



# Jordan's Trade: past performance and future prospects

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## **Introduction**

Many Middle Eastern governments are seeking to liberalize their trade policies. There is a desire to abandon policies to import substitution through protectionism, and instead concentrate on export promotion. Advisors from the World Bank and the International Monetary Fund (IMF) urge governments to be less interventionist, and to create environment where the private sector can have free play (World Bank, 2000:142) rein. It is hoped that private entrepreneurs can revitalize the economies, and play a major role in export promotion.

Since its inception as an independent monarchy in 1946, Jordan has suffered trade deficits and narrow export base, with annual commodity imports typically amounting to more than double its exports. This has partly been due to the scarcity of natural resources, but recurring droughts, a small manufacturing sector and the governments overly restrictive external trade policies, among other factors, have contributed. It has been exacerbated by persistently large food import bills, which have continued to grow with the expansion of the population, (Al-Abdelrazag, B, 1997:72).

Before the 1990's trade policy was traditionally mercantilist, and the government depended on a wide range of high tariffs revenue. Reforms seeking to better integrate Jordan into the world economy were then launched, and trade liberalization gained momentum in the mid and late 1990's as tariff and non-tariff trade barriers were

lowered and at times abolished .Overall tariff levels, the number of rates , and the degree of tariff differential afforded to different products and industries were reduced in an attempt to create incentives conducive to out-ward-oriented growth.

As a result of these and other measures , including Jordan's formal application to join the WTO in 1995 , the average import tariff on a trade weighted basis was gradually brought down from 17.5 percent in 1994 to 16.6 percent at the end of 1998 to 14.5 percent by the end of 1999 and to 13.5 percent in 2000 .According to recent reports by the World Bank , Jordan now boasts the lowest weighted average tariff rate and highest proportion of zero-duty items among Arab countries . (Economist Intelligence Unit, 2005:26)

Coinciding with all of this , in 1998 a Foreign Trade Policy Department (FTPD) was created at the Ministry of Industry and Trade to assist the government in formulation, negotiation and implementation of trade policy. The FTPD has been instrumental in Jordan's swift accession to the WTO and played an integral role in the country's negotiations to establish a free trade area pact with the US in 2000-01.

Trade reform measures in recent years have also emphasized the need to open up the country to the region and the rest of the world, bilaterally or otherwise. Regionally Jordan's relations with Arab countries have moved forward in the past four years, particularly as its bilateral ties with Saudi Arabia , Kuwait and the UAE have mended ,after political differences had kept Jordan and the six-GCC member states relatively distant for most of the 1990's . In addition , economic relations with Syria have become more important , as well as various forms of cooperation with Egypt. Geographical proximity as well as strong cultural affinities and other factors meant that relations between Jordan and Iraq were always extensive . Strong socio-political and

economic ties bind the two neighbors. Even after the imposition of UN sanctions ,Iraq remained a considerably secure market for much of Jordan's manufacturing industry and transportation services . In addition ,Iraq supplied most of Jordan's oil needs ,half of which was offered free as an annual grant while the other half was not only supplied at a generously discounted price, but was mostly paid for in kind in the form of Jordanian products under annually agreed trade protocol .

At the multilateral level, Jordan's relations with other Arab countries have also improved in the past few years, with the Arab Free Trade (AFTA) agreement in a particular promising to achieve a measure of pan- Arab economic and industrial co-operation .The AFTA, to which Jordan is a signatory envisages an annual across-the-board cut in tariff-like charges among members until free trade is finally achieved by the end of 2005, two years earlier than initially scheduled.

More recently ,Washington and Amman have begun implementing a Free Trade Area(FTA) agreement ,along the lines of the accord existing since 1985 between the US and Israel . Among Arab countries ,only Jordan has so far signed an FTA agreement with the US. Now in tandem with the US-Jordan FTA ,the Kingdom has secured a unique position in the middle east .Jordan is now able to differentiate it self from the region and embark trade blocs that may help insulate it somewhat against the political and economic instability that has so often characterized life in this part of the world.

### **Objectives of the study:**

The purpose of the study is to examine Jordan's trade, past performance and future prospects. More specifically, the main objectives are:

- 1-To analyze the growth of exports and imports in value terms.

