



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

The Impact of the Skirmishes in the Bab-El-Mandeb on Jordanian Trade Flows

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منتدى الاستراتيجيات الأردني JORDAN STRATEGY FORUM

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Jordan Strategy Forum

Amman, Jordan



T: +962 6 566 6476



F: +962 6 566 6376

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1. Introduction:

After more than four three months since the Israeli aggression on the Gaza Strip, the conflict in the region has escalated to include the hindering of navigation in the Bab-El-Mandeb Strait, by the several armed attacks on commercial ships passing through the strait.

The significance of this maritime gateway (the Bab-El-Mandeb Strait) arises from its control of approximately 30% of the total global container trade, including 10% of the total global oil flows transported by sea, according (The Economist Magazine).

The events around Bab-El-Mandeb have spread fears about the potential halt in trade passing through the strait and the use of the alternative route of the Cape of Good Hope - located on the maritime route south of the African continent. Major global shipping companies such as MAERSK, MSC, CMA-CGM, and Hapag - which control around 53% of the total global container trade - have begun to change their routes away from the strait, and in turn, this is expected to increase maritime transportation costs by up to approximately 12%. This increase is attributed to the longer distance and required time r to reach their destinations. The additional distance is estimated to be over 3,000 miles, which requires approximately 14 extra days compared to the usual route through the Bab-El-Mandeb Strait.

Relative to the above-mentioned observations, it is essential to examine the reality of Jordann's trade flows and the potential impact in case the strait is closed, or the skirmishes continue.

2. Jordan's Maritime Trade Flows Through the Bab-El-Mandeb

Strait:

From the outset, it is worth noting that on average, Jordan's maritime trade volume through the strait accounts for approximately 28% during the period 2020-2022 of Jordan's total trade, which averages around \$32 billion annually. The percentage of exports through the strait is 21.4% of Jordan's total exports, which amounted to about \$9.9 billion annually on average during the same period. As for imports through the strait, their proportion is 30% of Jordan's total imports, which amounted to about \$22 billion annually during the same period.

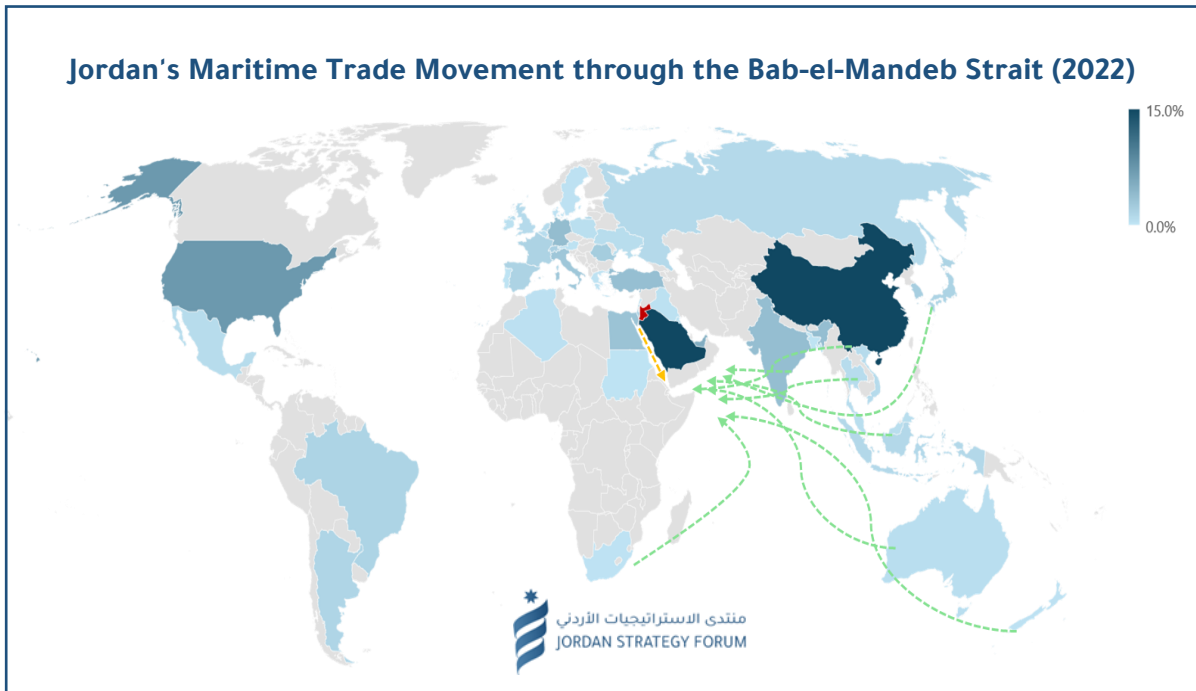


Figure 1: Preparation of the Jordan Strategy Forum according to the World Trade Organization Database, 2023*.

