is in the field of management in monetary policy. On the basis of this, the economic intelligence method followed by the monetary authorities in each country varies according to the circumstances and elements governing the management of the economy in those countries. In Japan, the economic intelligence method of the monetary authority depends on the quantitative system of monetary easing, which depends on the interest rate for monetary management. In Iraq, the economic intelligence method of monetary policy adopts the fixed exchange rate system, as the exchange rate of the Iraqi dinar is linked to the US dollar currency. Considering that the state revenues are in foreign currency.

### **Research importance**

The importance of the research lies in evaluating the performance of economic intelligence in the management of monetary policy. Knowing the degree of use of monetary tools in achieving the quality of the economic performance of the Central Bank and financial

technology, as well as identifying the most important obstacles that limit the application of economic intelligence to monetary management.

### **Research Problem**

There are some obstacles in some countries that use the economic intelligence method for countries that are vulnerable to fluctuations in global oil prices, such as the Iraqi economy. This limits the ability of central banks to intervene in the monetary stability of these countries.

### **Research aim**

The research aims to study the efficiency of monetary management through the ability of the Central Bank to achieve monetary stability as well as price stability through the use of its monetary tools, whether through the interest rate or through the exchange rate.

### **Hypothesis of the Study**

The research is based on the premise that economic intelligence plays an important role in the work of the Central Bank and monetary policy in Iraq in particular and international countries in general, if there are no obstacles that limit the work style of economic intelligence, especially if the country is more vulnerable to economic shocks, which leads to the faltering use of economic intelligence.

### **Section 1:**

#### **First: the general concept of economic intelligence and its development**

Intelligence is the mental trait “consisting of the ability to learn from experiences, adapt to new situations, understand and deal with abstract concepts, and use knowledge to manipulate the surrounding environment.” It is a human trait that has been developed, studied and transferred. to every new generation. Many theorists believe that intelligence is more an ability or predisposition than a genetic achievement. On the other hand, this word has a different definition in relation to the ability of certain organizations, groups or individuals to produce a piece of knowledge, which contains valuable information to use in making a kind of decision. Intelligence, as a kind of social activity, is one of the oldest professions in the world. Some even say it's the second oldest profession. There are tremendous applications of intelligence. For example, it assists in many decision-making processes, and gives early expectations in every type of organization. All intelligence implementation procedures have similar characteristics and advantages, using similar methods and models in the collection, analysis, production, and dissemination of intelligence information. Intelligence is conducted at different levels of activity with specific goals and objectives. There are many definitions of intelligence, but they can have different meanings. The most common is intelligence as a process, as a product, and as an organization (Levytskyi, 2001). Nowadays the term “economic intelligence” is used for two different purposes. The first goal of countries is to take care of their own interests, and to pursue the economic activities of other countries to improve the quality of life and support companies to have the right to integrate with the global economy that summarizes information. The second objective is to obtain information to increase the market share of local, regional or global companies in their fields of activity, to make new investments, to try different markets, to renew and improve the production process. Some define economic intelligence as any intelligence that supports a competitive economy. Financial, business, government and company information can be valued as information that will influence investment decisions and risk interstate relations (Oglu, 2015). Others define economic intelligence as “the process of collecting, processing, and disseminating information that aims to reduce the share of

