



منتدى الاستراتيجيات الأردني  
JORDAN STRATEGY FORUM

*Policy Paper*

# Trade & Investment with Syria Back to Normal?!

October 2018





## منتدى الاستراتيجيات الأردني JORDAN STRATEGY FORUM

The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

For more information about the Jordan Strategy Forum, please visit our website at [www.jsf.org](http://www.jsf.org) or contact us via email at [info@jsf.org](mailto:info@jsf.org). Please visit our Facebook page at [Facebook.com/JordanStrategyForumJSF](https://www.facebook.com/JordanStrategyForumJSF) or our Twitter account [@JSFJordan](https://twitter.com/JSFJordan) for continuous updates about Jordan Strategy Forum.

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@JSFJordan

/JordanStrategyForumJSF

Jordan Strategy Forum

Amman, Jordan



T: +962 6 566 6476



F: +962 6 566 6376



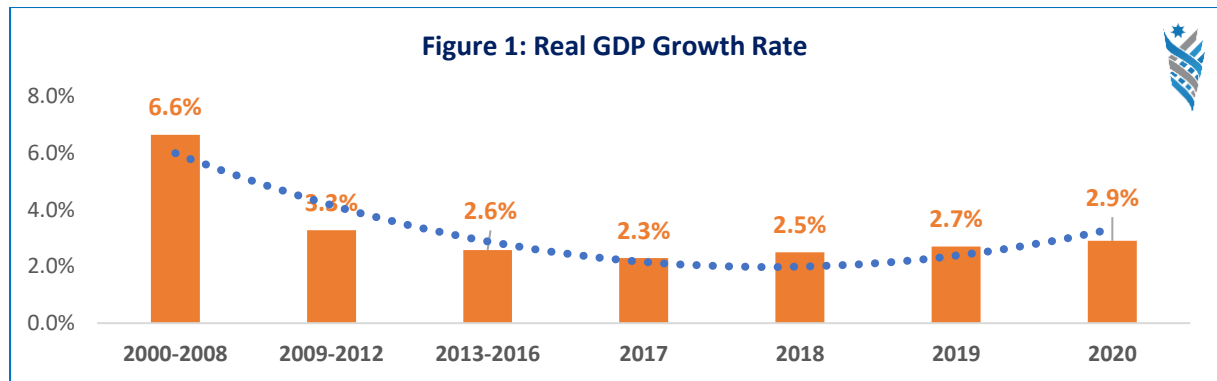
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# 1. Background

Strong and consistent real economic growth must remain the challenge facing all Jordanians. To appreciate this statement, one needs only to look at the hitherto existing unemployment rates.

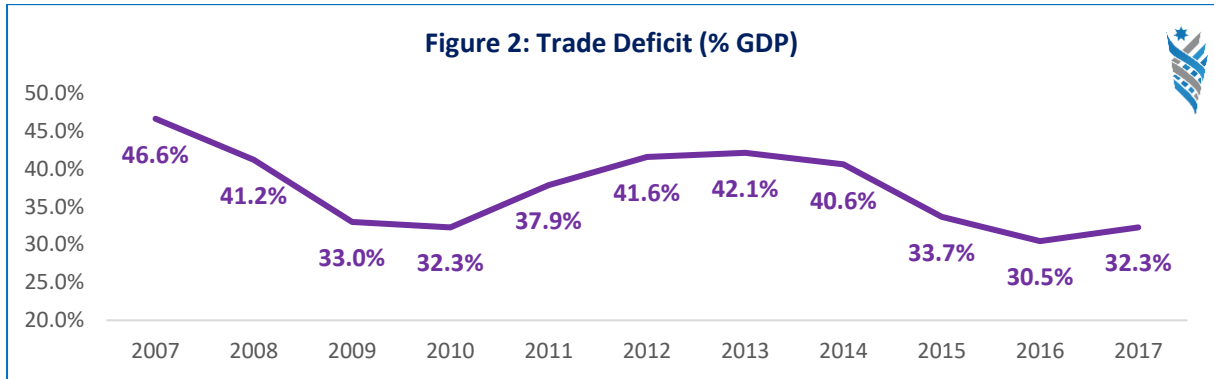
The Jordanian economy must realize strong and consistent economic growth to really rise to the unemployment challenge. Real economic growth has not been strong enough. Indeed, the IMF estimates that this performance is not likely to change in 2019 and 2010.