- 2-To analyze the structure of commodity composition of Jordan's trade.
- 3-To examine the effective of bilateral trade agreements between Jordan and most important partners.
- 4-To analyze the trade deficit and the demand for imports
- 5-to suggest strategy for export expansion .

### **Research methodology :**

This study is based on the survey and analysis of secondary data relating to Jordan's foreign trade. As part of the methodology ,the data was gathered from published studies and reports available in English and Arabic .Relevant statistics were obtained from department of statistics (DOS) and central bank of Jordan (CBJ).For export price elasticity , regression was estimated of form  $X = P^b$  which was transformed logarithmically into  $\log X = a + b \log P$ . X is export volume, P is export price , a is the intercept parameter in logarithmic form and b is the slope parameter. For imports price elasticity regression estimated of form  $M = aE^b$  , M is the import value ,E is spending variable , b is elasticity coefficient and a is intercept value in logarithmic transformation.(Ahmad, J. and S. Harnihirun,1996; 415)

### **Trade composition and direction of trade:**

A small country with very few natural resources , Jordan boasts one of the region's most open economies. Taken together , the total value of trade in goods(exports plus imports) in 2006 amounted to JD.3,618.6 million . With GDP at current market prices amounting to JD.9,278.6 million Jordan's trade component is equivalent to just below 77 percent of domestic product.

In the years under review ,1980-2006 , Jordanian exports have been on the rise ,with the Jordan selling about JD. 2,902.7 million worth of goods in international market in 2006 ,up from JD.120.1 million in 1980 . On an annual average basis ,this translates into a growth rate of 23 percent .

Significant Jordanian merchandise exports included (in order of value in 2006) cloths JD. 879.7 million , potash JD. 181.2 million , pharmaceuticals and other medical products JD. 211.1 million ,vegetables JD. 162.1 million , and phosphate JD. 112.1 million .

In terms of value , major export destinations in 2006 were (in order of importance) the United states JD. 905.1 million , Iraq JD. 326.5 , India JD. 279.8 million , Saudi Arabia JD. 251.1 million . Much of the recent increase in the sale of the Jordan manufactured goods abroad was driven by a surge in exports to the United States ,under the provision of the Qualifying Industrial Zones (QIZ) program .

Exports to countries within the region have also been on the rise, Iraq being a notable exception in 2003 . Exports to the Gulf economies have largely recovered since the second Gulf war in 1991, with Saudi Arabia re-emerging as one of Jordan's main export market in recent years, buying JD. 251.1 million worth of Jordan's exports in 2006 .Where as demand from the Gulf is primarily for out-of-season fruit and vegetables , Saudi Arabia has been emerging as a market for some of Jordan's consumer goods and pharmaceuticals. (Al-Yousif, K., 1997:540) After the third Gulf war , Jordan losing Iraqi's market due to unstable political conditions , export to Iraq decreased from JD.532.4 million in 2002 to JD. 5.2 million in 2006 .

The Jordan's import bill remain disproportionately high ,more than twice the size of export earnings. In 1980 imports totaled to JD. 715.9 million , which increased to

JD. 8,115.5 million in 2006 . Major Jordanian merchandise imports included (in order of value in 2006),crude oil JD. 1,434.1 million , transport equipment and spare parts JD. 793.9 million , textile yarn , fabric ,made up articles and related products JD. 514.1 million , pharmaceuticals and medical products JD. 207.2 million and telecommunication equipment JD. 395.1 million .Altogether, these accounted for just over 37 percent of the country's import bill in 2006 .

Nearly 29 percent of Jordan's imports in 2006 came from Asian non-Arab countries, of which china alone supplied nearly JD. 848.1 million , worth of goods .As it stands today, China is Jordan's main supplier of imports.

European Union countries ,especially Germany , Italy , France and the United Kingdom met 26.5 percent of the country's import demand . Purchases from neighboring Arab countries ,at almost JD. 2,917.9 million in 2006 , came in third. Iraq had been Jordan's sole supplier of crude oil .However, supply of Iraqi oil to Jordan stopped immediately upon the breakout of the war on 21 march 2003 .Prior to the start of the war Jordan used to import about US\$ 700 million worth of Iraqi oil on spiral terms as defined earlier. Meanwhile, the countries trade balance, adverse as it has remained, widened by about 14.7 percent, as growth in imports out weighted that of exports.