uncertainty in making any strategic decision” (El Mountassir, p139). Economic intelligence serves to provide decision makers and managers with valuable and reliable information in the context of decision-making. For this, it will be necessary to produce a kind of bright information with high added value through the different stages of the process: the collection, processing and dissemination of information. As for economic intelligence in the modern concept, it is a complex and multidisciplinary new subject. It has been proposed in recent years, in response to the growing importance of economics in international relations, and to help states and other institutional organizations confront their environment in a new complex web of economic relations. The importance of this system stems from the fact that economic relations between countries have become more difficult to manage in the last half-century. The expansion of globalization, the development of ICT, the modern industrial revolution and the introduction of new concepts such as big data, the Internet of Things and cyberspace have created a new environment in which traditional strategies interact. Foreign national entities have turned out to be obsolete. Specifically, there is broad consensus that with the fall of the Berlin Wall in 1989, the influence of the economic dimension in national politics and international relations grew in a way that created conditions in which the country's politics could flourish. The economy itself seems to be mostly driven by the priorities of the state economy (Adami, 2019, 13). Economic intelligence, which is supposed to contain all information related to the areas of the economy, can be resumed. Therefore, economic intelligence contains areas related to the national economy such as economic geography, transportation, natural and human resources, science and technology (oglu, 2015). Other domains and concepts are interconnected. In the field of intelligence, five categories can be identified according to their technological nature, the most important of which is

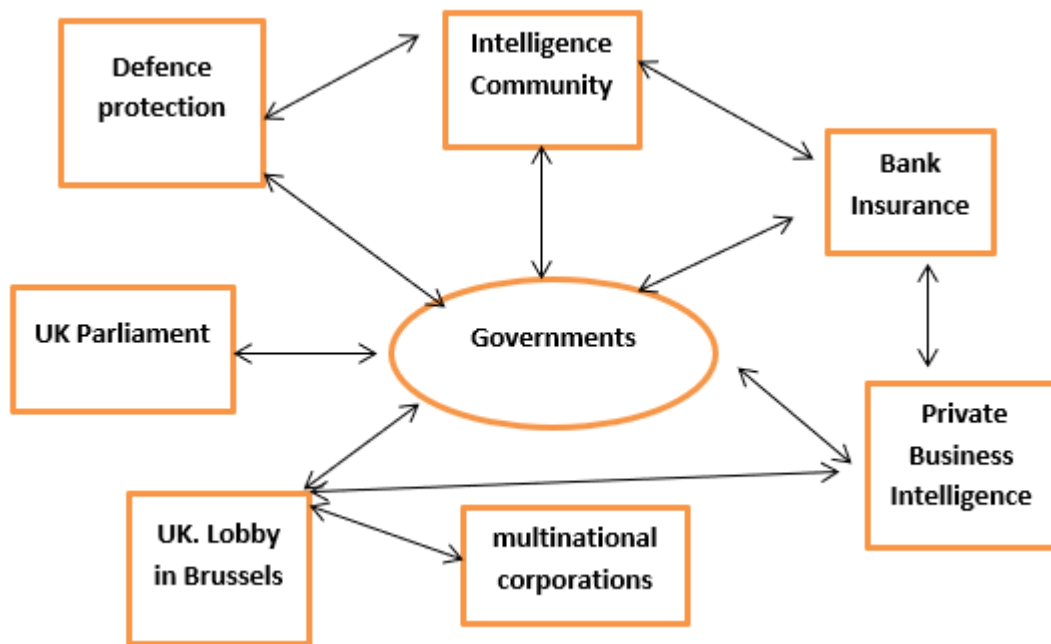
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- Artificial Intelligence
- Knowledge management
- Economic Intelligence
- Competitive intelligence
- Strategic intelligence.

## **Second: Economic Intelligence Systems:**

### **A. The British Model**

In Britain, the United Kingdom was able to design an information system to protect and pursue the objectives of the state's economic security and the well-being of its citizens. which is controlled by the UK. It was also able to design a highly classified intelligence service, which consists of a counterintelligence department and an intelligence department. One of the most important objectives of this service is to detect economic intelligence. The government has also succeeded in developing a budget aimed at collecting economic, commercial and technological information. The Foreign Economic Intelligence Committee (FEIC) controls all activities of the intelligence community. While the Deputy Minister of Finance controls the activities of collecting commercial and financial information. The role of the state is central, so it leads to high productivity of information systems (Levytskyi, 2001).