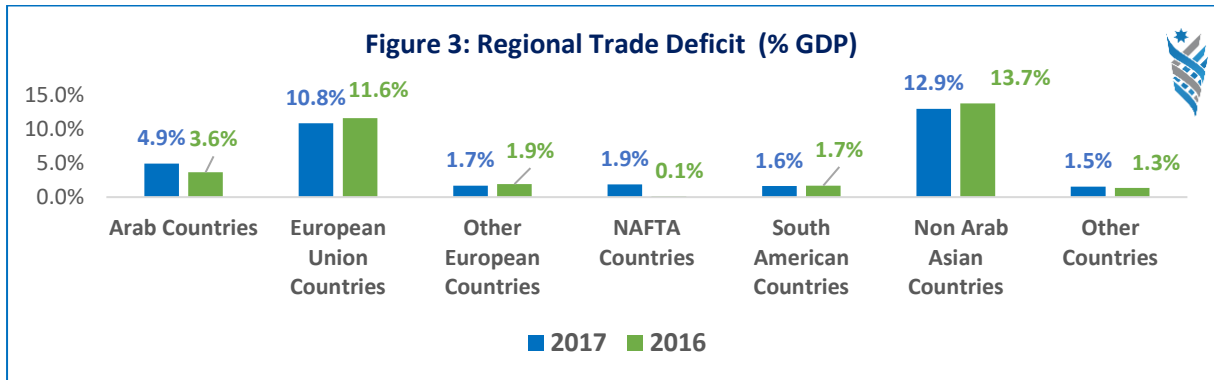
Within the context of the recent performance of the Jordanian (and others) economy, economists have always tried to understand why some countries enjoy “strong” economic growth, while others “stagnate” at low levels of output. This effort has led various stakeholders to consider many factors as possible determinant factors of economic growth. These include openness to international trade. In view of the economic importance of openness to trade, especially in its export dimension, this policy paper presents and evaluates the performance of the Jordanian economy in terms of its openness to trade. In addition, and as a result of the recently opened crossing point, we evaluate the trading performance between Jordan and Syria.

## 2. Jordan's Trading Performance

1. The Jordanian economy has always been witnessing large trade deficit to GDP ratio! For instance, trade deficit in 2017 was 32.3% of GDP, this is equivalent to JD 9.19 billion.



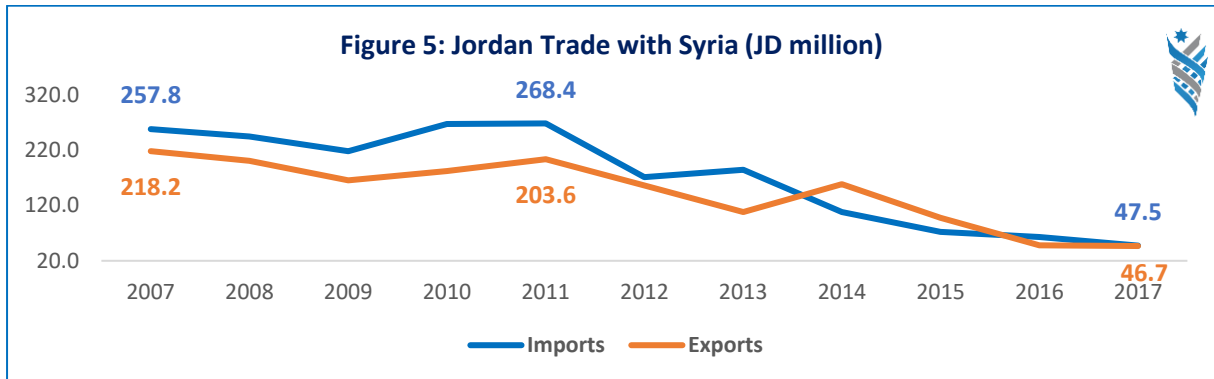
2. With no region in the world, Jordan realizes a surplus in its trading performance!



