

ECONOMICS, GEOPOLITICS, AND ITS IMPACT ON TRANSPORT SECTOR IN THE MEDITERRANEAN, MIDDLE EAST AND AFRICA: THE EXAMPLE OF JORDAN

JAMIL MUJAHED

Transportation infrastructure in Jordan is considered relatively well developed when compared to the Middle East and North Africa (MENA) region. The transport sector also accounts for more than 8% of Jordan's GDP. The estimated annual growth in demand for transportation and logistics ranges from 5% to 6% until 2030.

Jordan's transportation and logistics sector plays a key role in Jordan's economy and contributes to over 8.2% of GDP. It is growing at an annual rate of 6% and employs nearly 7.6% of the Jordanian labor force, resulting in around 126,000 jobs.

Transport economics in general can be considered to be the laboratory of economic activity. The derived character of transport is obvious. An increase in economic activity, industrial production and expanding trade relations will inevitably result in an ever-greater need for transport. A decrease of the same parameters will result in a decreasing demand for transport. The transport system has become a very important factor of the Jordan's economy. At the same time, it is highly sensitive to, and dependent on, economic developments in other sectors. By the end of 2008, the worldwide financial crisis had increasingly become a global economic crisis. In the meantime, the consequences of this crisis for the transport sector became clear.

Jordan's economy continues to endure a prolonged period of positive but low economic growth due to a succession of partially-mitigated external shocks and overhangs in public debt and the current account. During its high growth

period between 2000- 09 Jordan achieved an average annual growth of 6.5 percent. After 2009, once costly fiscal stimulus wore off, growth dropped to 2.3 percent, on the back of the global financial crisis. The economy then entered a period of almost flat productivity growth and prolonged slowdown that was exacerbated by the wars in Syria and then Iraq after 2011. These wars brought the closure of trade routes and an influx of Syrian refugees, which came with economic and social costs. In 2014, the slowdown in the GCC economies following the drop in oil prices also had a direct impact on Jordan's economy, through the subsequent reduction of trade, tourism, remittances and financial inflows, on which Jordan depended heavily in the past.

Regional instability refers to political volatility in neighboring countries, which mainly hinders the economic growth of any country. The Middle East, for instance, has experienced long periods of civil war resulting in social, political and economic consequences for the countries involved. The effect of the Middle East conflict includes slowing the growth rate of GDP due to reduced productivity, increasing the Jordanian military expenditure at the expense of other vital lifelines, increased unemployment rates, reduced foreign income, intensified borrowing to fund budget deficits and taking severe measures, such as tax increases. Nothing good emanates from being a neighbor to an unstable country. Although the state had witnessed a global financial crisis, its recovery plan was coincidentally hindered by the regional instability occasioned by the Syrian conflict.

Jordan's trade routes were eliminated, causing a low growth rate of GDP by affecting export and import activities between Jordan and its trade partners. The increase in uncertainties about the future affects Jordan's economic performance. Industrial production has dropped due to the higher tariffs being

imposed on Jordan's exports. For instance, Jordan lost export markets in Iraq, Kuwait and Saudi Arabia, and faced a fiscal deficit and a decline in tourism and transport revenues, which lowered the GDP growth. This effect on GDP growth affects everyone in any country. For Jordan, reduced productivity caused low profitability and downsizing of the work force. Hence, governments must form joint forces that ensure a peaceful and stable regional environment that fosters economic development in all sectors of the economy.

The civil war in Syria has caused a mass influx of Syrian refugees into other countries throughout the region and beyond. Jordan has received a large share of Syrian refugees, currently totaling in alarming number of 1.2 million people. Addressing the need of Syrian refugees has drained the resources of Jordan government and has had its substantial impact on Jordan society overall.

The impact of the Syria crisis on Jordan is multifaceted, spanning almost all sectors of the economy and affecting – with varying degrees of intensity – all geographic areas. The Syria crisis continues to place heavy pressure on Jordan's social, economic, institutional and natural resources. Given the fragile fiscal position of the government budget over the past years, the government has had to reallocate scarce capital to meet the sudden and growing demands necessitated by the Syria crisis.

The impact of the Syria crisis on Jordan has been manifested in three different but interrelated manners:

- Increased pressure on public finance, worsened trade deficit and losses to key economic sectors;
- Exacerbated vulnerabilities for the poorest segments of the Jordanian population;

□ Deteriorated access to quality basic services in the most affected governorates.

The vicious conflict in Syria and absence of security have led Jordan to lose its main trade route that connected Jordan with Turkish, Lebanese, and European markets. Therefore, Jordan has resorted to using an alternative route that is more expensive and that takes longer, which increases prices and customs fees.

In total, average losses to the transport sector per year amount to approximately USD 57 million, the indirect impact on the transportation can be further analyzed. For example, infrastructure issues such as road maintenance and street lighting have been especially impacted. The arrival of Syrian refugees has increased the number of users of the road networks and public transport services, heavy-loaded cargo, water supply, and sludge disposal trucks. These factors combine to lead to a degradation of existing road networks and public transportation systems.