**Figure 1** Economic Intelligence in the UK Economy

**B. American Model**

The American system has the largest innovation community and the largest competitive innovation apparatus in the world. The cultural tradition of openness, some loopholes in the legal base, and the unresolved issue of cooperation between the state and private companies gave rise to the current decentralized environmental information system. The state supports a defensive strategy. Although it can be an offensive strategy, it is not widely accepted. “There may be cultural resistance to the systematic use of unethical and possibly illegal methods to obtain economic information,” Potter says. He argues about the contradiction between the growth of US private companies and the national economy because economic growth is slower. He believes that U.S. companies' ability to succeed in business depends more on their long-term business cycle, strategic resource concentration, and private-government collaboration. The market for large private economic innovations does not fulfill the administrative function of the innovation system. So the state has to change this situation, and control the US environmental information system. The State does not need to replace the activities of competitive innovations, but has to coordinate its activities according to the preferred situation (Levytskyi, 2001).

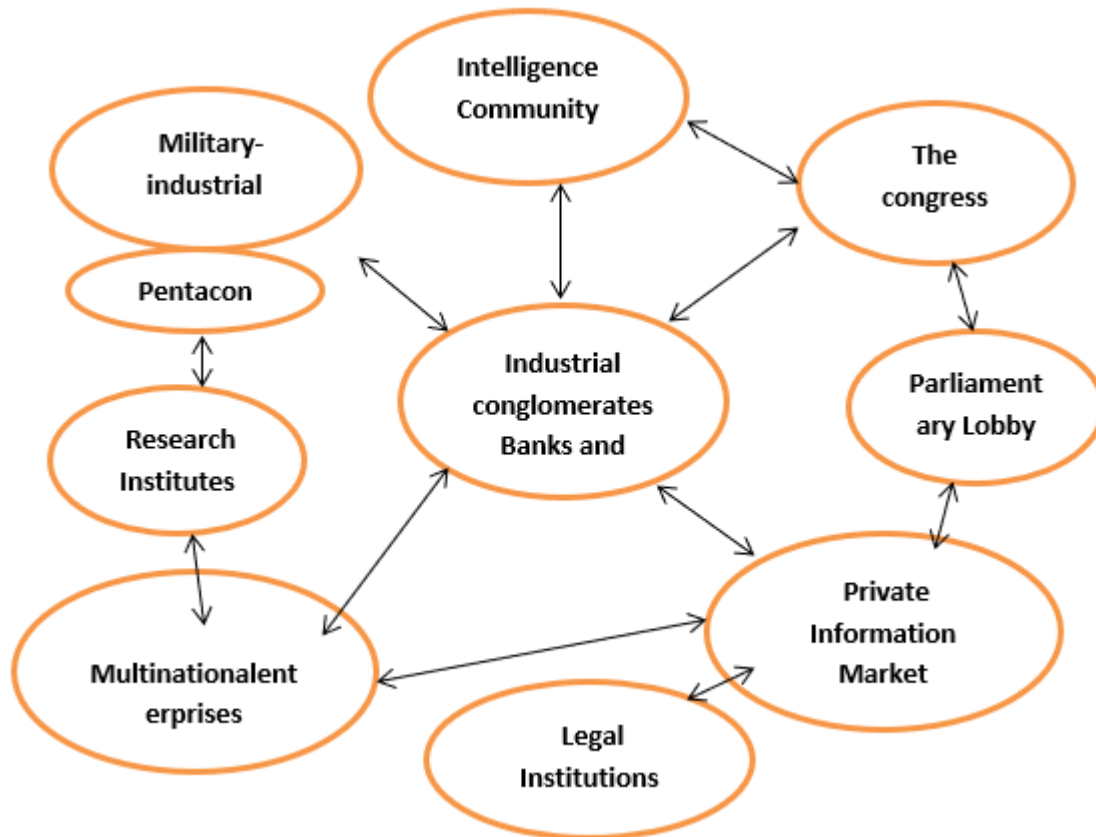


Figure 2. Economic Intelligence and National Security in America

Accordingly, economic and strategic intelligence has become a coordinated and common global practice between the various state agencies, which can be benefited from. Both local and international universities and think tanks are also involved in this process. As well as the bodies of the business world with the aim of ensuring the integration of knowledge and information within the value-added creation chain. As well as developing methods of pressure and influence for the purpose of implementing the decisions taken and facilitating access to the best results (Terre Reda, 2006).

