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  and Financing for Development
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Item 10 of the provisional agenda

The role of trade in economic transformation policies: the case of Jordan

Summary

International trade agreements offer more than goods and services. They can be powerful incentives for countries to achieve rapid structural transformation, either by augmenting already existing production capabilities to face foreign competition, or by directing resources and efforts into high-value sectors to gain a comparative advantage and promote exports in world markets.

This document examines the evolution of Jordan's regional integration policies through the international free trade agreements it has participated in, and their implications on the future economic development strategies of the country. Using front-line quantitative and statistical analysis on several economic indicators and indexes, it provides policy choices for the Government of Jordan related to selecting trading partners, recognizing strategic sectors and exploiting comparative advantages.

The case study on Jordan will give other Arab countries an overview of the effects of bilateral and subregional trading arrangements on economic efficiency, productivity and competitiveness. Participants to the eleventh session of the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development are invited to take note of the results of this analysis and advise on the way forward for work in that area.

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CONTENTS

Introduction

1.   A growing number of stakeholders in the Arab region recognize that economic integration is a means to enhance growth, job creation and poverty reduction.[1] Some Arab countries have made considerable headway in stabilizing, reforming and opening up their economies by establishing integration agreements at the subregional level, such as the Gulf Cooperation Council (GCC, including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and the Arab Maghreb Union (AMU, including Algeria, Libya, Mauritania, Morocco and Tunisia).

2.   Jordan enjoys a strategic geopolitical location; its proximity to Saudi Arabia, Egypt, Iraq and the Syrian Arab Republic has had a positive impact on its development. However, political instability in the last forty years has had repercussions on its economy, driving it to seek strategic partnerships with countries from outside the region. Jordan has set up a clear strategy to expand its economy and boost its exports through the establishment of a number of free trade agreements (FTA) with key partners. It has ratified the Greater Arab Free Trade Area (GAFTA) Agreement, the Agadir Agreement, and FTAs with the United States of America, the European Union (EU), Turkey and the member countries of the European Free Trade Area (EFTA). Jordan has also ratified the Qualifying Industrial Zones (QIZs) Agreement with Israel and the United States.

3.   The Economic and Social Commission for Western Asia (ESCWA) has undertaken a case study on Jordan,[2] in which it examined the economic relations of the country with the rest of the world, particularly with its most prominent trading partners, and assessed the evolution of its development strategies. This document summarizes the results of this study to give members of the Committee on Liberalization of Foreign Trade, Economic Globalization and Financing for Development an overview of the work of ESCWA on evaluating the impact of regional integration on economic development using quantitative analytical methods. In order to determine the development priorities of member States, it is imperative to examine the unique structural characteristics of each country, the differences in their paths towards regional and international integration and the progression of their productive sectors. Such studies could thus be replicated for other Arab countries to provide them with information on the impact of bilateral and subregional trading arrangements on economic efficiency, productivity and competitiveness.

4.   The first part of this document evaluates Jordan's relations with its main trading partners to determine its rank in the world trade arena and to identify available opportunities for economic development and export diversification. The second part reviews the regional economic integration policies adopted by Jordan and their relative macroeconomic and sectorial effects. It also assesses the benefits of Jordan's trade agreements for its position in the global products map, and its competitiveness and potential transformation through specialization in selected groups of products.

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[1] Economic and Social Commission for Western Asia (ESCWA), *Assessing Arab Economic Integration: Towards the Arab Customs Union* (E/ESCWA/EDID/2015/4).

[2] A technical study entitled "The regional role of the Jordanian economy" was conducted by ESCWA in 2015 to evaluate: (a) the development of Jordan's positioning in the global trade map and the possibilities of structural change for the Jordanian economy; and (b) the extent of Jordan's ability to take advantage of the available productive capacities and opportunities to diversify its economy. The measurements and results obtained were linked to Jordan's location in the global trade map and are country-specific. The study was initiated at the request of and presented to the Center for Strategic Studies at the University of Jordan, as part of a project on "The investigation of strategic economic scenarios for Jordan 2030".