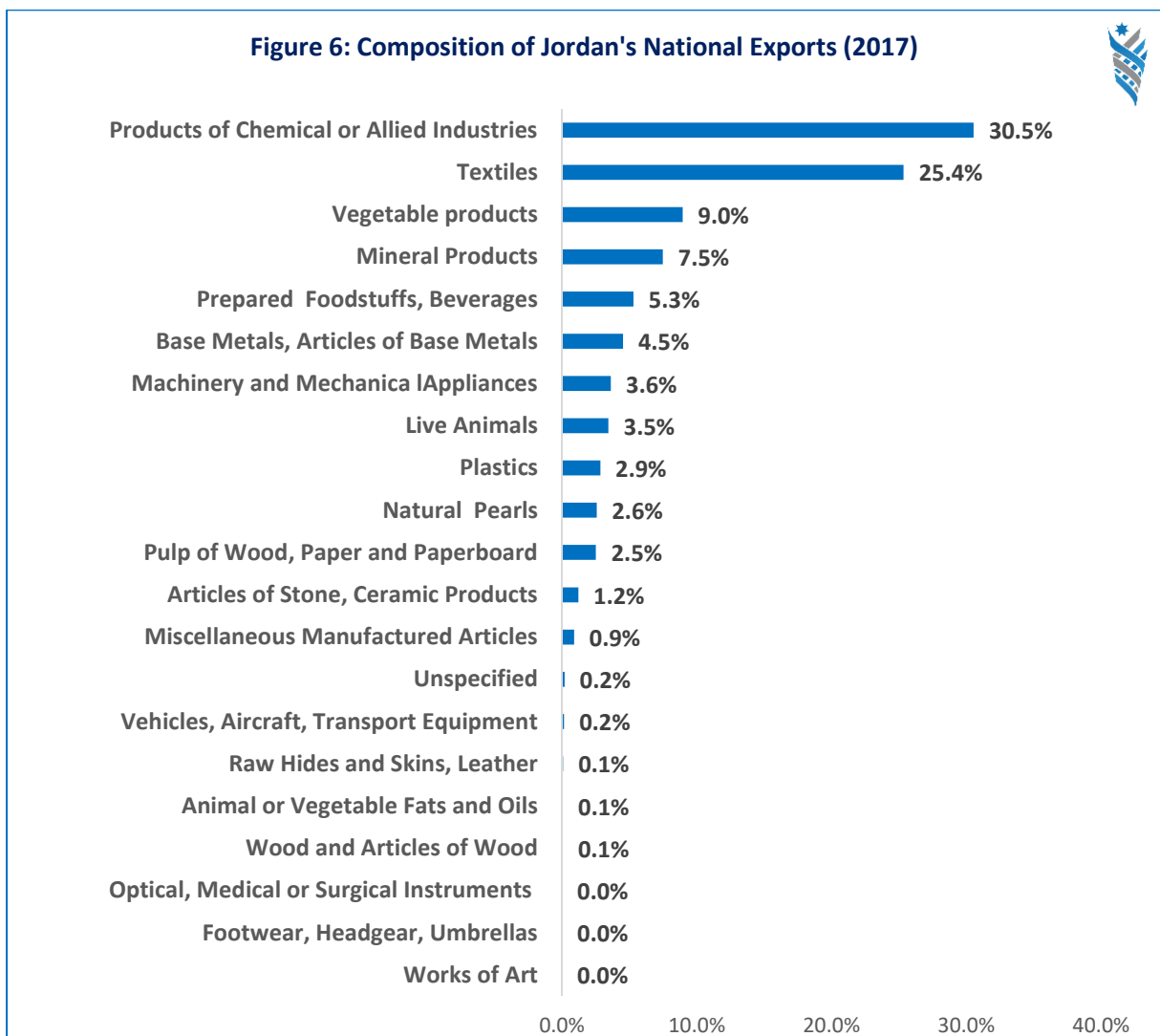
3. On average, the trading performance of Syria has not been in the advantage of Jordan. With the exception of 2014 and 2015, Jordan exported to Syria less than it imported!