### C. Japanese Model

Japan's information system has become the prototype of the national innovation system. This system was one of the advantages that boosted Japan's economy. (National Offensive Strategy). The Japanese cultural approach to the economy stems from the word "dantutsu," which means striving to be the best nest for superior performance. Cultural traditions do not have to destroy each other in economic competition, and supporting information exchange depends on the essence of the Japanese information ecosystem on "the synergy of technological, industrial and commercial strategies that are inseparable from each other. An attack-oriented economic intelligence system (Figure 1). Among the most important advantages of Japanese strategic exploitation of information (Levytskyi, 2001):

- 1- Consider global and local markets.
- 2- Invasion of the national market through the cultural arena.
- 3- Preference for long-term strategies.

4- Linking the national strategy to the strategies of Japanese international companies and the cognitive distribution of the global technology transfer strategy.

Japan's traditional business system, which is fluent in cumulative technological innovation, has also produced competitiveness for industries such as automobiles and digital cameras. But to foster new industries and startups, some aspects of silicone industry development are needed. Most established big companies in Japan, which were constrained by the traditional system, were slow to innovate products and switch to new, even less innovative, innovations. This increases the need to increase the number of scientific and technological companies and projects (Mihaela, 2013).

## **Section 2:**

### **First: The role of economic intelligence in activating monetary management in Japan**

Banks in Japan have played a huge role not only financially and economically but also in serving society. This dual mission could become even more important as Japan embarks on its quest for future prosperity (Shirai, 2020).

1- In 2016, the Bank of Japan was able to announce a negative interest rate on surplus reserves aimed at expanding aggregate demand and targeting inflation. Negative interest rates apply to current accounts held by financial institutions in the Bank of Japan. Since the adoption of the supplementary deposit facility in 2008, the Bank of Japan has begun to pay positive interest on current account balances and has maintained a rate of 0.1% until the adoption of a negative interest rate. Among current account balances, no interest rate (i.e. zero interest rate) is applied to the required reserve balances. The policy of negative interest rates led to the emergence of a complex three-tiered system. The current account balance was divided into three types, which are applied to 0.1%, 0% and -0.1%

2- Subsequently, the Bank of Japan announced that monetary easing would be pursued by taking full advantage of possible measures in three dimensions by adding the interest rate to the existing quantitative and qualitative dimensions - called "quantitative easing with a negative interest rate." Regarding the quantitative dimension of the QE program, the Bank of Japan once again confirmed its willingness to expand the monetary base as it can technically continue to purchase Japanese government bonds from the markets since its holdings account for only 30% to 40% of the outstanding amount issued. The Bank of Japan has also reworked near-future guidance that it will continue its quantitative easing program at a negative interest rate, with the goal of achieving the 2% price stability target, as long as it is necessary to maintain that target in a stable manner.

3- The policy of negative interest rates has contributed to the temporary expansion of residential investment and the increase in the issuance of long-term corporate bonds, especially private residential investment. As well as observing actual residential investment movements from 2016 to 2019. Demand for residential investment has been limited by demographic changes. Banks have already withdrawn surplus reserves from the Bank of Japan, but lending to the corporate sector has not risen due to the vertical shape of the investment and savings curve, reflecting factors including an aging population, a shrinking workforce, low participation of women in the workforce, a conservative banking system, less productive local governments, low levels of technological development, slow growth in small and medium-sized enterprises and startups, and low marginal productivity levels of capital.