### **The trade deficit and the demand for imports:**

The encouraging rise in the value of exports during the period under study was largely reflected in the volume terms. The trade deficit remains enormous, however, it is important task to narrow it. Although the value and the volume of imports increased rapidly over the 1980-2006 period , the value of imports has fallen in some certain years. This trend is encouraging for the balance of trade. One challenge for Jordan's

planners in the current climate is to identify areas where there is good growth potential with low import-intensive capital investment. It seems likely that such areas will be found in the service field, especially those attractive to local, highly educated labor, rather than in manufacturing industry.

Encouragingly, imports appear to be much less responsive to private investment expenditure than to government spending. Table(3) shows the elasticity of demand for imports with respect to three major macro expenditure categories over the period since 1980. The level of government expenditure is revealed to be a major determinant of imports , but the overall income elasticity of demand for imports is not high for a country of Jordan's size or level of development. If economic growth can be encouraged by private sector initiatives, import demand can be held in check. This may be partly because private investment, with its relatively greater wage bill involves fewer direct foreign exchange costs. It may also reflect the fact that small scale private investment involves domestic construction companies, using locally available building materials rather than imported high value plant and equipment. (Hammad K, 1994:30)

Table (3) : Export price elasticity ( 1980-2006 )

<b>Deviations from trend</b>	<b>Durban Watson statistics</b>	<b>Goodness of fit R</b>	<b>t value</b>	<b>Price elasticity (b)</b>	
0.70	0.80	0.69	4.20	0.32	<b>Over all</b>
2.19	1.24	0.71	4.20	0.57	<b>Food</b>
4.32	0.75	0.10	0.95	0.17	<b>Raw materials</b>
3.55	1.80	0.69	4.03	0.32	<b>Chemicals</b>
2.55	1.42	0.23	0.40	0.45	<b>Manufactured goods (1)</b>
5.86	2.03	0.65	3.52	0.79	<b>Manufactured goods (2)</b>

Source : Central Bank of Jordan , Monthly statistical Bulletins.

## Export pricing problems:

Jordan, like many other developing countries that export minerals, faces export pricing problems. Export prices have tended to decline in the long run vis-à-vis the price of the imported goods, and they have also tended to fluctuate considerably from year to year (Libby, R, 1986:175). Historically this has reflected Jordan's dependence on commodities such as phosphates, the price of which has been notoriously unstable in international markets. Phosphate rock, usually exported in crudely ground form, is Jordan's major export. It accounted for around one third of the total export proceeds in the early 1980s. Since then, the establishment of the Jordan's own fertilizer industry has resulted in the share of crude phosphate falling to just over one-quarter, while fertilizer manufactured from phosphate accounts for one-sixth.

Unfortunately, Jordan is not a large enough producer of phosphate to have an impact on world market prices. Jordan has sought to establish its own fertilizer exports, not only to secure greater domestic value added, but also because fertilizer prices are more stable in international markets than those for crude phosphate.

Table (4) : Elasticity of demand for imports ( 1980-2006 )

<b>DW</b>	<b>R</b>	<b>Elasticity</b>	<b>Intercept</b>	
0.35	0.85	1.55 (8.34)	- 0.85 (-3.40)	<b>Consumption expenditure</b>
1.33	0.92	2.81 (12.51)	0.70 (12.85)	<b>Government spending</b>
1.33	0.97	0.92 (30.23)	1.03 (49.21)	<b>Private Investment</b>
0.33	0.90	1.55 (12.54)	1.61 (-7.44)	<b>Total spending</b>

**Source : Central Bank of Jordan , Monthly statistical Bulletins**

Table (4) Shows the price elasticities of supply for Jordan's exports by major category as well as price deviations from along run linear trend. Low price elasticity value indicates that supply is relatively unresponsive to change in price as with phosphates. Exports cannot be easily curtailed when price are low or expanded when prices are high, as production decisions are made well in advance. With exports of manufactured goods, and even foodstuffs, much greater supply flexibility is evident, with higher elasticity values. The chemical goods category includes fertilizers, which have a much higher price than crude phosphate. Not only have price trends been more encouraging for fertilizers, manufactured goods, and even foodstuffs than they are for raw materials, but price fluctuation seems to be smaller. Only in the case of the small , miscellaneous manufactured goods category are price fluctuation greater than for raw materials , as the last column of the table (4) indicates prices of foodstuff and manufactured goods classified by material are relatively stable, although, of course, overall export prices are the most stable, as some fluctuations tend to cancel others out.

