

## The Impact of the Border Closure on the Jordanian Balance of Trade in Pre- and Post- Syrian Crisis

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**Abstract:** Since the advent of Syrian Crisis in 2011, there has been influx of Syrian refugees in neighbouring countries. One of the major refugee influx was faced by Jordan. Jordan already having constraints related to resources was affected widely by the influx. Also, owing to the huge migration of refugees into Jordan, the country ordered the closure of borders for the purposes of security. Border closure took a hit on the economy as trade (exports and imports) came to a halt. The researcher in this study attempts to analyze the impact of border closure on Jordan. Secondary sources were resorted to for data collection which was interpreted through graphs and figures. It was found that border closure negatively impacted the Jordanian trade as both exports and imports post-crisis evidenced a sharp decline.

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### I. Introduction

Boundaries are the lines that define the country's geographical dimensions and its territory as an independent country, and that ends the state's sovereignty and laws on the start of the sovereignty and laws of another country where there is more than one type of border.

Where there are land borders separating countries on the dry political map of the world maritime borders that define the scope of maritime transport and water boundaries as this border separates countries, it is also done through these limits trade between countries through export and import or re-export of goods to other countries.

There are extended borders between Jordan and Syria running a distance of 375 km. These borders were established in 1921 after the establishment of the emirate of Transjordan. Generally, the border extends to the south with the Golan Heights occupied by Israel and the borders extending with the Yarmouk River, which reaches to the east and passes between Ramtha (Jordanian) and Daraa (Syrian) while the eastern border extends along (32.3112° N 36.8382° E) with a straight line passing through the Syrian desert ends on the Jordanian-Iraqi border (33.3747 degrees).

These borders between two countries constitute a good relationship since 1999 when His Majesty King Abdullah assumed the throne of the country the Jordanian economy was stagnant without growth. The Jordanian state had foreign debt in the range of 7 billion dinars equivalent to 90% of GDP at current prices. Democracy and the press were in decline, Jordanian relations were strained with the Gulf States Syria. Among these relationships was a trade where the data showed trade between Jordan and Syria before King Abdullah was very little

In 1999, the king built new relations with Syria, among them (economic and trade relations) urged relationships began to develop significantly in terms of exports and imports especially since signing the Great Arab Free Trade Agreement since 2005. The latest trade data from the Department of Statistics indicates that Jordan since 2003, 4 billion dinars have been issued and it has increased in recent years, as the value of imports reached 3.5 billion dinars the total trade exchange between Jordan and Syria reached 15% of the gross domestic product for the same period where there was an unprecedented economic activity where the trade included an extensive list of food animals, vegetable products, meat, fats, oils, beverages, metal and chemical products, industries, rubber, leather, wood crafts, paper, cardboard, machinery, equipment, electrical tools, optical devices, watches, antique phosphates, potash, and others. In addition, an estimated 60% of Jordan's foreign trade was through the Syrian lands that pass to Lebanon, Turkey and European countries it was distinctively especially when suspending trade with Iraq because of the US invasion of Iraq where Jordan was adopted on exchanges with Syria, Lebanon and Turkey through the Syrian ports this situation continued until 2010.

In 2010, Arab revolts against rulers by the people began it was called in the (Arab Spring) among these revolutions the revolution of the Syrian people started in 2011 and she demanded regime change and with the start of the Syrian revolution, the Jordanian and Syrian government closed the borders between the two

countries for fear of terrorists entering Jordan and vice versa nevertheless, Jordan allowed unarmed Syrian refugees to enter Jordan but with the borders closed, trade between the two countries declined gradually for several reasons, including fear of stealing goods from bandits because there is no control by the Syrian government and also because some factories in Syria were destroyed by the revolution trade has continued to decrease significantly between Jordan and Syria and also with Lebanon and Turkey because Jordan was doing trade with Lebanon and Turkey through the Syrian border and crossings as this closure of borders left a huge impact and exhausted the Jordanian economy who could not bear any new shock and the situation became increasingly unhappy with the entry of refugees as the volume of trade exchange decreased to 2% of GDP. which left a huge impact on the balance of trade, these effects include total trade with the world it was particularly affected by neighbouring countries such as Lebanon and Turkey this situation continued until the beginning of 2019 when the Jordanian and Syrian government is established opening the borders between the two countries due to the end of the Syrian crisis, however, trade has not been active to this day (Al-Majali & Tarawneh, 2019).