3. Impact on Jordan's Imports:

The value of Jordan's imports through the Bab-Al-Mandeb Strait has reached approximately \$6.6 billion annually. The main exporting countries to Jordan are China, India, South Korea, Taiwan, Japan, Indonesia, Malaysia, Vietnam, Singapore, Bangladesh, and Thailand. Additionally, some imports through the strait come from other countries in South Africa, Australia, and New Zealand. It is worth noting that the percentage of goods imported from China and India generally comes through the Bab-Al-Mandeb Strait, constituting the largest share - approximately 19% - of Jordan's total imports from the world.

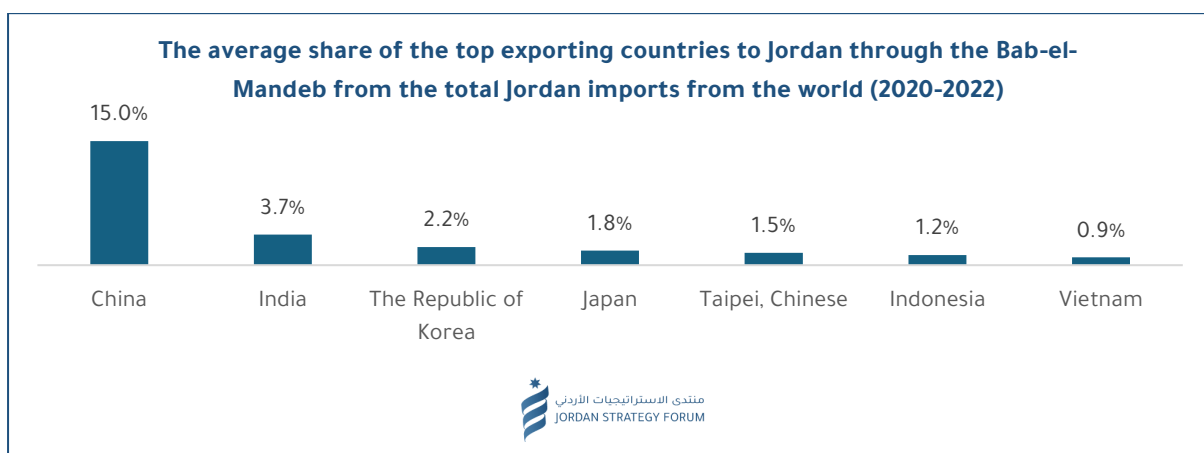
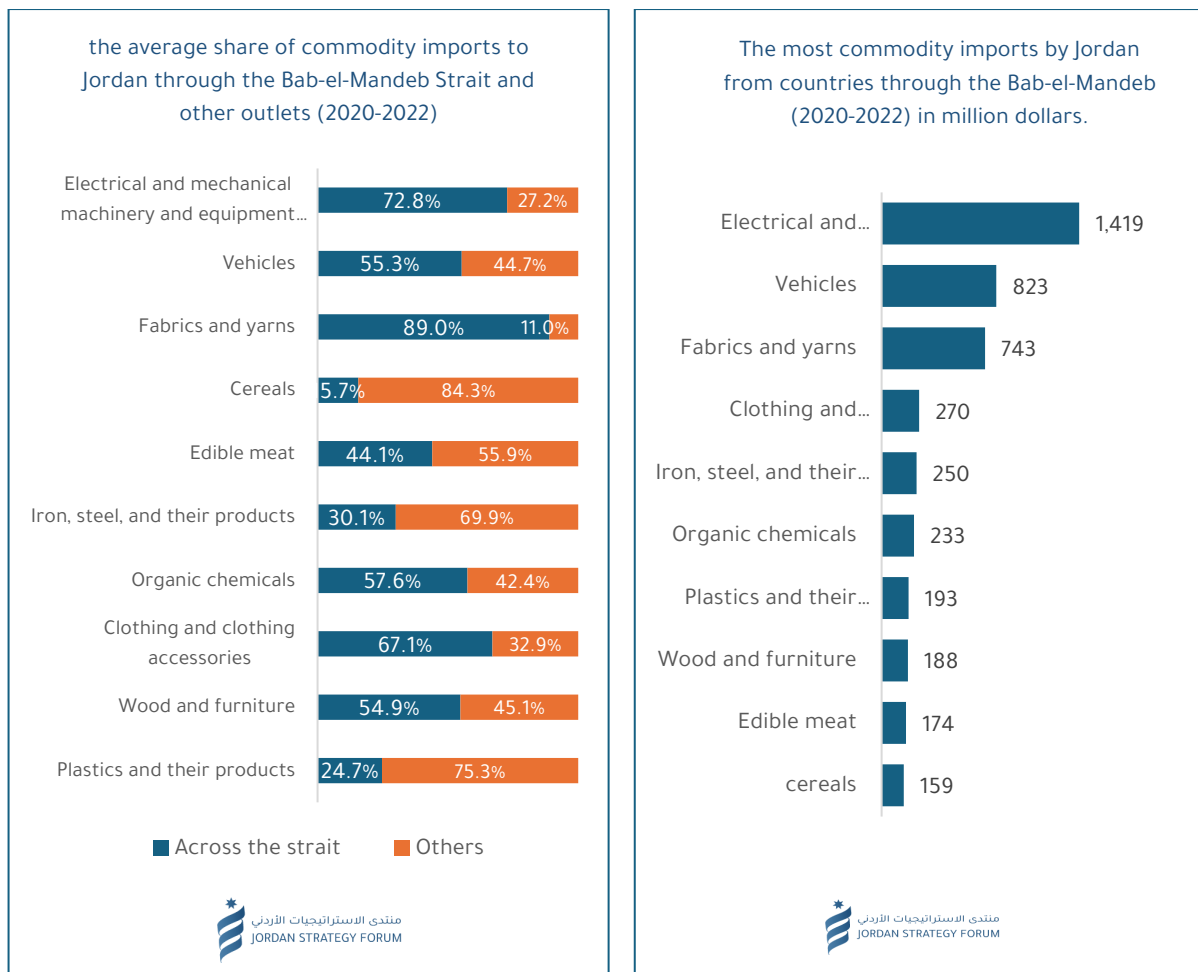


