

The Jordanian Economy in a Strained Regional Climate

Event: Conference

Date, Place: November, 14, 2015, Landmark Hotel, Amman, Jordan

Organization: KAS Jordan Office, Al-Quds Center for Political Studies

Program Outline:

09:30-10:00 am **Arrival and Registration**

10:00-10:30 am **Opening Session: Introductory Statements**

Dr. Oraib al-Rantawi (Director General, Al-Quds Center for Political Studies, Amman)

Dr. Otmar Oehring (Resident Representative, KAS Jordan Office)

10:30-12:00 am **Session 1: The effects of regional conflicts on the Jordanian economy**

Chair: HE Mohammed al-Saudi, Member of Parliament, Jordan

Presentation of the working paper of:

HE Dr. Jawad al-Anani (Member of the Upper House and Economist, Jordan)

Konrad-Adenauer-Stiftung e.V.

AUSLANDSBÜRO JORDANIEN

November 14, 2015

DR. OTMAR OEHRING

IMKE HAASE

www.kas.de/amman

HE Prof. Hamdi Tabbaa (Chairman of the Jordanian
Businessmen Association)

12:00-12:30 pm Coffee Break

**12:30-14:00 pm Session 2: The impact of the border closure
with Syria and Iraq on the Jordanian economy**

Chair: Mr. Hussein Shreim, Chairman of the
Chamber of Commerce, Zarqa

Presentation of the working paper of:

Dr. Ahmed al-Majali (Assistant Professor for Eco-
nomics and Finance, Mu'tah University)

Dr. Mukhallad Omari (Director of Policies at the
Ministry of Planning and International Cooperation,
Jordan)

14:00 pm

Discussion and Closing Remarks

Konrad-Adenauer-Stiftung e.V.

AUSLANDSBÜRO JORDANIEN

November 14, 2015

DR. OTMAR OEHRING
IMKE HAASE

www.kas.de/amman

Objectives

The ongoing conflicts in Syria and Iraq have aggravated the economic situation in Jordan. On the one hand, this is related to the large number of Syrian refugees in Jordan, which constitutes a significant burden for the resource-poor country, particularly on the municipal level. On the other hand, it stems from the fact that trade between Jordan and its two neighboring countries, Syria and Iraq, has come to a complete standstill due to the border closures. Hence, Jordan has not only lost two important import-export markets but also transit trade, connecting Lebanon and Turkey to GCC markets, which has suffered significantly. So far, however, concrete alternatives have not been found. This contributes to a further weakening of the domestic Jordanian economy, which remains heavily dependent on external sources of funding, mainly from Saudi Arabia and the United States.

In this framework, Al-Quds Center for Political Studies and Konrad-Adenauer-Stiftung Jordan Office (KAS) organized a conference to discuss the social and economic impacts of the crises and to identify alternatives and opportunities. Prior to the event, two background papers were formulated by Dr. Jawad al-Anani, a well-known economist, and Dr. Ahmad al-Majali, Assistant Professor for Economics and Finance at Mu'tah University, and presented during the conference. The two working papers aimed at guiding relevant stakeholders through the various impacts of the crises on Jordan's national economy as well as pointing out alternative trade options.

At the beginning of the workshop, Dr. Otmar Oehring, Resident Representative of KAS Jordan Office, and Mr Oraib al-Rantawi, Director General of Al-Quds Center for Political Studies, underlined the importance and timeliness of the subject,

especially with a struggling Jordanian economy impacted by an influx of refugees in addition to major security challenges.

Presentations

The two presentations in the first session focused on the effects of regional conflicts on Jordan's economy, and in particular on the economic impact of Syrian and Iraqi refugees in the country.

Dr. Jawad al-Anani emphasized the status of the national economy as Jordan's Achilles heel. While Jordan's income largely depends on the Gulf States, it is also affected by the low demand for oil and the worldwide drop in the stock markets. Therefore, he calls for a search for alternatives besides external financial aid, and for creating a new business environment with investments, such as infrastructure projects. Dr. al-Anani stated that a crucial factor for the stabilization of the economy would be the integration of refugees into the Jordanian national economy. Although there are several direct and indirect costs involved in the presence of refugees in the country (\$2400 is the average annual cost of a refugee for the Jordanian state, for example, for health and education, in addition to the increased costs of water, water treatment and garbage collection), there are also advantages, especially in the long-term perspective. The Syrian refugee workforce is cheaper for Jordanian employers, some of whom can eventually move to a higher income bracket. Dr. Al-Anani stressed the need for a strategic solution for the economic crisis, which includes the improvement of infrastructure and the sale of ready-made products rather than resources.