4- Regarding the impact on stock prices and the yen exchange rate, [Miao \(2017\)](#) notes that the impact has been limited despite lower short- and long-term interest rates. At the same time, negative interest rate policy flattened the entire yield curve and led to significantly lower long-term yields. [Koeda \(2019\)](#) concludes that negative interest rate policy left limited room for additional stimulus - although the term spread fell to a negative range.

**Second: The role of economic intelligence in Japanese monetary stability**

**1. Financial system stability**

Ensuring the stability of the financial system is one of the tasks of the Bank of Japan . From time to time, the Policy Council receives reports and clarifications regarding the working conditions of Japanese financial institutions and the assessment of the risks of the financial system. As well as the staff of the Financial System Department to examine the banks and explain the developments in the financial system when the forecast report is determined four times a year. The basic idea is that the stability of the financial system is necessary to achieve price stability. Price stability and the stability of the financial system are thus interrelated, for example, in a downturn where the prices of goods, services and assets fall, investment becomes constrained by a rise in the real interest rate, an increase in the real debt burden on companies, and higher credit costs for financial institutions. This suggests that price stability contributes to the stability of the financial system ([Masazumi, 2021](#)).

**2. Stability of the general price level:**

The Bank of Japan handles environmental changes with the aim of achieving price stability in the medium and long term. Thus, it also gives high priority to achieving near-term price stability and overcoming deflation. Price stability is also essential for a virtuous economic cycle. The price stability target was set at 2% for three reasons ([Masazumi, 2021](#)).

A. Securing political space so that interest rates do not adhere to the minimum.

B. and the bullish bias in price statistics

C. and the global standard of 2%. In countries and regions that allow free movement of capital under a floating exchange rate regime, a growing number of central banks have recently adopted inflation targeting. If monetary policy is managed independently in places with free movement of capital, foreign exchange rates will fluctuate. However, if central banks around the world aim to achieve the same inflation target, nominal foreign exchange rates will eventually become less volatile ([Table 1](#)).

**Table (1)** Exchange rates in Japan

Years	Rate	Yen/Dollar	Yen /Euro Rate	Real effective exchange rate (based on CPI 2010=100)
2020		106.8	121.9	75.3
2021		109.8	129	73.5
2022		131.5	138.6	62
2023		140.5	152	56.4

2024 Article IV consultation—press release; staff report; and statement BY the executive director for Japan, 2024 International Monetary Fund

**3. Interest rate stability**

In 2018, the Bank of Japan made a series of moderate adjustments to its monetary easing policy framework. as an enhancement of the continued strong monetary easing framework. The justification was to adopt forward guidance regarding negative interest rates. Since then, the 10-year bond yield has exceeded more than 0.1%. The BoJ's action averted a sharp appreciation of the yen and a sharp drop in stock prices - suggesting that the market did not view these adjustments as a more hawkish stance. While stressing that there were no fundamental changes to the monetary easing framework, the BoJ skillfully introduced some elements that could lead to steps towards monetary policy normalization. These adjustments have been made to account for the greater ambiguity and complexity of the monetary policy framework since the Bank of Japan's actions increasingly deviated from its communication strategies (Shirai, 2018).

**Table (2)** Interest rate in Japan

Years	Interest on loans	10-Year Government Bond Yields (End of Period)
2020	0.0	0.0
2021	0.1	0.0
2022	0.4	0.0
2023	0.6	0.0

2024 Article IV consultation—press release; staff report; and statement BY the executive director for Japan, 2024 International Monetary Fund