### **Jordan and the WTO**

Since acceding to the WTO in April of 2000, the overall level of protection granted to the Jordanian economy has declined significantly and is now among the lowest in the region. Jordan's accession to the WTO was the culmination of governmental efforts to adopt various trade related legislative adjustments in customs and taxes and within patent, copy right and trade mark protection to remove administrative barriers, and to make economic decision more transparent , accountable and predictable .The

government committed itself to phase out bilateral trade protocols with many Arab and non Arab countries that are inconsistent with WTO requirements . Jordan's accession protocol to the WTO makes a wide range of bold commitments , including : to cut the maximum tariff rate to no more than 25 percent by 2005 and 20 percent by 2010; to eliminate the exemption of export profits from income taxes by the end of 2002 , and , where certain companies have been granted tariff exemptions under their concessions , not to renew these exemption when the concessions expire .

The maximum import tariff on 3140 items was brought down to 30 percent in April 2000, with a 10 percent ceiling on materials used as industrial inputs. Commodities in Jordan now fall under one of five different tariff rates: 0, 5 , 10 , 20 and 30 percent with the exception of tobacco and alcoholic beverages, which are still subject to a tariff of up to 180 percent and unwrought gold, which is subject to 0.5 percent tariff .

Accordingly the weighted average most- favored nation (MFN) tariff rate in Jordan has fallen from 19.7 percent in 2000 to 13.2 percent in 2001.

A minimum tariff rate of zero percent is applied in 17 of the 21 Harmonized System (HS) sections and a maximum tariff of 30 percent is applied in all but one of the HS sections .The tariff peak of the 180 percent is, as mentioned, applied to certain liquor and tobacco products. Other imports that are taxed at higher than average rates include foot wear , arts and antiques, miscellaneous manufactured articles and arms ammunitions , at an average rate of 25 percent or higher . At lower than the average one finds chemicals, machinery and electrical equipment, mineral products, motor vehicles and wood and wood products.

### **Qualifying Industrial Zone (QIZ)**

Qualifying Industrial Zone (QIZ) essentially extends the benefits of the US-Israel FTA implementation act of 1985 to include exports from geographically circumscribed areas in Jordan , provided there is an element of Israeli added value in their manufacture . More specifically , the QIZ rules stipulate that a minimum of 35 percent of the exported good's value must be composed of local content : 11.7 percent of the local content must be Jordanian and 7 to 8 percent must be from Israel or the West Bank and Gaza . The rule is that no more than 15 percent of the appraised value of the good at the time of export may come from the US and still be counted as domestic inputs.

It should also be noted that since Jordan is free from any quota restrictions on its export , product manufactured in QIZs may be admitted into the customs territory of United States without being subject to quota limits . There are 13 QIZs in Jordan, including one single-factory zone . The majority of these are in private hands. Only three are owned and run by the government. To date, seven zones have commenced operations. Two are in the north; four are in the centre, leaving only one designated QIZ in the south of the country. As the number of zones has proliferated so their impact on the Jordanian economy has deepened. One of the ways in which this is being promoted is through the model's export performance. According to certificates of origin issued by the Jordanian authorities, QIZ export rose dramatically; from JD. 1.8 million in 1999 to JD. 17.9 million in 2000 , to JD.106,7 million in 2001 and nearly JD. 270.1 million in 2002 .

### **US-Jordan Free Trade Area Agreement (FTA)**

Washington and Amman have now begun implementing a Free Trade Area (FTA) agreement , along the lines of the accord existing since 1985 between the US and Israel . The agreement provides for a far reaching liberalization of trade relation ,

enhanced financial and technical cooperation and close collaboration in many areas , including environmental matters .