## II. Review of Literature

**Al-Majali and Al-Tarawneh (2018)** in the study on, aims to measure the effect of the Jordanian geographical borders closure with Syria and Iraq on the Jordanian trade by using the ARDL model. The study used monthly data from 2008 to 2016. The results have shown a long-run relationship between the study variables, and the closure of borders impact significantly on the study variables in the long term, the total trade decreased by 10.349 million JD, and Jordanian exports to the neighbouring countries decreased by 48.024 million JD. The study decreased by 24.905 million JD. The index of industrial production decreased by 3.32 points. In the short run, total trade decreased by 3.634 million JD Exports of the countries decreased by 16.428 million JD. Imports from countries decreased by 11.535 million JD. The industrial production index decreased by 2.4 points. The (ECT) shows that it can be returned as it was before the decision of closure during short periods (1.5 - 3.5) months for all variables.

**UNHCR (2014)**, in the report on, the repercussions of the seizure of the Nassib border crossing between armed groups took place Syria and Jordan The closure of the crossing has negatively affected the conduct of humanitarian operations UNHCR in the south of the country. In order to minimize the damage, it has planned UNHCR to expand its operations across the Syrian border with Lebanon and Turkey as well as enhance the transfer of its aid through the ports of Tartous and Lattakia. And so it has completed UNHCR in Syria in close coordination with UNHCR in Turkey is a humanitarian operation Through the Nusaybin crossing between Turkey and Hasakah province in Syria on 16 April 2015. Fifteen trucks crossed the border carrying materials Basic relief for 14,250 individuals; UNHCR transferred these materials to its warehouse In Qamishli as an emergency stockpile. This is the first in a series of planned cross-border humanitarian operations that will have provided assistance Up to 25,000 individuals upon completion

**Abdih and Geginat (2014)** in their article on, the economic impact of the Syrian conflict on Jordan. The study found a generally negative impact on economic activity in Jordan, which largely reflects the loss of Syrian export routes as well as the feeling of hesitant investors. The results of the following study deserve to highlight: 1. Inflation increased due to higher rental prices as Syrian families were looking for housing in Jordan. Without the conflict, rents last year grew by 2.7 percent instead of 7.7 percent. 2. The informal sector in Jordan is likely to have grown because Syrian refugees, who are not legally permitted to work in Jordan, are primarily seeking employment in the informal labour market. This increase in informal activities has negative consequences for the Jordanian economy, the most important of which is the overcrowding of Jordanian workers (as Syrian refugees usually accept low wages) 3. The crisis has affected the Jordanian trade balance. Imports increased to Meeting population growth needs - Non-energy imports increased by more than 11 percent in 2013. Exports decreased due to the loss of major export routes across Syria to Europe and other countries in the region. In fact, combined exports in Lebanon, Turkey, and Europe fell by 30 percent in 2013. 4. High spending and low quality of services The study estimates that restoring quality of public services to pre-crisis levels Would have led to additional fiscal spending of 0.6 percent of GDP in 2013 and one percent of GDP in 2014 - these are not investment costs but are the necessary expenses To ensure that Jordanians are no worse off than they were before the influx of refugees and the international community needs to increase its support, including through it Additional grants to the central government, to ensure proper care of refugees and that the quality of public services in Jordan has been restored to pre-crisis levels. At the same time 2 Jordan should maintain momentum in public sector reforms Public debt on the downward path as the structural reform agenda moves forward for further growth and jobs this would instill confidence and mitigate the risk of further side effects from the civil war.

### Research Gap

The lack of studies that talked about the effects of closing the borders, as the trade balance is one of the main factors in the Jordanian economy, the lack of data during the crisis due to the entry and exit of refugees and the closure of the borders more than once.

### Objectives of the Study

1. To study the impact of border closure on the balance of trade in the Jordanian economy.

### Hypothesis of the study

H<sub>1</sub>: The border closures have a negative impact on the balance of payment of Jordan.

### Research Methodology

#### 1. Data source

**Secondary data:** The article is based on secondary data, and secondary data will be collected from various published documents, thesis books, reports, periodicals, newspapers and other relevant government agencies there are a number of government sources:

Ministry of Planning., Customs, General Statistics, and other Jordanian institutions to know the effects of the closure of the Jordanian-Syrian borders on the Jordanian economy and trade balance

**Period of Study:** Secondary data used in the study were taken to test hypotheses for sixteen years where the study period will be before the Syrian crisis from 2003 to 2010 and after the beginning of the Syrian crisis from 2011 to 2018. Data were collected from annual reports of government sectors and official websites