**Third: The role of economic intelligence in the digital transformation of the Bank of Japan:**

Nowadays, Japanese banks are very traditional institutions, focused on their primary roles as lender, protector and generator of wealth, trading partner, and facilitator of capital markets. Based on the government's strategy, these roles will evolve in the years to 2030, and banks can increase their participation in two other roles as ecosystem coordinator and policy advisor. Some Japanese banks are already making progress in these areas - for example, by launching healthcare-related services and expanding support for SMEs especially since the reform of the banking law in November 2021 (Gurbuxani, 2022). To accelerate the country's digital transformation goals, banks can serve as role models by implementing their own digital transformations. In addition, it can acquire digital capabilities specific to priority industries, and it can provide digitization-oriented loans to SMEs to enhance several public support programs targeting the digitization of SMEs (Gurbuxani, 2022). Banks in Japan are also embarking on digital transformation to enable digital banking, supporting transaction migration, remote sales representatives, and data collection and analysis. Digitization will become even more important as banks shrink their physical branch networks, build their online advisory services, and move towards cashless banking (Gurbuxani, 2022).

**Section: 3**

**First: Development of monetary management in Iraq and the role of economic intelligence**

In 2004, the Central Bank of Iraq sought to achieve its strategic goal stipulated in its new law, which is to achieve local price stability, with the exception of 2004, where the rate was very high, because it was the beginning of a new strategy, which is the year in which the

law was issued, that is, the effective start of implementation from 2005. After achieving acceptable price levels during the last years of the studied period with an average of 3.56%, it can be said that the success of the Central Bank of Iraq in achieving the first part of its goals, which was efficient and the bank used the exchange rate as an intermediary tool to achieve its ultimate goals of price stability stemming from the stability of the value of the currency through the use of the exchange market represented by the auction of foreign currency. As for the second part of the Central Bank's objectives of achieving sustainable economic development through the use of a square as the role in terms of price stability is one of the four aspects of achieving sustainable economic development. Despite the achievement of high economic employment and growth and the balance of payments, which coincides with a high rate of inflation will not lead to satisfactory development results, as price stability provides real balances for individuals away from the erosion of their real value, which is the loss of a quantity of goods and services as a result of the high general level of prices, and referring to the development plan in Iraq 2013-2017, which represents a map of different policies to achieve economic development (Amin, 2018). As for financial technology, it has become one of the most developed disciplines due to the huge expansion of this technology. Through one button, anyone can be contacted anywhere and with ease in the world. This is what calls for the development of payment methods through banks. It is also possible to trade from one country to another by paying money with the push of a button. This financial technology may help greatly in fast and cheap financial services full of transparency from anywhere that can be used. It helps a large layer in many fields. This technology relies on artificial intelligence and helps reduce pressure on banks through the ability to buy using a smartphone (Al-Mushad, 2018).

## **Second: The reality of the state of economic intelligence in Iraq and its role in the stability of the financial and banking system.**

### **A. Financial and banking system stability**

Iraq continues to make efforts to develop its underdeveloped banking system, and the financial sector is dominated by state-owned banks, which provide credit mainly to state-owned enterprises, as well as implementing several measures to simplify access to the foreign exchange window, which contributed to a decrease in the difference between the official and parallel exchange rate. The IMF and the World Bank continue to provide technical assistance to the Central Bank of Iraq to strengthen supervisory and regulatory frameworks and adopt international standards. The World Bank is currently helping the Central Bank of Iraq reform its payment system, formulate proposals on legal and regulatory measures, and develop a monitoring framework. In 2018, Iraq is making progress in strengthening AML/CFT, as the Financial Action Task Force (FATF) removed Iraq from its list of countries considered weak in AML/CFT (World bank Group, 2018).

### **B. Exchange rate instability**

One of the most important monetary policy tools used by the Central Bank of Iraq in 2004 is the window for selling foreign currency (open market operations) to sterilize surplus local liquidity. Financing the needs of the balance of payments in order to maintain the stability of the value of the local currency and the stability of the general level of prices. The Central Bank of Iraq followed the creeping exchange system for the period 2004 to 2008, while the fixed exchange system for the period 2009 to date has followed the promise of the US dollar as a nominal fixation of monetary policy. In the years of double shock, the Central Bank of Iraq was able to maintain an adequate level of exchange rate gap between the official and parallel