The government, which come into power on 17 December 2001 , will eliminate duties and commercial barriers to bilateral trade in goods and services originating in the United States and Jordan under the pact , effective US tariff on imports from Jordan will come down almost immediately , while Jordanian tariff will be phased out over a 10 year period . The FTA agreement provides for the staging of tariff cuts , with US products not initially covered by the agreement being cigarettes , alcohol and cars. Typically the higher the base rate of the tariff , the longer the FTA allows for it's elimination .Tariff of less than 5 percent will be phased out in two years from the day the accord comes into force ; those between 10 and 20 percent will be gone in five years , and those more than 20 percent will be eliminated in 10 years . Though there is no doubt that the US-Jordan FTA agreement will eventually make the QIZ program irrelevant, there will still be room for the latter at least over the next five to 10 years. This is because of the long, 10-year phase-out of US duties on Jordanian textile an apparel product. Under the US-Jordan FTA agreement, US tariffs on Jordanian exports of textile and apparel will be reduced only gradually. In fact, four of Jordan's top five exports in the US by value in 2003 will see no reduction in duty at all for 10 years.

### **Jordan-EU Association Agreement**

Jordan signed on 24 November 1997 an Association Agreement (AA) with the European Union, becoming the first Mashreq Country to join a jigsaw the EU hopes will eventually become a Mediterranean free-trade area . The agreement became effective on 1 May 2002 . The AA between the European union and

Jordan creates a framework for regular political discussions between Jordan and the EU . The commercial aspects of the deal include talks on economic cooperation aimed at progressive liberalization of trade in goods and services by 1 May 2014 . In addition , the AA will include provisions addressing the following trade and trade-related topics ,among other issues:

- freedom of capital movement .
- Right of commercial establishment in all areas of economy excluding those listed by the EU and Jordan.
- enhancing competition.
- dispute settlement.
- Protection of intellectual, commercial and industrial property rights; and
- financial, industrial and technical cooperation.

Outside the trade sphere, the pact pledges both sides to respect international rules on anti-terrorism measures, money laundering and drug smuggling. The AA consists of four and seven annexes that clarify the various details of the legal text and explain the agreed mechanisms of implementation.

As far as the liberalization of trade between Jordan and the EU is concerned, there are a number of important issues:

- The agreement makes a clear distinction in how it determines the terms of trade between Jordan and the EU as regards to agricultural products, on the one hand, and industrial products, on the other hand.
- Both parties will continue to exclude products from the list of items on which they waived tariff and quota restrictions the day the agreement came into force.

In addition, both Jordan and the EU have agreed to retain import duties on all products included in the treaty establishing the European community 1957.

- The EU will apply an agricultural calendar on its imports of agricultural products from Jordan. The purpose of this calendar is to protect EU markets from cheaper imports. Tariff on agricultural commodities originating in Jordan and imported into the EU will tend to be higher than normal during each product's peak harvesting season. After the agreed timetable ends, tariffs on such products will revert to their previous level.
- In any case, both parties have pledged to gradually implement greater liberalization of their reciprocal trade in agricultural products.

The agreement is likely to have a profound impact on the Jordanian economy, although both the sectoral changes it is likely to produce and their precise timing are difficult to predict. On the employment front, reallocation of labor and capital in Jordan towards sectors of comparative advantage could entail transitional unemployment, since some existing enterprises in the manufacturing sector could disappear through liquidation or mergers, while others could survive only after undergoing strong adjustment.(Tyler, W, 1981:127)

### **Indo-Jordan trade relations**

A review of Jordan's trade with India under trade agreements indicates there is ample scope for improvement. The commodity composition of Jordan's trade with India is like the general pattern of its trade with other countries. For example, few of her traditional items like phosphate, potash and fertilizers still constitute Jordan's prime export to India. However, in 1975, Jordan was exporting only phosphate to India but in 2006 more than 25 items were exported by Jordan to India. Out of these items , only

three items (phosphate, potash, and fertilizers ) dominated Jordan's exports to India and their share in Jordan's total export to India always constituted more than 95% .There are large number of commodities imported from India, the main import items are walnuts, tea, spices oil-cake, meat and tobacco, the analysis of Indo-Jordan commodity composition reveals that during 1980-2006 considerable changes have taken place in Jordan's imports from India and exports to India. Though, these changes are not enough to fulfill the requirements of both countries. There is substantial need for diversification in imports and exports. Both countries should enter into long-term agreement for traditional and non-traditional items like ready made garments, footwear, machinery and transport equipment, etc., in addition the non-traditional items should be invariably included in the commodity list of the trade agreements. However there is a need for projecting India's image as an industrial country by showing the capability of producing the sophisticated industrial goods through excellent and advanced technology which is relatively best available in the world. (Ghatak, S, 1997:545)