I. EXPORT DIVERSIFICATION AND ECONOMIC TRANSFORMATION IN JORDAN

A. EVOLUTION OF EXPORTS

5.   From 2000 to 2013, exports of goods grew significantly in Jordan, reaching an annual average growth rate of 13.6 per cent in nominal prices. In the same period, there was a radical change in the destinations of exports as a result of the downturn in the European market and the emergence of new markets outside the Arab region and the United States. There were also changes within subregional markets: while Jordanian exports to the Maghreb increased as a result of it joining the Agadir agreement, their market share dropped from 60 per cent in 2000 to nearly 31 per cent in 2013 in the GCC countries.

6.   An analysis of Jordan's exports at the six-digit level of the Harmonized Commodity Description and Coding System (HS-6) shows that the growth in exports in 2013 compared with that in 2000 was due to an increase of "old products" exports, either to recurrent markets or to new ones (table 1). Only 27 per cent of Jordan's total exports to the EU consisted of new products. Likewise, the export promotion strategy to Arab countries proved ineffective, as the share of "new products to new markets" was a meager 2.1 per cent in the GCC market and 2.6 per cent in the AMU market.

TABLE 1. EVOLUTION OF EXPORTS BY TYPE OF GOODS AND MARKETS
(*Percentage*)

|	Old products to old markets	Old products to new markets	New products to new markets
World	56.7	38.4	4.9
GCC	80.6	17.3	2.1
AMU	73.6	23.7	2.6
EU	27.6	45.0	27.3

Source: ESCWA calculations using data from the International Trade Database BACI. Available from http://www.cepii.fr (accessed June 2015*).

7.   When comparing the evolution of the Jordanian trade structure in the period 2000-2013 at the HS-6 level with that of the global structure, an inconsistency appears, revealing that most of Jordan's exports consisted of products for which there was low global demand. During the same period, Polish exports were more consistent with changes in global demand for products at the HS-6 level.[3]

8.   The trade complementarity (TC) Index[4] between Jordan and the major Arab economic groupings shows that this relationship is in decline, suggesting that Jordan was not able to satisfy import demands of trading partners in the Arab region. The TC Index with the GCC countries has declined to the level of that with the AMU. The integration levels with the rest of the world in general, and with the EU and the United States in particular, experienced the same rate of decline, which confirms the results in figure 1. Figure 2 also confirms the low level of diversification of Jordanian exports.

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[3] Poland and Viet Nam were selected as benchmarks for the Arab Integration Index (see E/ESCWA/EDID/2015/4), because the first country is fully integrated with the EU and the second is in the process of trade integration with the Association of Southeast Asian Nations (ASEAN).

[4] The trade complementarity (TC) Index can provide useful information on prospects for intraregional trade. It shows how well the structures of a country's imports and exports match. Its values for countries considering the formation of a regional trade agreement can be compared with those of others that have formed or tried to form similar arrangements. TC between countries k and j is defined as: $TC_{ij} = 100(1 - sum(|m_{ik} - x_{ij}|/2))$, where x_{ij} is the share of good i in global exports of country j and m_{ik} is the share of good i in all imports of country k. The Index is 0 when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

Figure 1. Evolution of Jordanian exports compared with global and Polish exports
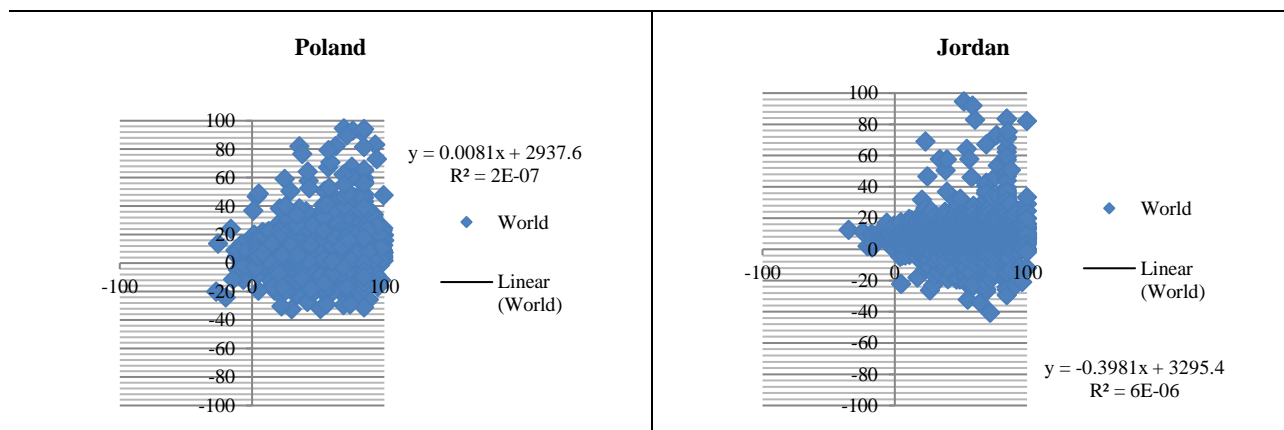
Source: ESCWA calculations using data from the International Trade Database BACI. Available from http://www.cepii.fr (accessed June 2015).

