

## Stepping Up To Europe

Jordanians turn to Europe for much of their cultural, intellectual and commercial needs. **Riad al Khouri** ponders what it would take to redress the one-way balance and make Europeans look to Jordan for economic inspiration.

**E**ven Jordanian Europhiles – of whom I am one – have to admit that economic relations between Jordan and the EU leave much to be desired. Nowhere is this more apparent than in the massive imbalance seen in merchandise trade between the EU and the Kingdom. European exports to Jordan are huge, while EU imports of Jordanian goods remain modest. The value of EU–Jordan merchandise trade for 2005 to 2009 (see table opposite) is therefore a depressing one from the Jordanian point of view.

The bulk of Jordan's purchases from Europe consists of three broad categories: machinery, including vehicles; chemicals, including pharmaceuticals, cosmetics and plastic products; and various semi-finished and other manufactures derived from paper, yarn, iron and such. Though much of these are machines and semi-finished materials needed by a country at Jordan's stage of economic development to help manufacture other goods, a significant portion of purchases by the Kingdom from Europe consists of luxury items or semi-luxuries such as cars and fancy perfumes. Of course, in a free market,

people cannot be forced to consume a certain product or be prevented from buying another that may have a negative effect, one way or the other.

Taxes and other measures, such as heightened tariffs, can act to influence consumers by making things more expensive. Yet, as a general reduction in import barriers is tied to signing on to the World Trade Organization and other free trade agreements, products from the EU and other foreign trade blocs become available more cheaply in Jordan, partly explaining the Kingdom's chronic trade deficit with Europe. Even worse, the recent slide of the European currency should help aggravate this trend, so look for an even more dismal set of EU–Jordan trade figures for 2010.

### ...the merchandise trade balance with Europe is grim and getting grimmer...

#### Towards A Rosy Relationship

That should not be the end of the analysis, however. It is possible for a deficit in merchandise trade to be compensated by a surplus on the services or capital accounts, which would help improve EU–Jordan

trade; or that the figures with another trade bloc show Jordan to be selling more and buying less. Nevertheless, the merchandise trade balance with Europe is grim and getting grimmer, so what could make things better?

The answer from the European side is to hand out more aid, including a €223 million support program signed in May of this year allocating €40 million towards the enhancement and upgrade of trade and investment in Jordan. (These sums would have been larger in dinar terms only a few months ago.) Where bookkeeping is concerned, this makes the EU–Jordan payments balance look better, though some of this money may end up being spent in Europe. Economically, part of the aid will no doubt go

towards helping Jordan produce more competitively, and thus is equally likely to boost exports to Europe.

An even more interesting aspect of this particular EU largesse is that the newly committed financial resources ►►



► underscore Jordan’s bid for Advanced Status with the EU, which could improve political and economic relations. Advanced Status means extending political dialogue, intensifying economic relations and increasing integration between Jordan and Europe.

Europeans and Jordanians have a long record of historical and cultural bonds, for better or worse, as well as common political, economic and social interests. Advanced Status, for which there will hopefully be a successful outcome of negotiations in late 2010, will give Jordan the right to participate in EU agencies and programs in any sector it chooses.

The EU and Morocco have set the example in this regard. Partnership between the two has grown since 2008, when Morocco achieved Advanced Status. Development of relations between the two unraveled in many fields; an

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extension of political links and integration with the EU internal market on the basis of a convergence of regulations and fostering of sector cooperation. Two years on, with deepening bilateral links, Morocco is getting additional

European finance. Similarly, the EU and Tunisia recently agreed to form a committee to help promote their relations to Advanced Status.

it may help somewhat by developing and strengthening networks between Jordan and Europe. In addition, Advanced Status will lead to further EU support for

Jordan–EU Merchandise Trade 2005–2009  
(JD M)

	2005	2006	2007	2008	2009
Jordanian imports from EU	1,835*	1,928	2,366	2,541	2,169
Machinery and vehicles	899	971	1,238	1,178	902
Chemicals	262	272	314	372	339
Various other manufactures	183	184	228	278	228
Jordanian exports to EU	100	108	111	182	107
Deficit	1,735	1,920	2,255	2,369	2,062

Source: Jordan Department of Statistics

In fact, such steps imply closer political and security cooperation; in a positive response to Jordan’s quest for Advanced Status made in 2008, the EU emphasized the important role the Kingdom plays in promoting stability in the region. Other issues are nevertheless involved and the two sides are

Jordanian reforms in bilateral trade and will also facilitate convergence with European standards for industrial goods to improve Jordan’s product access to Europe. What’s more, it will support modernization of the services sector to improve competitiveness of local companies in export markets.

However, success in this respect will depend on Jordan lining up politically with Europe. Upgrading relations with the EU will translate into intense political exchange on a wide range of common security and other challenges. Granted, Amman and Brussels already share similar views on various matters of common interest, such as the Middle East peace process, the Euro-Mediterranean partnership, the NATO Mediterranean Dialogue and the Millennium Development Goals among others, but such alignments will have to be beefed up before Advanced Status is achieved.

Back in the 1970s, social scientists and others talked about modernization as a solution for the problems of Jordan and the rest of the Levant. Today, what we are aiming for is basically some form of Europeanization, but will it work? Only time will tell. ■

now working to develop relations in transport, energy, climate change, environment and water.

Of course, Amman and Brussels have been cozying up to each other for a long time now. While the Advanced Status process builds on existing links between the two, it will also help extend relations in a wide range of areas and aim at more harmonization and standardization of legislation, opening up possibilities of greater business between the EU and Jordan. Once agreed, Jordan’s Advanced Status with the EU will also create concentrated dialogue to implement joint policies, and would make Amman eligible to participate in programs previously exclusive to EU members.

**What Next?**

This is all to the good, but how much will it succeed in improving the investment environment, in creating sustainable jobs for young Jordanians or in narrowing the trade gap? The answer is that

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