Professor Hamdi Tabbaa, Chairman of the Jordanian Businessmen Association, noted in his speech that the Jordanian economy

Konrad-Adenauer-Stiftung e.V.

AUSLANDSBÜRO JORDANIEN

November 14, 2015

**DR. OTMAR OEHRING
IMKE HAASE**

www.kas.de/amman

relies on migrant workers because there is a lack of a skilled labour force among Jordanians. In this context, Syrian refugees can provide professional skilled labour. However, the problem in his opinion is that Syrian investors are not encouraged to invest in the country, which constitutes a wasted opportunity. In addition, Prof. Hamdi Tabbaa endorses not only a revision of the governmental measures treating Syrian investors, but also regarding Syrian students at Jordanian universities, whom he proposes should be treated as Jordanians. Furthermore, he suggests the replacement of the 600,000 Egyptian workers in the country by Syrian workers, since they would stay in Jordan and spend their savings inside the country.

In the second session, the presentations elaborated on the different dimensions of the impacts of the border closure with Syria and Iraq on the Jordanian economy.

In his presentation, Dr. Ahmad al-Majali, Assistant Professor of Economics and Finance at Mu'tah University, distinguished between five major dimensions of the border closure impacts on Jordan's national economy, including trade, industry, the transport sector, the agricultural sector and areas surrounding the borders, including the Free Zones. In all of these sectors, the border closures with Syria and Iraq have enormous impacts which contribute to a further weakening of the already fragile economy. In the case of trade for example, Dr. Al-Majali describes a large decrease, as costs of imports to Jordan increase on the one hand, and there is a large decrease in product exports on the other, especially in the agricultural sector. Moreover, alternative trade routes by sea and by air are more expensive, thus further lowering the competitiveness of Jordan's products.

Dr. Mukhallad Omari, Director of Policies at the Ministry of Planning and International

Cooperation, stated that economic problems in the country are not caused only by the border closures with Iraq and Syria but also by the long distance to Turkey and EU markets. He also stressed the main challenges resulting from recent refugee waves seeking shelter in Jordan, such as the overcrowding of universities and schools, which impacts academic quality, and the expansion of the informal sector, which results in a lack of tax incomes to the state. To counter these developments, Dr. Omari recommends supporting small and medium enterprises by granting them deposits as loans to encourage their economic activities and strengthen their contribution to the national Jordanian economy. In addition, he recommends the improvement of the national environment for investments in general, with a greater concentration on neighboring countries and the Gulf. He also proposes attracting investors from European and African markets and identifying new markets.

In the subsequent animated discussions, it became clear that both speakers and the 60 participants—most of them with links to the business field—agreed on the importance and urgency of the topic. However, the solutions pointed out by the audience differed and ranged from proposals for alternative trade trucks via Saudi-Arabia and Kuwait, to a strengthening of Aqaba port and a search for alternative markets. Others criticized the suggested trade routes, saying they were too expensive and would reduce Jordan's competitiveness.

All in all, the presentations and discussions underlined the need to find both alternatives to the markets in Iraq and Syria (as there is no end to the conflicts in sight), as well as a way to solve the existing socio-economic problems in Jordan related to the influx of refugees.

Konrad-Adenauer-Stiftung e.V.

AUSLANDSBÜRO JORDANIEN

November 14, 2015

**DR. OTMAR OEHRING
IMKE HAASE**

www.kas.de/amman

CONCLUSIONS:

The conference was a great success in terms of crystallizing the various impacts of the crisis in Syria and Iraq on Jordan's national economy, and bringing together relevant stakeholders. Furthermore, the background papers are crucial to addressing national actors by laying down the specific problems and will help deal appropriately with the negative implications. As there is no end in sight to the crisis in the neighboring countries, the topic certainly needs to be followed up, especially to encourage further practical steps.

Press Coverage

A video documentation of the two sessions was released on Youtube:

First Session:

<https://www.youtube.com/watch?v=GWec5vRdNyg>

Second Session:

<https://www.youtube.com/watch?v=cnQE7TEJQQ0>