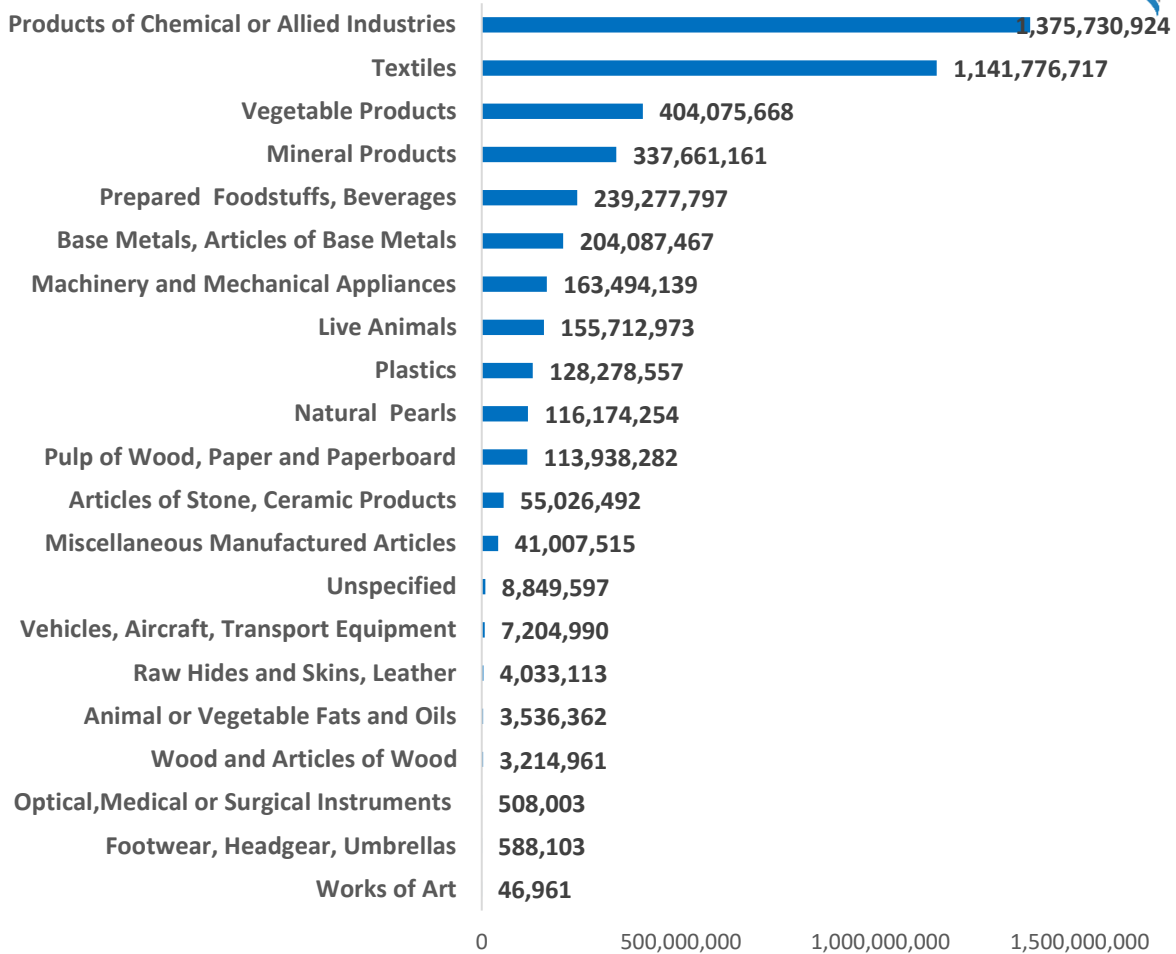
4. Jordanian exports to Syria were at their peak in 2007 (JD 218.2 million). Since then, and as a result of the civil war, exports have been on a downward trend reaching JD 46.7 million only. This is the same for Jordanian imports! In addition, the crisis in Syria has resulted in increasing Jordanian imports from other countries (trade diversion) to substitute the imports from the Syrian market. However, that was expensive!



5. The national exports of Jordan are highly concentrated. Chemical or allied industries and textiles, vegetable products, and mineral products make-up a large proportion of total national exports (73%)!