### **Government policy towards foreign trade:**

Jordan has a structural deficit on its merchandise trade balance because of narrow industrial base and shortage of raw material. Population has also grown quickly with an increase in the demand resulting to amelioration in the import and decrease in exports. Government of Jordan since mid- 1980s have sought to contain imports and to increase the exports in order to minimize the trade deficit. The exports have grown and encouraged by the government plans and programs but still, the import bill remain around three times the size of export earnings. The growth in the value of imports may

be a result of the increase in GNP , the rising demand for capital and intermediate goods, the increase in world prices and the changing consumption patterns. However, the government lacks a trade strategy, and therefore any means of cutting the trade gap. Some domestic manufacturers feel that the Jordanian government does not provide sufficient protection for local industry. Jordanian purchasers often prefer to purchase imports, however, simply because it is fashionable to do so or because foreign goods are perceived as more modern. It is difficult for local manufacturers to counter such public attitudes, but many feel it is up to government to take lead.(Abhayaratne, A. 1996:570)

In a free enterprise environment such as Jordan it can be argued that local entrepreneurs should be able to take up the challenge and provide important substitutes. Rather than lobby the government to restrict imports, they should act positively and provide competitive goods themselves. If importers develop a new market, this creates an opportunity for domestic manufacturers to exploit. Meeting this challenge in Jordan is far from easy in practice.

- The small size of the domestic market makes it difficult to justify substantial investment in new product lines or improved production techniques.

- Economies of scale cannot be realized with limited production runs, which implies uncompetitiveness and high overhead costs in relation to sales.

To a greater extent in Jordan than elsewhere in the Middle East, it is the market that has determined the composition but not the direction of trade. The prevalence of counter trading among Jordanian trading partners has necessitated government playing an active role in trade negotiations. The government has not attempted to determine import priorities, however, or evolve an export policy. Jordan's development plans

have little to say about the composition of imports, and there has been no attempt to rank the purpose for which foreign exchange earnings should be used. It can be argued that imports of investment items are preferable to consumer goods, for example, from the developmental point of view. Yet there has been no attempt to adopt discriminatory policies. Of course, those against government intervention could argue against such policies. Whether Jordan's manufacturing capacity would have expanded more rapidly with a greater degree of protection must be a matter of debate.

Plants making pharmaceutical products, plastic items, construction materials, detergents and processed foodstuffs are arguably more competitive than they would be if they enjoyed a monopoly of the local market because of quota protection.

Such goods may not have been exported to Iraq if they were too uncompetitive compared to rival Western products. On the other hand, the cost of producing such goods might have been lower if the equipment used to produce them had been imported at a preferential exchange rate.

Imported policy has often been concerned with peripheral issues, which have limited development impact. The creation of the free zones at Aqaba and Zarqa, for example, received much attention, with raw materials allowed in duty – free as long as they were used for export goods. No export industries have been established in the zones, however, with the Aqaba zone providing duty – free facilities for transit trade only, and Zarqa providing similar facilities for long-distance truck drivers' route to Syria and Iraq.

### **Strategy for export expansion:**

If the government is reluctant to act on import, it is argued that they should at least create an institutional framework to aid exports. Over one-third of bank credit goes

directly and indirectly into financing imports, yet the proportion used to finance export is negligible. The creation of an export bank is one possibility, although the government is reluctant to see a proliferation of state-controlled financial institutions, and lacks funds to start such a bank in any case. (Anwar, M. 2000:695)

An export promotion organization has also been suggested , which could identify market opportunities and there is a suspicion that such an organization might be unwelcome to the business community, as a type of unwanted state interference. There is the belief that businessmen know best what opportunities exist, although it can be argued that most Jordanian companies are too small to take export initiatives.

Another idea is to establish an Export Credit Guarantees Department to protect Jordan's exporters from the risk of payments default. It is argued that banks are reluctant to finance exports because of the uncertainty involved, but if an insurance scheme were introduced to compensate exporters in the event of payments default, the banks would be more willing creditors. Clearly, political risk has to be separated from commercial risk. Both concern exporters, but they cannot do much about the former.