Figure 2: Source, Trade Map Database, International Trade Centre, 2023

As far as the main imported products across the strait are concerned, they include machinery and equipment, vehicles, fabrics, and clothing, food, plastics, wooden, and metal industries. It is also useful to note that the share of some goods imported by Jordan through the strait, such as fabrics, has reached approximately 89% of total imports of the same product from all countries worldwide This underscores the significant importance of the Bab-El-Mandeb Strait for Jordanian maritime trade flows.

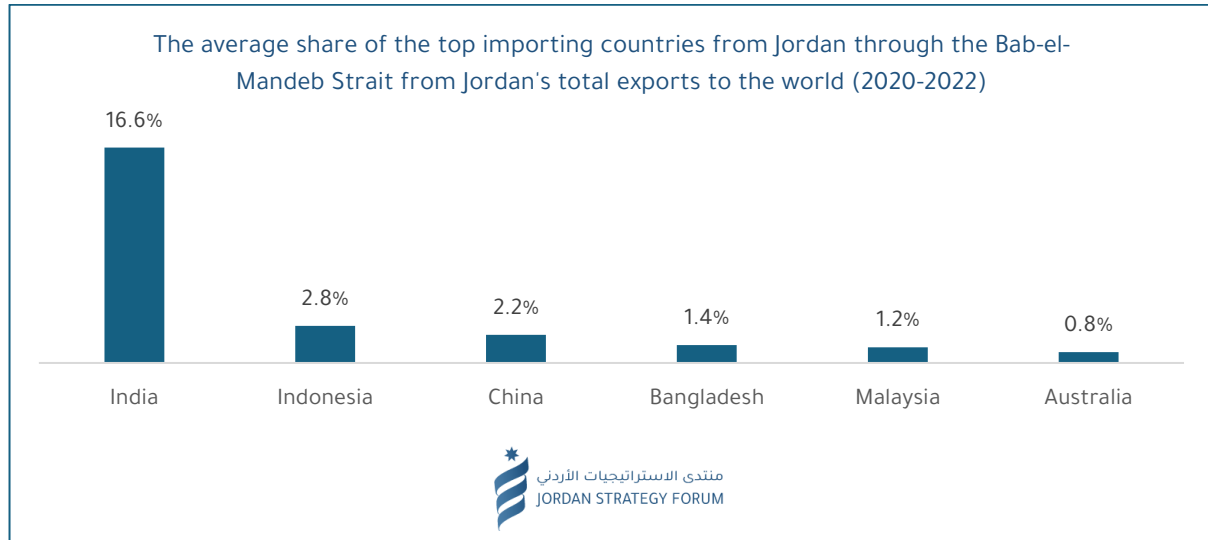


Source: Trade Map Database, International Trade Centre, 2023

From the above-mentioned observations, we can conclude that approximately one-third of Jordan's imports come through the Bab-El-Mandeb Strait. Therefore, any closure of the strait would have a tangible impact on the Jordanian economy. Indeed, such a closure would increase the costs of production due to potential disruptions and increases in shipping and transportation costs.

4. Impact on Jordan's Exports:

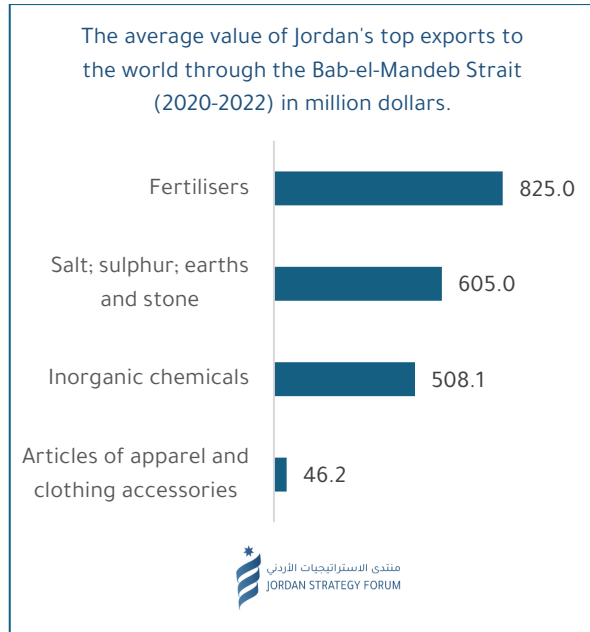
