The role of trade in economic transformation policies: The case of Jordan

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Evolution of Jordanian exports

• Over the period 2000-13, grown by 14% annually
• Witnessed drastic changes in the destinations of exports
  • new markets outside the Arab region, the EU and the US gained importance
  • also major changes in the distribution of exports to the Arab region across sub-regions
Jordanian exports in 2013: new products or markets with respect to 2000?

<table>
<thead>
<tr>
<th></th>
<th>Old products to old markets</th>
<th>Old products to new markets</th>
<th>New products to new markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>56.7</td>
<td>38.4</td>
<td>4.9</td>
</tr>
<tr>
<td>GCC</td>
<td>80.6</td>
<td>17.3</td>
<td>2.1</td>
</tr>
<tr>
<td>AMU</td>
<td>73.6</td>
<td>23.7</td>
<td>2.6</td>
</tr>
<tr>
<td>EU</td>
<td>27.6</td>
<td>45.0</td>
<td>27.3</td>
</tr>
</tbody>
</table>
Evolution of the trade complementarity index of Jordan with key trading partners
Evolution of Jordanian exports compared with global and Polish exports

- **Jordan**
  - Linear equation: $y = 0.0081x + 2937.6$
  - $R^2 = 2\times10^{-7}$

- **Poland**
  - Linear equation: $y = -0.3981x + 3295.4$
  - $R^2 = 6\times10^{-6}$
Evolution of the position of Jordan on the global product space map
Economic diversification strategies

- Options for Jordan moving in the product space map
- Trade-offs along three dimension:
  - The distance to the community (country and product-specific)
  - Community development
  - The strategic value (country and product-specific)
Three possible trade agreements and their impact on the economy of Jordan

Scenarios involving Jordan:
• Entering into the GCC Customs Union (hypothetical situation)
  • Jordan would adopt the GCC common external tariff
  • the proposed scenario also assumes that GCC countries would resume free trade negotiations with the EU and the US during the transition period that would last 15 years
• signing an FTA with the EU
• signing an FTA with the US
Jordanian tariff structure compared with the common tariff of the GCC Customs Union

<table>
<thead>
<tr>
<th>Level of difference</th>
<th>Percentage of tariff lines on the sixth level of the classification</th>
<th>Percentage of Jordan’s imports in 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 40% (negative)</td>
<td>0.23</td>
<td>0.50</td>
</tr>
<tr>
<td>Between 20 and 40% (negative)</td>
<td>0.23</td>
<td>0.91</td>
</tr>
<tr>
<td>Between 10 and 20% (negative)</td>
<td>3.25</td>
<td>4.00</td>
</tr>
<tr>
<td>Between 5 and 10% (negative)</td>
<td>29.07</td>
<td>16.63</td>
</tr>
<tr>
<td>Between 0 and 5% (negative)</td>
<td>26.25</td>
<td>39.57</td>
</tr>
<tr>
<td>Between 0 and 5%</td>
<td>10.11</td>
<td>16.08</td>
</tr>
<tr>
<td>Between 5 and 10%</td>
<td>11.80</td>
<td>7.35</td>
</tr>
<tr>
<td>Between 10 and 20%</td>
<td>16.42</td>
<td>13.60</td>
</tr>
<tr>
<td>Between 20 and 40%</td>
<td>2.58</td>
<td>1.35</td>
</tr>
<tr>
<td>More than 40%</td>
<td>0.05</td>
<td>0.02</td>
</tr>
</tbody>
</table>
The impact of the three agreements on Jordanian GDP growth
The impact of the three agreements on investment in Jordan
The impact of the three agreements on the economic diversification index
The impact of the three agreements on the Jordanian imports and exports

Figure 7. Evolution of total exports (Percentage)

Figure 8. Evolution of total imports (Percentage)
Conclusion

• The case study on Jordan can provide guidance to other countries in the region in determining their policy orientation and strategic decision-making
• The choice of development strategies may be based on the optimal utilization of identified productive capacities to move towards higher value sectors
• ESCWA can help member States to develop similar studies on how to make regional integration agreements and policies work for structural transformation
• Work on a comprehensive toolkit integrating trade reforms, transformation strategies and connectivity to GVCs to the 2030 Agenda and the Sustainable Development Goals is currently underway
Thank you