Figure 2. Evolution of the TC Index with key trading partners of Jordan, 2000-2013
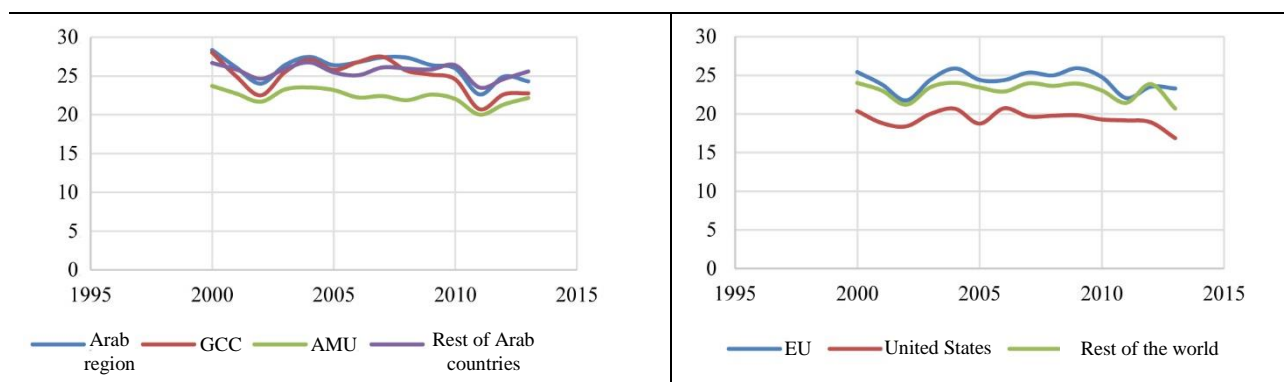
Source: ESCWA calculations using data from the International Trade Database BACI. Available from http://www.cepii.fr (accessed June 2015).

B. EVOLUTION OF THE POSITION OF JORDAN ON THE GLOBAL TRADE MAP

9.   In order to analyse the evolution of the exports of Jordan in the global markets, ESCWA developed product space maps for three relatively distant years (1981, 1990 and 2012). The maps were constructed at the HS-4 level. Figure 3 highlights the evolution of Jordan's position on the global trade map in those three years. The black dots represent the measures of the Revealed Comparative Advantage (RCA)[5] Index of Jordan in global markets. According to Hausmann and Klinger,[6] structural transformation is less challenging in a country

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[5] Measures of revealed comparative advantage (RCA) indicate whether a country is in the process of extending the products in which it has a trade potential, as opposed to situations in which the number of products that can be competitively exported is static. RCA measures can also provide useful information about potential trade prospects with new partners. Countries with similar RCA profiles are unlikely to have high bilateral trade intensities unless intra-industry trade is involved. RCA measures, if estimated at high levels of product disaggregation, can focus attention on other non-traditional products that might be successfully exported. The RCA Index of country i for product j is often measured by the product's share in the country's exports in relation to its share in world trade: $RCA_{ij} = (x_{ij}/X_{it})/(x_{wj}/X_{wt})$, where x_{ij} and x_{wj} are the values of country i's exports of product j and world exports of product j and where X_{it} and X_{wt} refer to the country's total exports and world total exports. A value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the country is said to have a revealed comparative advantage in the product.

[6] Ricardo Hausmann and Bailey Klinger, "The structure of the product space and the evolution of comparative advantage", Center for International Development at Harvard University (CID) Working Paper, No. 146 (April 2007).

that produces goods in a dense part of the product space, since the set of acquired production capabilities can be easily redeployed to related products. However, if a country is specialized in peripheral products, then this redeployment is much more difficult as there is no set of products that requires similar capabilities. Therefore, the process of structural transformation can be impeded due to a country's location in this space.