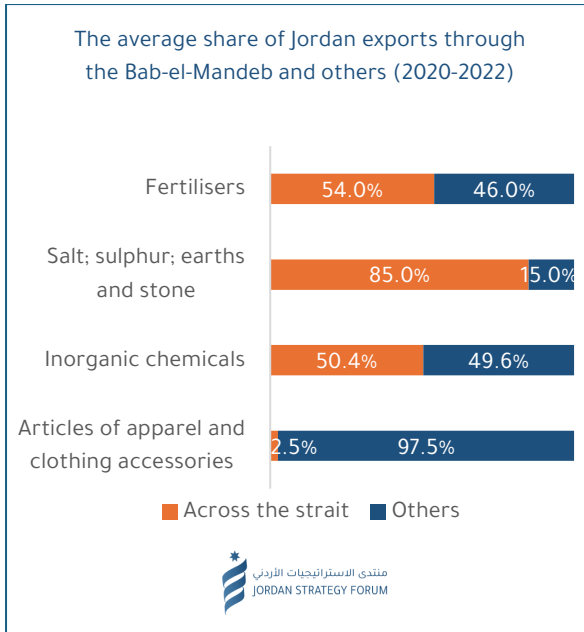
The average value of Jordanian exports which pass through the Bab-El-Mandeb Strait to countries worldwide exceeded \$2.1 billion annually during the period 2020-2022. This amount is equivalent to 21.4% of Jordan's total exports to the world. The main importing countries are India, Indonesia, China, Bangladesh, Malaysia, Australia, and Japan. It is also worth noting that Jordan's exports to India through the strait constitute approximately 16.6% of Jordan's total exports to the world.



Source: Trade Map Database, International Trade Centre, 2023

Chemical and mining industries (fertilizers, salts, and inorganic compounds) are the top exported products through the strait. Indeed, these exports constitute about 92% of Jordan's total national exports through the strait.

Jordan's exports of fertilizers are expected to be significantly affected in case the strait is closed. This is based on the fact that these exports are equivalent to 54% of Jordan's total fertilizers. Similarly, this observation applies to salt exports, which account for 85% of Jordan's total salt exports.