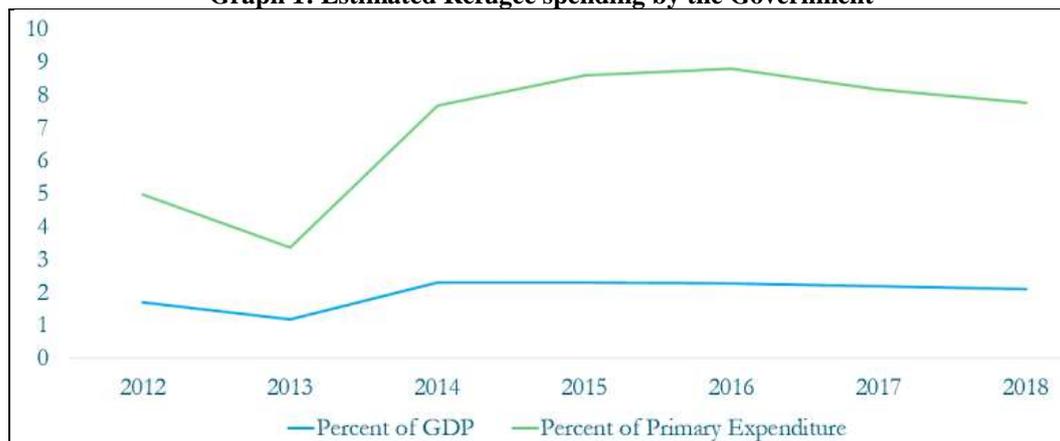
**Scope of the Study:** In this study, the Jordanian economic situation and government sectors are considered. Where the impact of the Syrian refugees in the Labour market

#### Testing of Hypothesis:

Since 2003, the Jordanian economy and the Jordanian market were debilitated by the regional turmoil that began with the occupation of Iraq for the first time, which had a significant impact on the Jordanian economy when Iraqi oil, which Jordan received almost free of charge and the commercial border between the two countries until 2011.

The Government of Jordan housed many Syrian refugees increasing the expenditure of the country and a decline in trade due to border closure severely affected Jordanian trade. The graph below demonstrates the estimated spending by the Jordanian Government. From the beginning of the Syrian crisis of 2011, the Jordanian government and the Syrian government closed the borders between the two countries because of the fear that terrorists from Syria would enter Jordan and vice versa as the closure was always from the beginning of the Syrian crisis.

**Graph 1: Estimated Refugee spending by the Government**



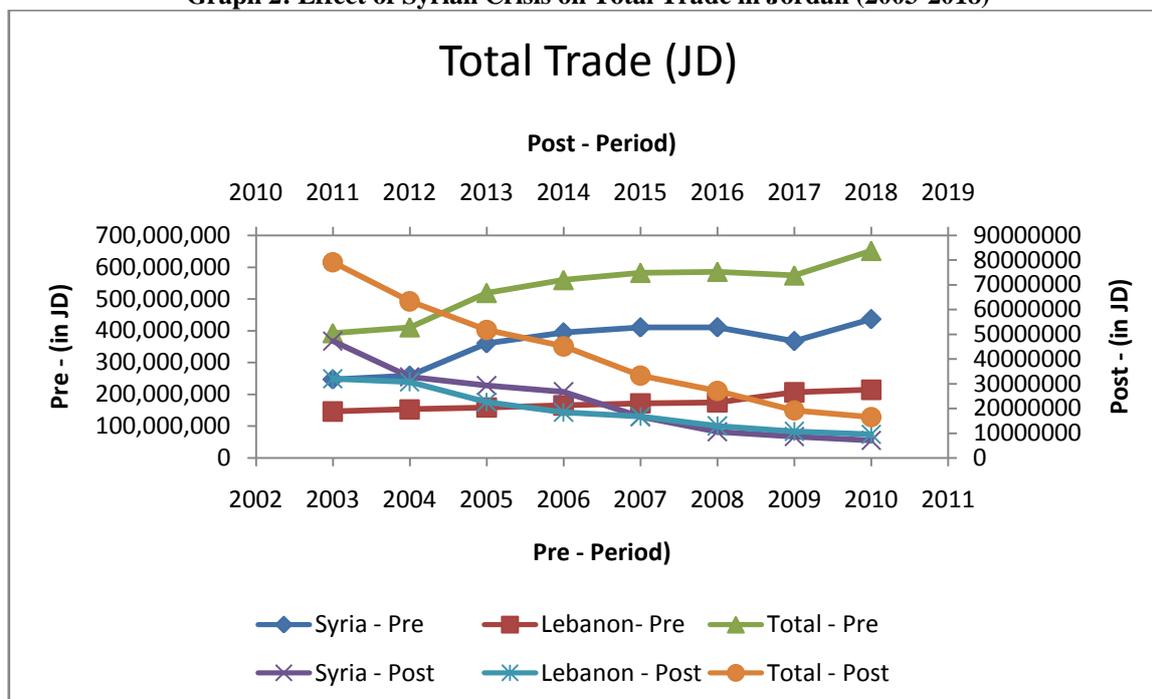
Source: IMF Article IV Consultation, July 2017; Razan Nasser and Steven Symansky, "The Fiscal Impact of the Syrian Refugee Crisis on Jordan", USAID, 2014