10.   In 1981, Jordan was specialized in the export of 125 commodities to global markets. These commodities were distributed throughout the map, which means that the Jordanian economy was diversified and not confined to natural resources. Moreover, 30 per cent of Jordanian commodities were located in the center of the map, its densest part. These commodities were strongly linked with each other, suggesting the possibility of developing the production of many within the scope of future strategies for economic and structural development.

Figure 3. Distribution of Jordan's exports in the global products map
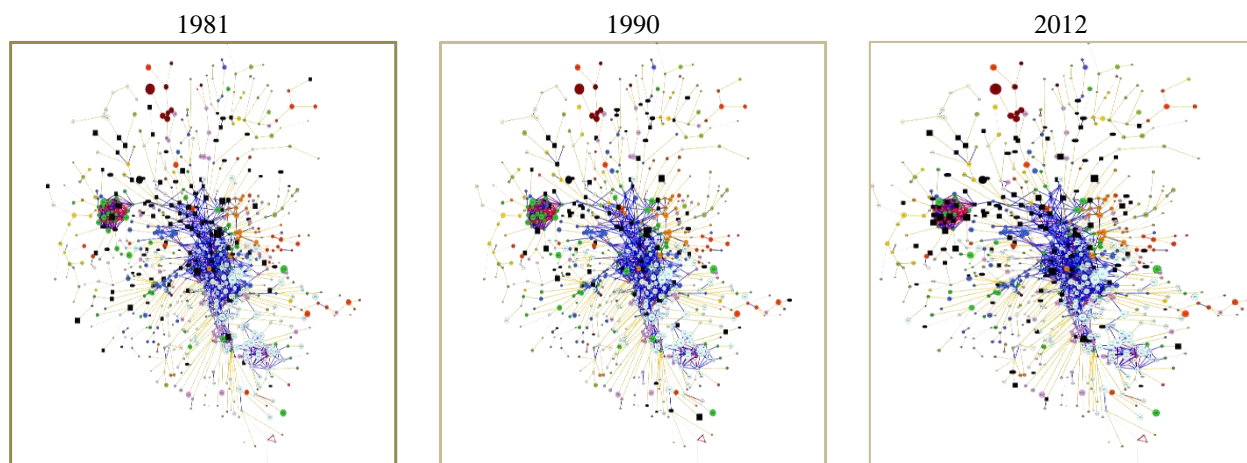
Source: ESCWA calculations using data from the United Nations Comtrade database. Available from https://comtrade.un.org (accessed June 2015).

C.   ECONOMIC DIVERSIFICATION STRATEGIES: REALITY AND POTENTIAL

11.   This section explores strategic options for structural transformation in Jordan using the global trade map approach and the evolution of the country's position in it. It also examines feasible solutions to achieve this transformation. Generally, economic diversification is a driver of social development thanks to higher growth rates.

12.   In order for this analysis to be transparent, goods and commodities have been assembled into specific "communities". A community consists of products that are produced similarly and at a specific location. For example, textile and clothing belong to different communities, since textile production capabilities differ from those of the clothing sector. The classification of products and communities adopted by Hausmann and Hidalgo[7] was used. The authors identified 34 communities of products using a special mathematical programme developed by Rosvall and Bergstrom[8] in 2008. Table 2 displays those communities.

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[7] Ricardo Hausmann and César A. Hidalgo, "The network structure of economic output," *Journal of Economic Growth*, vol. 16, No. 4, pp. 309-342 (December 2011).

[8] Martin Rosvall and Carl T. Bergstrom, "Maps of random walks on complex networks reveal community structure", *Proceedings of the National Academy of Sciences of the United States of America*, vol. 105, No. 4, pp. 1118-1123 (2008).