In Jordan's case, with most exports going to countries with record defaults, it is argued that insurance would be too costly to provide. Clearly there are no easy options and the creation of an appropriate institutional framework to encourage exports may be far from easy.

## **Conclusion**

Jordan has already witnessed an accelerated economic reform process partly through implementation of privatisation schemes and partly through rapid integration into the world economy as evidenced by its accession to the WTO and the signing of the Free Trade Area Agreement with the United States, the partnership Agreement with the

European Union, and the Arab Trade Area Agreement. The strategy has focused on export expansion through enhanced competitiveness; minimizing government intervention in the economy to allow market forces to shape the future of Jordan; integrating the private sector into the highest policy – making framework; and facilitating private sector – led growth. Over all it seems clear that the liberal economic climate in Jordan and the lack of government intervention have brought some economic success. The private sector produces a growing range of goods for the local market.

The low elasticity of demand for imports associated with private investment compared to government expenditure indicates that the reallocation of resources to the private sector can result in significant import saving. Private sector manufactured exports have penetrated neighbouring markets, especially Iraq, and the share of raw material exports has decreased. Nevertheless, private entrepreneurs have not taken advantage of all their opportunities, and a case can be argued for selective government intervention. More rationalization may be needed in the private sector to create larger enterprises with better marketing capability.

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## APPENDIX-1

### Jordan's imports commodity composition ( 1980 – 2006 )

JD. Millions

Total	Miscall- aneous	Machinery and transport equipments	Manuf- actured Goods	chemicals	Mineral fuels lubricants	Crude material	Food and live animals	year
715	74	199	147	39	122	16	118	1980
1,047	405	338	176	50	182	29	167	1981
1,142	112	319	191	54	240	35	191	1982
1,103	163	262	198	57	212	31	180	1983
1,071	185	215	166	79	213	29	184	1984
1,074	200	207	169	67	223	33	175	1985
850	151	176	140	74	116	28	165	1986
915	130	186	169	91	156	28	155	1987

1,021	145	233	177	100	157	37	172	1988
1,230	111	258	225	134	235	40	197	1989
1,725	151	327	299	190	312	43	403	1990
1,710	144	299	327	218	247	58	417	1991
2,214	218	543	444	245	303	45	416	1992
2,453	235	660	506	248	314	55	435	1993
2,362	271	600	432	279	300	71	409	1994
2,590	290	634	503	317	336	91	419	1995
3,043	264	789	512	329	372	92	685	1996
2,908	308	814	443	338	383	83	539	1997
2,714	286	776	435	346	251	88	532	1998
2,635	299	724	391	334	319	84	484	1999
3,259	346	931	493	349	508	103	529	2000
3,453	345	938	666	379	495	106	524	2001
3,599	442	890	689	402	540	106	530	2002
4,072	516	920	802	445	661	98	630	2003
5,799	771	1,315	1,162	567	1,110	113	761	2004
7,442	912	1,869	1,361	654	1,713	122	811	2005
8,115	943	1,994	1,522	709	1,928	135	884	2006

Source : Central Bank of Jordan , yearly statistical series ( 1964 – 2006 )

## APPENDIX-2

Jordan's exports commodity composition ( 1980 – 2006 )

JD. Millions

Total	Miscall- aneous	Machinery and transport equipments	Manuf- actured Goods	chemicals	Mineral fuels lubricants	Crude material	Food and live animals	year
120	17,7	2	18	10	,299	49	23	1980
169	25,6	3	34	17	,379	56	33	1981
185	26,7	3	32	23	,239	61	39	1982
160	17,4	1	17	36	,55	52	36	1983
261	31,8	1	33	67	,11	87	41	1984
255	19,2	2	39	50	,8	98	43	1985