markets. At the beginning of 2018, it was able to close it completely due to the conditions experienced by the Iraqi economy, and the reason for this is that the Central Bank of Iraq in the years that passed before 2018 in order to be able to deliver the parallel price at the level of 1220 dinars /dollar needed a sales volume of 4.3 billion dollars per month , and this happened in the first five months of 2014 , while the Central Bank of Iraq was able to achieve greater stability in the Iraqi dinar exchange rate in 2018 with a sales volume lower than in previous years (Ahmed, 2018). Through the window of selling foreign currency, it is clear that the selling price of the dollar remained at its value until mid-2020 of (1190) dinars / dollar, but because of the double crisis (health, economic) represented by the spread of the Corona pandemic, and the decline in oil prices, which swept the world economies, including the Iraqi economy, and in the context of facing these repercussions, the adjustment was made to the prevailing price of the window and the adoption of the new price to reach (1450) dinars/dollar . And to suit the economic reform process contained in the directions of the reform white paper. The selling price of the dollar through the window of selling foreign currency in 2021 amounted to (1460) dinars /dollar. As for the parallel exchange rate, it witnessed fluctuations during the period as shown in the table, as it reached during 2019 the highest negative growth rate (-0.9) due to the rise in oil prices, which contributed significantly to the rise in foreign currency revenues resulting from the Central Bank's purchase of the dollar from the Ministry of Finance. In 2021, the highest growth rate of the parallel exchange rate was about (19.4%) compared to 2020. Through the size of the difference between the exchange rate of the currency sale window and the market price, it is possible to identify the stability of demand for the local currency (dinar) as a store of value. The lower the difference between the two prices, the more stable the value of the local currency and the stability of demand for it, as it recorded its highest decline in 2019 by (6) dinars, and the highest difference in 2020 by (44). However, the difference between the two prices is not large and is within control and thus the stability of the value of the local currency (Table 1).

**Table (1)** The exchange rate of the dinar against the US dollar in the official and parallel market for the period (2018-2021)

Year	Official exchange rate	exchange rate	Parallel Exchange Rate Growth %	Difference Between Official Price and Parallel Price
2018	1190	1208	-	18
2019	1190	1196	0.9	6
2020	1190	1234	3.2	44
2021	1460	1474	19.4	14

Source: Ministry of Planning, Department of Economic and Financial Policies, Evaluation of Monetary and Banking Policy in Iraq, 2022.

**Interest Rate:**

Through the table, it is clear that the interest rate on deposit and borrowing has been maintained, with inflation remaining within the minimum limits, which was reflected in the survival of real rates as an average of (12%) for borrowing and (5%) for deposit. In 2021, real interest rates witnessed a decline to record interest on borrowing up to (6%) and to deposit up to (-1.3) % due to high inflation rates resulting from exchange rate changes as well as high prices in global markets, which reflects the precautionary nature of banks and caution against expanding the granting of credit, which stands in the way of monetary policy objectives of price

stability and supporting economic growth. It should be noted that the short-term lending interest rate in dinars was used to indicate lending interest and deposit interest rates were used to indicate deposit interest (Table 2).

**Table (2)** Real interest rate on lending and deposit for the period (2018- 2021)

<b>Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Interest</b>				
<b>Short Average Interest in Dinars</b>	12.3	12.3	12.5	12.2
<b>Average interest on one-year deposits in dinars</b>	5.29	5.15	5.16	4.75
<b>Inflation Rate</b>	0.4	(0.2)	0.6	6
<b>Average Real Lending Interest</b>	11.9	12.5	11.7	6.2
<b>Average Real Deposit Interest</b>	4.9	5.4	4.6	(1.3)

Source: Ministry of Planning, Department of Economic and Financial Policies, Evaluation of Monetary and Banking Policy in Iraq, 2022.