TABLE 2. LIST OF PRODUCT COMMUNITIES AND THEIR CONTRIBUTION TO GLOBAL TRADE IN 2012

Community name	Number of products according to the fourth level of products classification	Percentage in global trade
Machinery	125	20.29
Electronics	52	16.71
Oil	4	10.49
Chemicals and pharmaceuticals	64	7.47
Other chemical products	24	5.49
Equipment and construction goods	44	5.23
Mining goods	48	5.01
Clothing	42	4.63
Food industry	26	2.74
Metal products	17	2.26
Airplanes	10	2.00
Non-classified goods	36	1.94
Cereals and vegetable oils	21	1.34
Home and office equipment	23	1.14
Meats and eggs	23	1.10
Ships	8	1.05
Petrochemicals	5	1.00
Utensils	14	0.88
Fish and sea products	11	0.87
Textile	32	0.86
Tropical agriculture	16	0.86
Coal	6	0.83
Other agricultural products	22	0.78
Precious stones	4	0.77
Pulp and paper	11	0.67
Agrochemicals	13	0.64
Milk and cheese	7	0.61
Alcohol and tobacco	6	0.57
Inorganic salts and acids	10	0.53
Cotton, rice, soybeans and other	18	0.44
Cigarettes	6	0.29
Leather	14	0.24
Fruits	4	0.21
Animal fibers	7	0.06

Source: ESCWA calculations using data from the United Nations Comtrade database. Available from https://comtrade.un.org (accessed June 2015).

13. The same data analysis was performed on Jordan using three parameters: distance to the community, community development and strategic value of the community. These can be briefly defined as follows:

(a) Distance to the community: a two-dimensional parameter (for each country and each product) used to measure how far the product is from the current productive capacity of the country;

(b) Community development: two parameters, PRODY and EXPY, are used to calculate community development. The first measures the development of a specific product and is calculated as a weighted average of gross domestic product (GDP) per capita in countries that have a comparative advantage in that product. The second represents the level of technical development of the export basket of a particular country and therefore only refers to countries;

(c) Strategic value: a two-dimensional parameter (for each country and each product) that measures the evolution of a country's position on the global export map when production capabilities of a certain product A are enhanced. In other words, this parameter is an indication of potential gains when product A is of close proximity to other products.

14.   For 1981, the analysis of the trade-off between distance and development showed that Jordan's best interest was in moving towards the highly developed communities, since they should be the closest to the productive capacities available in the country. However, the results also showed that highly developed products were beyond the production capacities of Jordan in 1981. Indeed, the most highly developed communities in Jordan in that year were chemicals and health-related products; machinery; milk and cheese; ships; and paper and paper pulp, but they also happened to be among the furthest communities. Conversely, the least developed communities were rice; cotton; soybeans and other cereals; tobacco; and crops of tropical trees and flowers. Apart from those, the majority of communities were above the level of development of the Jordanian exports basket. Moreover, the results of the analysis at the HS-6 level indicated that garments, food industry and fruits had the most potential to grow into highly developed communities. Since the country level is not high enough, the transition towards more developed communities is still favourable, especially in the case of those that compromise between distance and level of development, such as construction material and equipment.

15.   The second phase of this exercise consisted in the analysis of the level of development in contrast to the strategic value, which allows assessing the better of the two in determining strategic options for structural transformation. The best positions seemed to be those of chemicals and health-related products, and machinery, which, along with manufactured metals, were found to be the most advanced communities. These communities, which could be the country's first strategic choice, were nevertheless much beyond the production capacities of the country.

16.   An analysis of possible strategic options for 1990 showed that both distance and productive capacity of the country increased for all communities in 1990, except for those of chemicals and agriculture, which remained constant. The average decline in terms of absolute value was of about 30 per cent. However, this result can be misleading as the effects of the first Gulf war are to be factored in.

17.   The oil community witnessed the most significant change, both in its share of the export basket and in its strategic value, with all other commodities' shares growing as well compared with the 1981 export basket. Among the three communities identified in 1981 as the most likely to prosper, the clothing community was the only one that approached the desired level of development. As for the food industry and fruits communities, they saw a decline of 26 per cent and 59 per cent respectively. The processed foods and chemicals communities grew in strategic importance in 1990, given their proximity to the productive capacities of the country.

