

Weighing Up The WTO Experience

It has been ten years since Jordan joined the World Trade Organization (WTO) in April 2000. Now is therefore a good time to review, both qualitatively and quantitatively, the impact this has had on the country and to compare this outcome with what was initially anticipated from the process.

Jordan has historically suffered from chronic trade deficits and a narrow export base, with annual commodity imports typically amounting to more than double its exports. Jordan has thus relied on Arab aid and remittances to cushion its balance of payments.

However, after the drop in aid that began in the mid-1980s and the subsequent fall in workers' remittances later in that decade, Jordanian policymakers came to realize that deeper integration into the world economy may offer the best prospect to overcome the limited scale of domestic resources, regardless of narrow sectoral interests.

Membership of the WTO, it was argued, would increase Jordan's access to foreign markets, strengthen the country's ability to defend its interests in trade disputes, raise productivity through specialization and promote domestic reforms. Another key benefit of WTO entry, identified at the time, was to boost confidence in the local economy, the argument being that foreigners are likely to be more confident about investing in poorer, developing countries if they were WTO members.

Beyond such general statements of where the country's interests lay, the setting of priorities in the context of Jordan's entry into the WTO was never substantially articulated. In perhaps the only serious piece of work on the subject*, Riad al Khouri, an independent economist, argued that one of the problems with setting priorities in Jordan's entry process was that, with few exceptions, the country in the mid-1990s lacked both private and public sector experts in the technical mechanisms and functions relating to the WTO.

So, ten years on, is there compelling empirical evidence that WTO membership has benefited Jordan in the way it was expected to when accession talks were taking

place the mid-1990s? The answer is no. Yes, trade has thrived since Jordan joined the WTO, and far faster than output, but it has also blossomed for the members and non-members of the organization alike.

At the same time, some would argue that the WTO has had nothing to do with the huge jump in Jordanian exports witnessed since the late 1990s. The entry into force in 1997 of a trilateral trade agreement between Jordan, the US and Israel, also known as the Qualifying Industrial Zone (QIZ) model, prompted a surge in shipments to the US that distorted Jordan's overall export growth trend. Although exports have risen rapidly since 2000, the year Jordan joined the WTO, those to the US, with which the Kingdom later inked a free trade agreement, have grown much faster.

As argued by al Khouri, Jordan's interest then and now in QIZs and other bilateral or regional trade arrangements does not in any way contradict or negate the drive to WTO membership. Many observers, however, were confused by the success of QIZs, which appeared to make WTO accession less beneficial.

What about GDP? Has WTO membership boosted output growth for Jordan? Unless empirically proven, it is difficult to tell. Certainly, the scrapping of trade quotas together with the reduction of export and import duties has boosted both exports and imports. This, however, may not have contributed much to GDP growth, given the inherently low local value added in Jordanian exports (phosphate and potash being a notable exception).

To answer these and other questions, a rigorous analysis needs to be undertaken. Among other things, this will entail the development of a dynamic Computable General Equilibrium (CGE) model tailored to the Jordanian economy so that an *ex-ante* analysis of the impact of Jordan's accession to the WTO can be assessed. This will provide results on expected changes in the main macroeconomic and sectoral variables as a result of the entry process.

In a second step, a more detailed *ex-post* assessment of the accession should be carried out. This *ex-post* analysis will include



changes in GDP, employment, unemployment, poverty, fiscal stabilization, balance of payments and current account, structural and productivity changes, trade creation versus trade diversion, as well as economic and trade diversification. The assessment should cover two periods: a pre-accession period from 1990 to 2000, and a post-accession period from 2000 to 2009.

Given, however, Jordan's interest then and now in other bilateral or multilateral trade arrangements, as well as the application of a comprehensive structural adjustment program in the lead-up to WTO accession and after, a third step is to identify the role of the accession process in explaining changes in key macroeconomic variables.

Such a complex study is a necessary prerequisite in the context of ongoing multilateral trade negotiations under the Doha Development Agenda, and the opportunities these provide for further liberalization commitments. A study like the one outlined above is a necessary step in transmuting complex trade policy matters to a pragmatic dimension out of which non-speculative, rational decisions can be made. It would be an academic undertaking in which economists like myself would be happy to partake. ■

* *Preparing For A WTO Accession: Country Study On Jordan, 2005*

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