**Figure 7: Total Jordan's National Exports (JD) (2017)**



Jordan's National Exports to Syria (JDs)		
	2008	2012
Vegetable Products	58,961,014	81,733,737
Mineral Products	32,128,783	3,211,619
Products of Chemical or Allied Industries	15,312,905	16,810,105
Prepared Foodstuffs, Beverages	14,453,210	7,224,400
Machinery and Mechanical Appliances	13,570,300	2,947,745
Pulp of Wood ... Paper and Paperboard	10,545,699	7,070,359
Base Metals, Articles of Base Metals	7,595,157	8,474,495
Textiles	3,401,410	2,006,150
Wood and Articles of Wood	2,925,217	519,274
Plastics	2,086,023	7,296,100
Raw Hides and Skins, Leather	2,007,252	1,040,844
Miscellaneous Manufactured Articles	1,172,628	1,551,740
Vehicles, Aircraft ... Transport Equipment	886,250	0
Articles of Stone, Ceramic Products	466,280	349,429
Animal or Vegetable Fats and Oils	307,412	206,756
Optical, Medical or Surgical Instruments	35,639	60,874
Footwear, Headgear, Umbrellas	26,109	14,535
Live Animals, Animal Products	0	353,342

<b>Jordan's national Exports to Syria (percent of Total)</b>		
	<b>2008</b>	<b>2012</b>
<b>Vegetable Products</b>	35.5%	58.0%
<b>Mineral Products</b>	19.4%	2.3%
<b>Products of Chemical or Allied Industries</b>	9.2%	11.9%
<b>Prepared Foodstuffs, Beverages</b>	8.7%	5.1%
<b>Machinery and Mechanical Appliances</b>	6.4%	2.1%
<b>Pulp of Wood ... Paper and Paperboard</b>	6.4%	5.0%
<b>Base Metals, Articles of Base Metals</b>	4.6%	6.0%
<b>Textiles</b>	2.1%	1.4%
<b>Wood and Articles of Wood</b>	1.8%	0.4%
<b>Plastics</b>	1.3%	5.2%
<b>Raw Hides and Skins, Leather</b>	1.2%	0.7%
<b>Miscellaneous Manufactured Articles</b>	0.7%	1.1%
<b>Vehicles, Aircraft ... Transport Equipment</b>	0.5%	0.0%
<b>Articles of Stone, Ceramic Products</b>	0.3%	0.2%
<b>Animal or Vegetable Fats and Oils</b>	0.2%	0.1%
<b>Optical,... Medical or Surgical Instruments</b>	0.0%	0.0%
<b>Footwear, Headgear, Umbrellas</b>	0.0%	0.0%
<b>Live Animals, Animal Products</b>	0.0%	0.3%



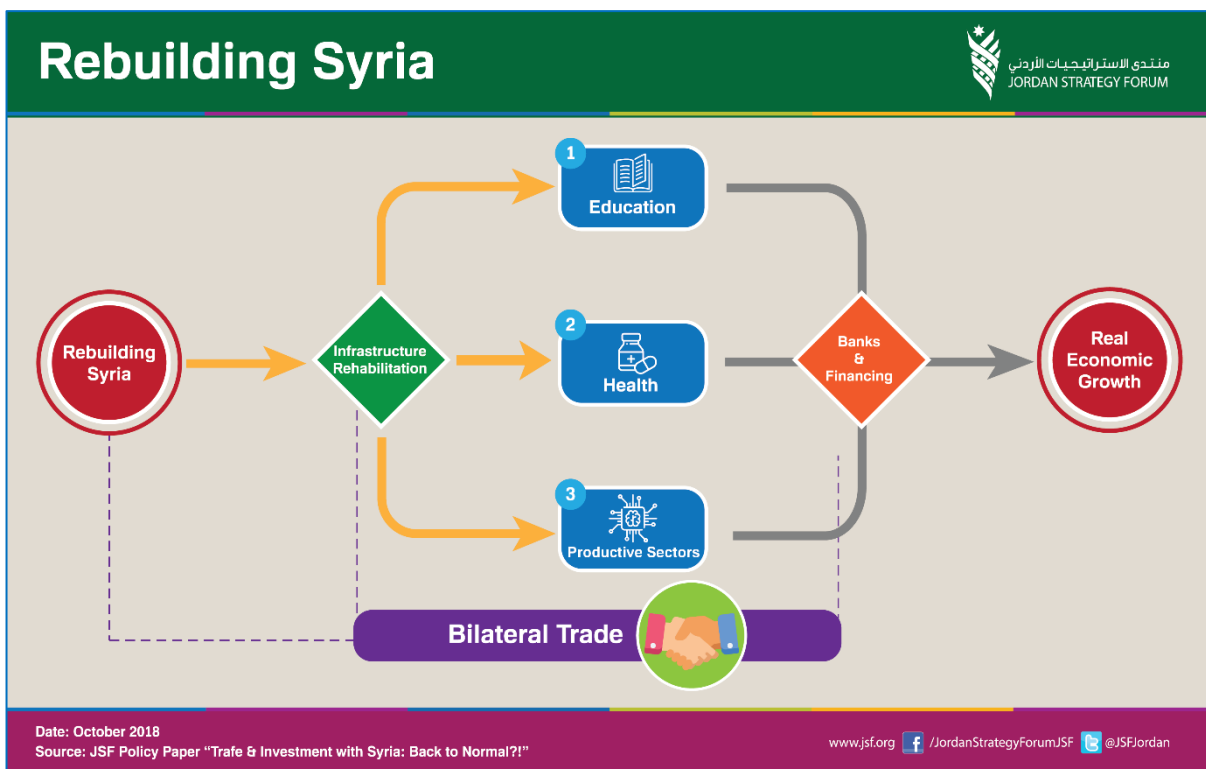
Besides the direct trade relations between Jordan and Syria, there is considerable scope for expansion in the relations in many other areas and sectors.