18.   The analysis of the trade-offs between strategic value and development for 1990 showed an ascending trend, indicating that the chemicals and health-related products and machinery communities maintained their ideal positions, along with the pulp and paper community. These communities had the highest strategic values and the highest levels of development. Moving towards these communities could represent a strong strategic choice for Jordan, due to their proximity to the denser and more developed part of the global trade map. This analysis however ignores the concept of distance, as the above-mentioned communities were found to be among the outermost. The manufactured or processed metals community represented a good compromise between development and strategic value, having the fourth highest strategic value and ranking 17 out of 34 in terms of development.

19.   In 2012, the level of development had increased. Many communities, including garments, were below the level of technical development of the basket of Jordanian exports. This can be explained by the emergence of QIZs in the late 1990s, as shown by the position of Jordan in the global exports map.

20.   As for the distance of communities in relation to their strategic values, the results revealed that a significant number of communities could be good options for structural change, having higher strategic values in relation to the productive capacity of the country. They can be divided into two categories: the most strategic communities and the ones that represented a challenge in view of the country's production capacity. As expected, the machinery and chemicals and health-related products communities were found to be the ideal options for structural development. However, considerable distance from the production frontier remained an issue.

II. THE ROLE OF NEW FREE TRADE AGREEMENTS
IN THE ECONOMIC DEVELOPMENT OF JORDAN

21.   This section addresses the effects of three possible FTAs that Jordan could sign with the European Union, the United States and the GCC Customs Union. A tailored version of the MIRAGE (Modelling International Relationships in Applied General Equilibrium) model has been developed and used in this analysis. Regarding Jordan's hypothetical membership to the GCC Customs Union, it is assumed that Jordan would adopt the GCC common external tariff and apply it to all its imports from the rest of the world. Since Jordan is bound by many FTAs with several countries, especially those of the EU and the United States, the proposed scenario assumes that GCC countries would resume free trade negotiations with those two partners during the transition period that would last 15 years. This corresponds to the timeline of the Jordanian Economic Vision 2030, for which this analysis was undertaken. Table 3 shows the level of differences between Jordanian tariffs for the most favoured nations (MFNs) and the common GCC tariff. Results indicate that the Jordanian tariff level is not far from the common GCC tariff, since less than 5 per cent of tariff lines exceed differential ratios of 20 per cent and nearly 76 per cent of the tariff lines have differential ratios not exceeding 10 per cent.

TABLE 3. JORDANIAN TARIFF STRUCTURE COMPARED WITH THE COMMON TARIFF
OF THE GCC CUSTOMS UNION

Level of difference	Percentage of tariff lines on the sixth level of the classification	Percentage of Jordan's imports in 2011
Less than 40% (negative)	0.23	0.50
Between 20 and 40% (negative)	0.23	0.91
Between 10 and 20% (negative)	3.25	4.00
Between 5 and 10% (negative)	29.07	16.63
Between 0 and 5% (negative)	26.25	39.57
Between 0 and 5%	10.11	16.08
Between 5 and 10%	11.80	7.35
Between 10 and 20%	16.42	13.60
Between 20 and 40%	2.58	1.35
More than 40%	0.05	0.02

Source: ESCWA calculations using data from the International Trade Center MAcMAp database. Available from http://m.macmap.org (accessed June 2015).