225	12,8	1	19	54	,145	97	41	1986
248	15,6	2	37	69	,344	91	33	1987
325	19,6	3	35	91	,338	146	30	1988
534	33,4	10	63	155	,6	224	48	1989
612	38,5	14	77	188	,5	235	59	1990
598	36,7	7	63	177	,23	228	86	1991
633	49,5	11	66	196	,5	218	92	1992
691	59,1	23	81	195	,39	192	140	1993
793	108,2	39	85	262	,71	207	91	1994
1,004	202,7	45	96	302	,21	259	99	1995
1,309	390,4	24	118	331	,26	285	160	1996
1,067	148,6	34	110	335	,38	258	181	1997
1,046	144,6	45	100	323	,34	268	165	1998
1,051	131,6	68	108	352	,38	264	127	1999
1,080	185,1	69	113	347	,99	249	116	2000
1,352	331,8	122	168	345	,149	250	135	2001
1,556	511,1	101	159	391	,99	252	141	2002
1,675	659	77	132	389	4	258	156	2003
2,306	1,018	103	158	502	15	310	200	2004
2,570	1,049	127	191	575	4	350	274	2005
2,902	1,222	157	217	626	29	353	298	2006

Source : Central Bank of Jordan , yearly statistical series ( 1964 – 2006 )

### APPENDIX-3

#### Direction of Jordan's Imports ( 1980 – 2006 )

JD. Millions

Total	Other countries	Japan	India	China	USA	European union countries	Arab countries	year
715	139	51	2	10	61	303	149	1980
1,047	193	71	2	13	166	389	213	1981
1,142	251	87	2	14	144	375	269	1982
1,103	242	102	1	11	131	366	250	1983

1,071	259	79	1	9	119	359	245	1984
1,074	261	67	1	13	128	341	263	1985
850	203	66	4	11	75	319	172	1986
915	208	55	1	14	93	311	233	1987
1,021	235	54	2	17	128	324	261	1988
1,230	252	45	8	21	170	397	337	1989
1,725	356	54	22	25	299	531	438	1990
1,710	449	61	53	29	178	552	338	1991
2,214	594	132	31	52	246	698	461	1992
2,453	614	123	43	50	311	814	498	1993
2,362	569	93	38	62	232	838	530	1994
2,590	686	91	48	58	240	859	608	1995
3,043	898	12	52	63	294	963	761	1996
2,908	732	147	54	72	274	946	683	1997
2,714	771	158	48	71	258	887	521	1998
2,635	682	166	42	83	259	834	569	1999
3,259	794	127	45	125	321	1,074	773	2000
3,453	917	124	52	168	280	1,089	823	2001
3,599	978	112	58	236	278	1,030	907	2002
4,072	1129	141	60	322	276	1,023	1,121	2003
5,799	1488	189	103	489	393	1,362	1,775	2004
7,442	1713	210	104	686	416	1,798	2,515	2005
8,115	1708	252	125	848	385	1,880	2,917	2006

Source : Central Bank of Jordan , yearly statistical series ( 1964 – 2006 )

#### APPENDIX-4

Direction of Jordan's Exports ( 1980 – 2006 )

JD. Millions

Total	Other countries	Japan	India	China	USA	European union countries	Arab countries	year
120	32,9	3	8	2	,1	2	72	1980
169	38,56	3	10	1	,44	2	114	1981
185	38,1	3	16	1	,9	3	123	1982
160	44,3	3	13	3	,7	9	87	1983

261	69,85	5	34	8	,15	12	132	1984
255	60,13	5	45	2	,87	11	131	1985
225	57,695	5	34	7	,305	19	102	1986
248	67,063	7	22	10	,937	17	129	1987
325	102	6	55	15	1	25	136	1988
534	144	18	94	10	2	25	241	1989
612	170	12	129	18	3	22	258	1990
598	254	10	109	32	2	18	173	1991
633	266	12	96	14	4	19	222	1992
691	281	9	65	16	7	28	285	1993
793	301	12	88	8	8	40	336	1994
1,004	336	13	114	13	14	63	451	1995
1,309	620	12	81	9	13	86	485	1996
1,067	309	12	98	13	4	77	554	1997
1,046	369	10	116	11	5	69	466	1998
1,051	341	10	180	25	9	60	426	1999
1,080	357	9	172	32	44	35	431	2000
1,352	276	9	145	29	164	49	680	2001
1,556	299	8	159	32	304	44	740	2002
1,675	284	9	141	25	468	57	691	2003
2,306	352	12	178	24	722	72	946	2004
2,570	403	18	246	28	790	90	1095	2005
2,902	440	30	279	24	905	99	1125	2006

**Source : Central Bank of Jordan , yearly statistical series ( 1964 – 2006 )**