For instance, the health sector in Jordan can be one of the sectors that can be relied on, due to the deterioration of the Syrian health sector as a result of the civil war. As well, this could be the same in education, where the Syrian educational sector may need a rehabilitation process to reform what the war years ruined. Moreover, the Syrian infrastructure was severely damaged as a result of the war. Therefore, the Jordanian contracting sector

and its affiliates can take advantage of the opportunities that may be looming in the reconstruction phase.

Also, the Jordanian banking sector can expand its activities in Syria, which has not stopped during the war, and it can play a major role in facilitating funds in Syria during the next period.

All the above indicates the great opportunities that could develop on the economic aspect between the two countries. However, bilateral trade could be the first step to increase collaboration on the different levels.



## 3. Summary and Recommendations

Given the existing economic challenges, like; sluggish economic growth, rising unemployment rates, and the decline in domestic and foreign demand on the Jordanian products. moreover, the industrial sector has been suffering due to the increase in production costs and the closure of some important markets such as the Syrian and Iraqi markets. This policy paper wanted to shed the lights in how to revitalize trade and investment ties between Jordan and Syria in order to serve mutual interests for both countries. Within this context, the main observations and recommendations are listed below:

1. Jordanian exports to Syria declined from JD 218.2 million in 2007, to 46.7 million in 2017.
2. The decline in some categories of products exports to Syria was not substituted by exports to other markets. This led to exacerbate the trade deficit.
3. Jordan Strategy Forum stresses the importance of identifying the main products which Jordan was exporting before 2013, and what are their competitive advantage, In order to continue exporting these goods after the border re-opening.
4. All stakeholders should collaborate to identify the main products, producers, potential markets and the potential Syrian partners who could re-represent the Jordanian exporters to the Syrian market.
5. Jordan should revitalize its diplomatic relations with Syria through the formal channels and the private sector channels.
6. Jordan Strategy Forum recommends that stakeholders from Syria and Jordan must collaborate to formulate a new trade protocol that regulates trade relations between the two countries in a way that serves the common interests.
7. It is important to identify common understandings for investment with the Syrian partners, and to activate the principle of horizontal and vertical integration in the implementation of the common investments.
8. Jordan strategy forum stresses the importance of the development zones and the free zones, especially those close to the Syrian border. The government must facilitate investments in these zones to increase exports to Syria.
9. The government must invest in the existing exports support programs by providing insurance services to the Jordanian exporters to Syria.
10. Investment in the infrastructure of the of the border crossings between the two countries is important. Also, the private sector should be given the opportunity to be involved in those projects.



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Tel: +962 6566 6476

Fax: +962 6566 6376

info@jsf.org

www.jsf.org

 /JordanStrategyForumJSF  @JSFJordan