22.   Figure 4 shows the percentage change of GDP growth that would result from the three FTAs. A complete elimination of all remaining customs barriers with the EU would lead to a positive but very limited change in growth because of two reasons. First, trade with the EU has been widely liberated. Therefore, lifting the remaining customs restrictions would not be productive. Secondly, an increase in growth levels is dependent on further liberalization of services, which is being negotiated in the framework of a deep and comprehensive FTA with the EU. The elimination of all customs restrictions with the United States would lead to an additional 0.2 per cent growth per annum. It is equivalent to the growth rate expected from Jordan's accession to the GCC Customs Union, which indicates the importance of trade relations between Jordan and the United States, as the latter alone exceeds the contribution of all GCC economies to the economy of Jordan.
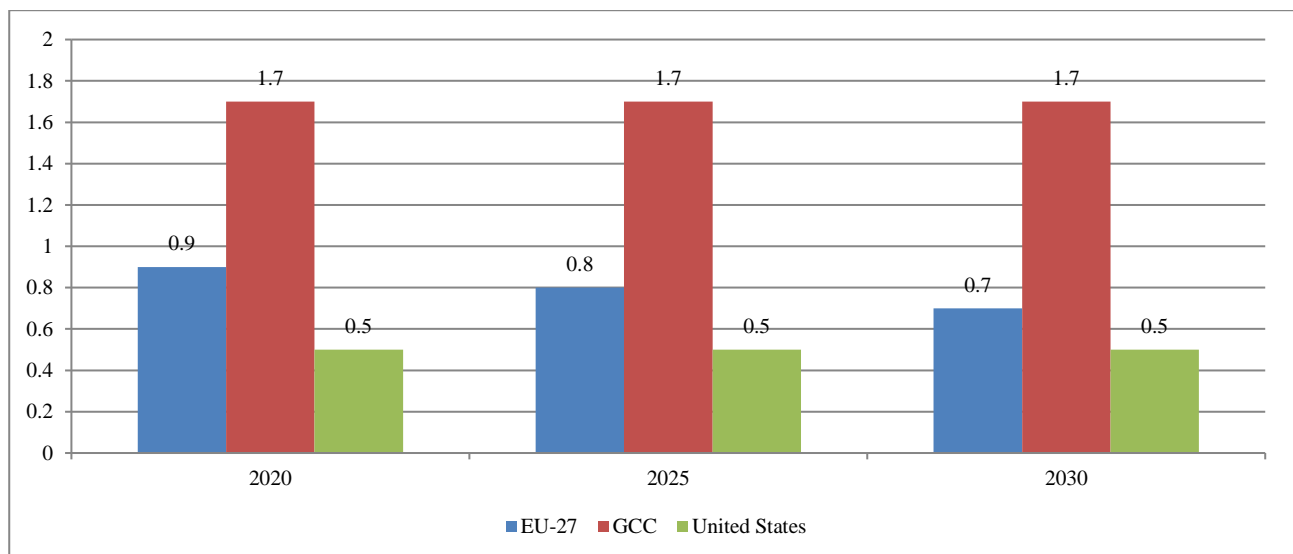
23.   Figure 5 shows that all the scenarios would bring in increased investment, but the adoption of the common external tariff of the GCC Customs Union would yield the highest investment levels.