Source: Trade Map Database, International Trade Centre, 2023

To Sum Up, the above analysis suggests that in case the Bab-El Mandeb is closed, there could be a tangible negative impact on both Jordanian imports and exports, which in turn, may affect several economic indicators at the national level. Therefore, it is essential to study appropriate and available alternatives to manage the potential risks of such a closure and minimize its impact on importers, exporters, producers, and consumers. Additionally, there is a pressing need to emphasize the immediate cessation of the aggression on Gaza and the restoration of stability to the region to enhance its resilience and economic growth. In addition, this need is even more important given the recent and successive global disruptions and their adverse repercussions on the economies of the world, region, and Jordan.

The Impact of the Skirmishes in the Bab-el-Mandeb on Jordanian Trade Flows

Jordanian exports through Bab-el-Mandab Strait

21.4% of total exports of Jordan to the world



India



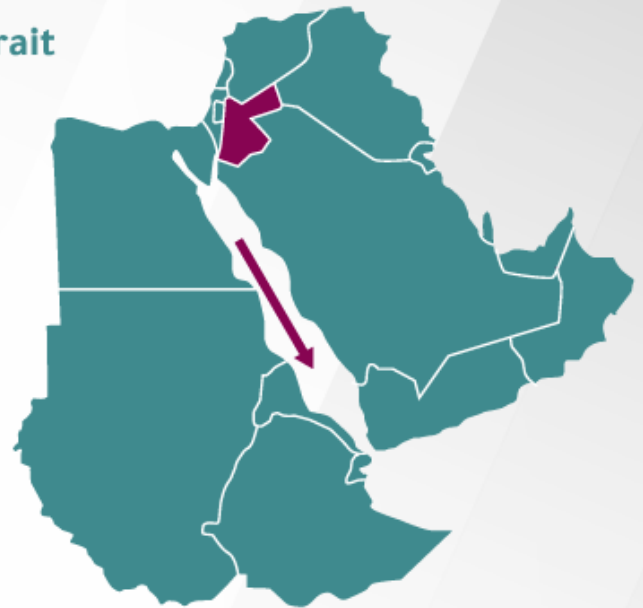
Indonesia



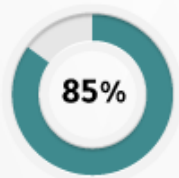
China



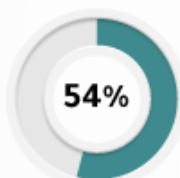
Bangladesh



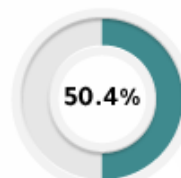
Percentages of the most important Jordanian exports through Bab-el-Mandab Strait



Salt, Sulphur



Fertilizers

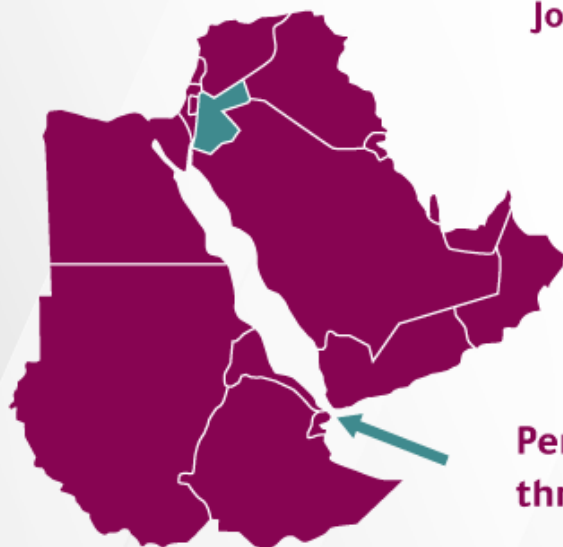


Inorganic Chemicals

The remaining percentages indicate exports from other outlets

Jordanian imports through Bab-el-Mandab Strait

30% of total imports of Jordan from the world



Japan



South Korea



India

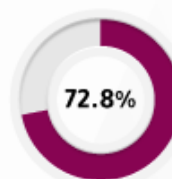


China

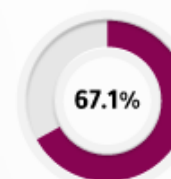
Percentages of Jordan's most important imports through the Bab-el-Mandab Strait



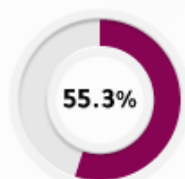
Fabrics and Yarn



Machines and Equipments



Clothes and Accessories



Vehicles

The remaining percentages indicate imports from other outlets



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