With the borders closed, the trade exchange between the two countries did not stop because the two countries depended on the trade activities and provided aid to the Syrian people, but the fear was that the goods that were exchanged were stolen. The trade decreased significantly, which left a tremendous impact and exhausted the Jordanian economy and the situation became increasingly resentful of the entry of refugees. The closure of the border had a significant impact. The closure of border trade between the two countries and the Jordanian economy has been severely affected by the collapse and closure of Syrian highway networks which

links Jordan with neighbouring countries such as Lebanon and Turkey, and the multiple roads linking Jordan with Syrian ports such as Tartous and Lattakia, and northern Syrian cities such as Aleppo and even Lebanon.

**Trade balance:** Border closures had a significant impact on the trade balance and the economic situation of Jordan where the value of trade exchange between the two countries estimated at about 15% of the total production where Jordan was dependent on imports of clothing, fruits, foodstuffs and export of raw materials such as phosphates and potash which began to decline. The trade faded due to the closure of borders, which left a significant impact on the balance of trade.

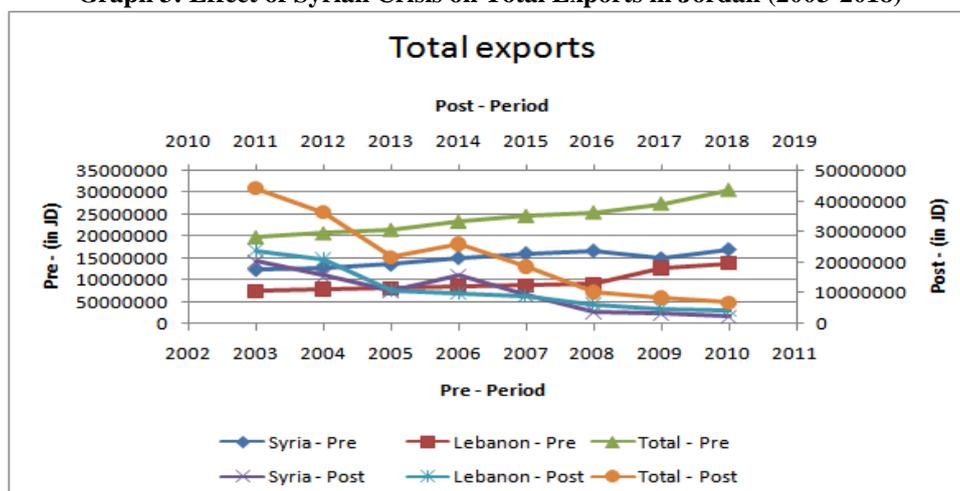
**Graph 2: Effect of Syrian Crisis on Total Trade in Jordan (2003-2018)**



Source: Prepared by the Researcher

**1- Exports:** Jordan's exports to Syria and Lebanon decreased due to the closure of the crossings since the beginning of the Syrian revolution in 2011. This decrease was on all exports (national exports), Jordanian goods, Jordanian industry and re-exported goods that come from other countries across the Jordanian border towards Syria or Lebanon.