Third: Obstacles facing economic intelligence in the performance of monetary policy in Iraq

Despite the efforts exerted by the Central Bank of Iraq in supporting the Iraqi banking sector, it still suffers from a large number of underdevelopment and deficiencies that limit the possibility of the sector's advancement, keeping pace with the international and Arab banking systems, and taking its role in supporting the process of growth and monetary and economic stability. On the basis of this, the challenges experienced by the Iraqi banking system can be highlighted (Batal, 2018):

1- Lack of banking awareness: This is one of the important things that enhance the work of banking activity, through familiarity with the tools and methods of banking and the expansion of the base of customers with this sector , and that the most prominent thing taken on the Iraqi banking sector is the low level of banking awareness, as a result of several objective factors related to society on the one hand and banks on the other hand, with regard to the factors that are related to society, some people do not deal with traditional commercial banks, because these banks deal with interest (usury), which is prohibited in Islamic law, as well as the lack of efficiency and eligibility necessary to protect funds deposited in banks . because of bank robberies. As for objective factors, they are related to the work of banks and related to the quality of providing banking service, and the media role in spreading banking habits and informing the public about them on an ongoing basis.

2- Weak security and economic stability: The security situation in Iraq is an obstacle to the development of the banking sector due to the volatile and unstable security environment, especially the shock to the Iraqi economy in 2014 represented by the terrorist organization ISIS, which worked to steal and seize the assets of banks in some Iraqi provinces.

3- Low banking density: The banking sector suffers from low banking density, according to the Financial Stability Report of the Central Bank of Iraq for the year (2016), it was found that the banking density is still within the limits of one branch per (35) thousand people, while such a ratio is (6) banks per 10,000 people in developed countries.

4- The burdensome and unprofitable work that government banks suffer from, such as paying the salaries of retirees, as well as the imbalance of the administrative structure in a large number of banks, and the lack of expertise and competent technical and administrative staff.

5- The weak contribution of the institutions supporting the banking system, such as insurance companies, the Iraq Stock Exchange, money transfer companies, brokerage companies for the sale and purchase of securities, the retirement fund, and the postal and savings fund.

### **Conclusions**

1- The economic intelligence approach in the management of monetary policy and the Central Bank of Japan is the most advanced and clear of the approach taken by the Central Bank of Iraq to economic intelligence.

2- Monetary policy in Japan has a great role not only in financial and economic terms but also in the service of society and it seeks to achieve prosperity in the future.

3- The Iraqi economy is a rentier economy based on the export of crude oil, which constitutes a large part of the GDP and the largest percentage of government spending. The fixed exchange rate of the local currency is used and controlled by foreign reserves to intervene in the foreign exchange market. Therefore, any negative shock facing oil prices will be reflected negatively on government spending and in general on the public budget. Thus, the impact will be negative on foreign reserves and thus limit the ability of the monetary authority to defend the exchange rate. This is one of the most important obstacles to economic intelligence in Iraq.

4- The exchange rate is one of the most important tools through which inflation rates have been controlled, and it has played a major role in maintaining an appropriate level of the exchange rate gap between the official and parallel markets.

### **Recommendations**

1- Listing the mechanisms of economic intelligence at the level of the Iraqi financial and monetary market, by providing various financial information to local and foreign investors, and providing more guarantees about the monetary and financial markets by including future expectations about the economic and monetary conditions.

2- The interest rate in Iraq should be activated instead of investing in foreign currencies for the purpose of achieving economic growth in Iraq.

3- Activating the role of macroeconomic policies in addition to monetary policy to address the structural imbalances that plague the Iraqi economy, in order to carry out economic reforms for all aspects of the Iraqi economy.

4- Relying on the economic diversification of the GDP of the Iraqi economy in order to diversify foreign inputs in the economy in order to get rid of any shock facing foreign reserves, which is one of the most important obstacles to economic intelligence in Iraq.

5- Avoid overvaluing the currency in order to maintain a realistic value that approaches its equilibrium value.

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