**Graph 3: Effect of Syrian Crisis on Total Exports in Jordan (2003-2018)**

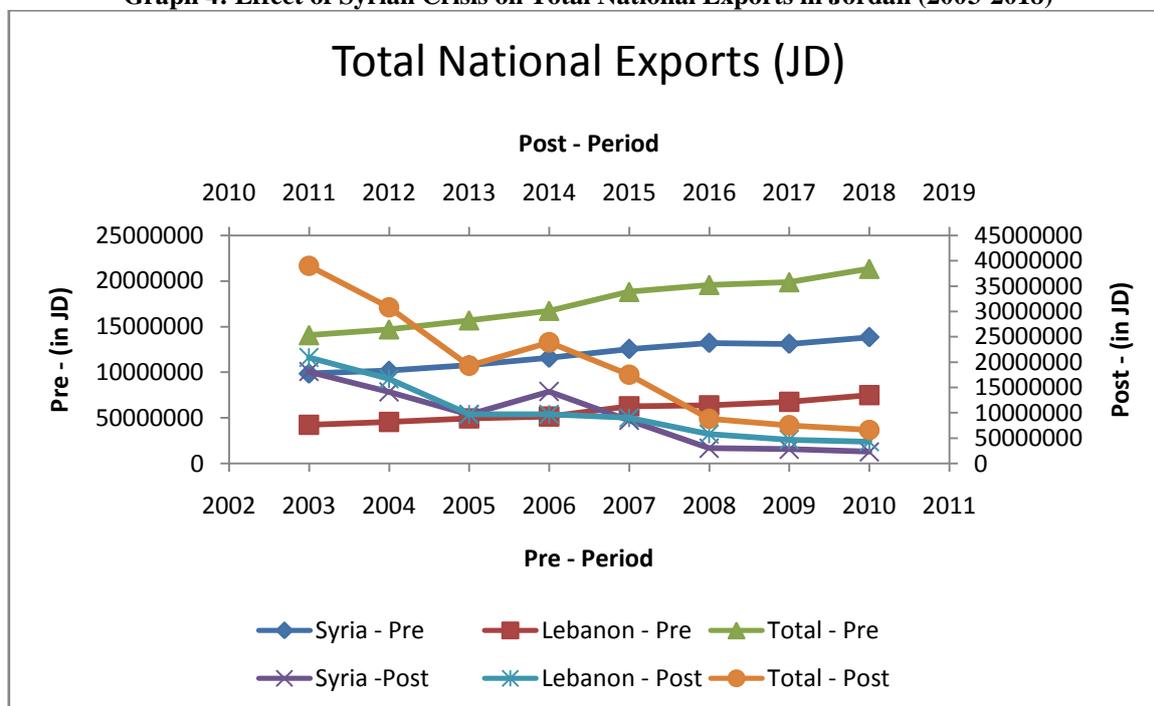


Source: Prepared by the Researcher

Exports in Jordan were divided into two types:

**A- National Exports:** The Syrian market is considered one of the most important export markets for Jordanian products. The percentage of Jordanian exports to Syria and through Syria to Lebanon is 15% of the Jordanian exports. There are no factories or dealers in Syria, hence Jordanian goods are imported. Due to the cessation of export of Jordanian goods to Syria, the trade is severely affected.

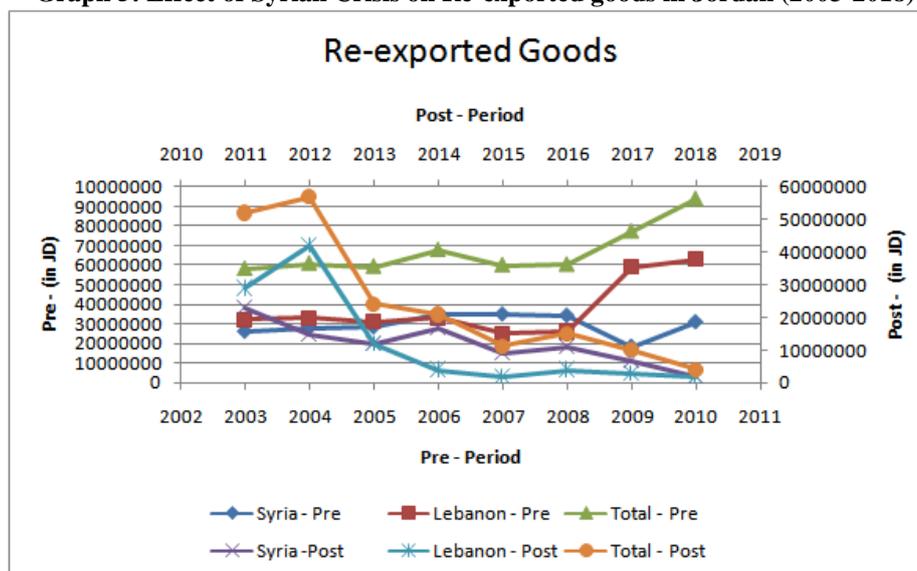
**Graph 4: Effect of Syrian Crisis on Total National Exports in Jordan (2003-2018)**



Source: Prepared by the Researcher

**B- Re-exported goods:** Jordan's foreign trade depends in part on the re-export movement (transit), which benefits merchants, clearance companies and transport companies if some consider that the port of Aqaba supports the transport of goods to neighbouring countries via the Jordanian border and shortens the time and costs. Transit towards Lebanon and from here, the transfer of re-exported goods through Jordan contributes to the economic role and activates the economic situation. There has been a sharp decline in goods re-exported to Syria and Lebanon across the Jordan-Syria border due to intermittent closures.

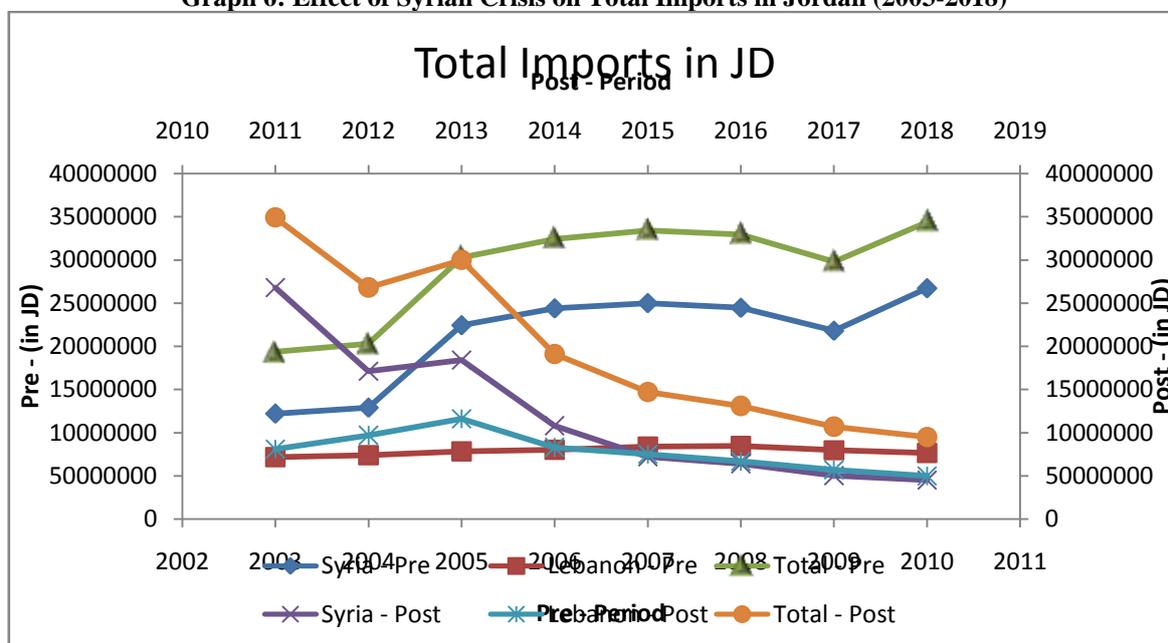
**Graph 5: Effect of Syrian Crisis on Re-exported goods in Jordan (2003-2018)**



Source: Prepared by the Researcher

**2- Imports:** Statistics indicate that the flow of imports from the Syrian side continues, slightly and intermittently, with the rise in the value of imports due to high transport costs. Jordan's imports from Syria decreased by 80% constituting 8% of total imports. Jordan's main imports from Syria are fabrics, clothes, fruits, vegetables, and food. In addition to the cessation of factories in Syria which export goods to Jordan, Lebanese goods were transited through the Syrian border to Jordan.

**Graph 6: Effect of Syrian Crisis on Total Imports in Jordan (2003-2018)**



Source: Prepared by the Researcher

The closure of border trade between the two countries and the Jordanian economy has been severely affected by the collapse and closure of Syrian highway networks which links Jordan with neighbouring countries such as Lebanon and Turkey. This proved that border closures affected total trade in Jordan. Hence, the hypothesis stated in the study was accepted.

### III. Conclusion

The border closure had a negative impact on the trade of Jordan as exports and imports faced a sharp decline. Hundreds of importers and exporters lost millions of dollars worth of goods when rebels pillaged the vast free-trade zone that straddled the border, most of it on the Syrian side. The decline in exports exacerbated the trade deficit, which could force Jordan to borrow more to cover the difference. Hence, this proved that the border closures had a negative impact on the balance of trade in Jordan. This study was key in analyzing the effect of the Syrian crisis on the Jordanian economy. The Government of Jordan should take mitigating steps to ensure that the economic instability be controlled and host communities in Jordan are secured.

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