Figure 4. Change in GDP growth
(*Percentage*)
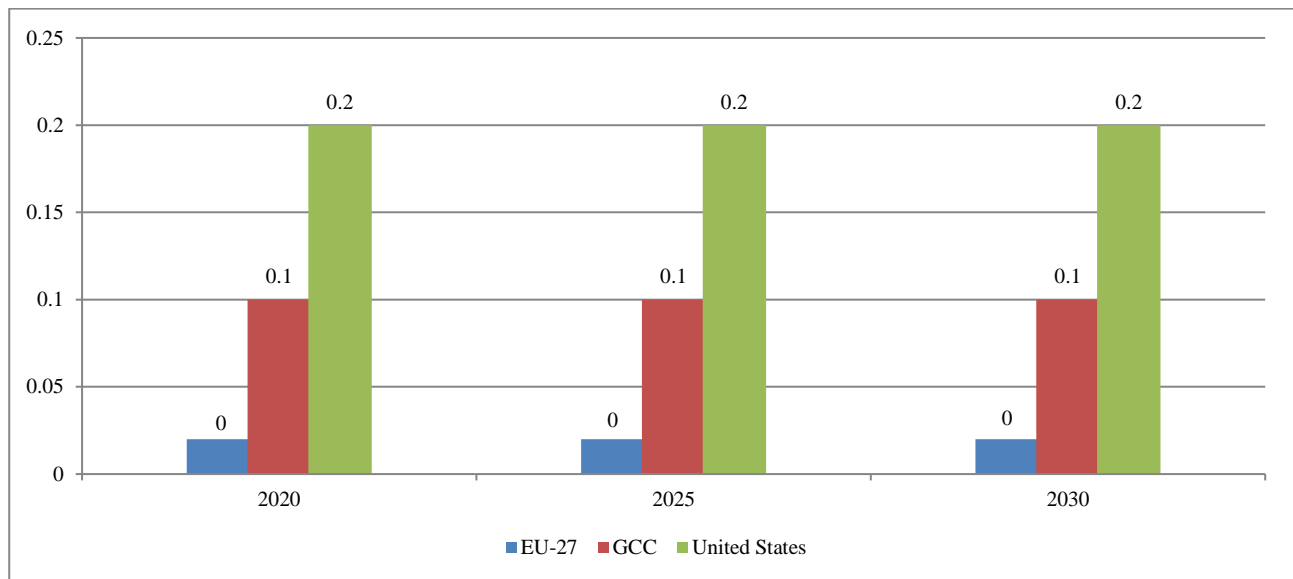
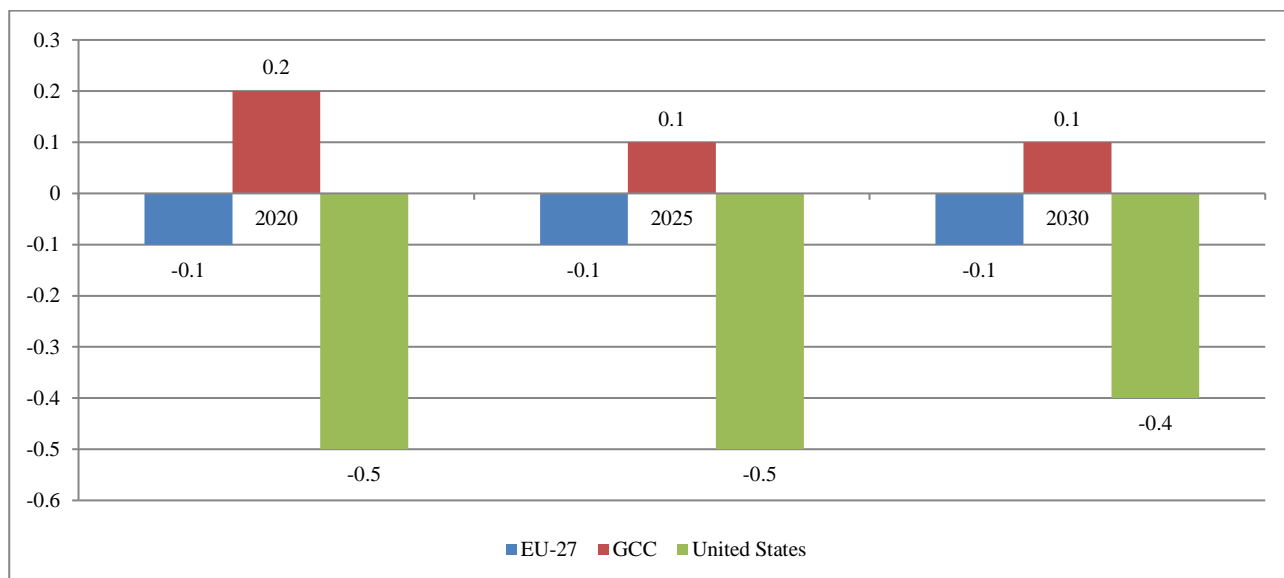*Source*: ESCWA calculations based on the MIRAGE model results.

Figure 5. Evolution of investment levels
(*Percentage*)

Source: ESCWA calculations based on the MIRAGE model results.

24. However, the effects of these scenarios on economic diversification in Jordan will be disparate. While strengthening trade relations with the GCC countries would certainly improve the level of diversification of the Jordanian economy, FTAs with the EU and the United States would reduce the level of economic diversity in Jordan (figure 6). This can be explained by the intensifying competition between Western goods and Jordanian goods in the local market, which might jeopardize some productive sectors and thus cause a contraction of the diversification level. Nevertheless, the contraction of the Diversification Index is not always a negative indication, since it could be due to a redistribution of production capabilities towards a reduced number of high value competitive sectors. To identify and address weak competition in key sectors of the economy, policymakers need to be fully aware of the direct and indirect links between competition and other economic factors, such as competition policy, private sector development, growth and poverty reduction.

Figure 6. Evolution of the Economic Diversification Index
(*Percentage*)

Source: ESCWA calculations based on the MIRAGE model results.

25.   Figures 7 and 8 highlight the evolution of Jordan's total exports and imports growth rates as a result of the TFA scenarios suggested above. The adhesion to the GCC Customs Union would immediately lead to a qualitative leap in Jordan's exports to the GCC countries, which would grow by 6 per cent annually compared with 1.8 and 3 per cent for exports to European and American markets.

Figure 7. Evolution of total exports
(*Percentage*)
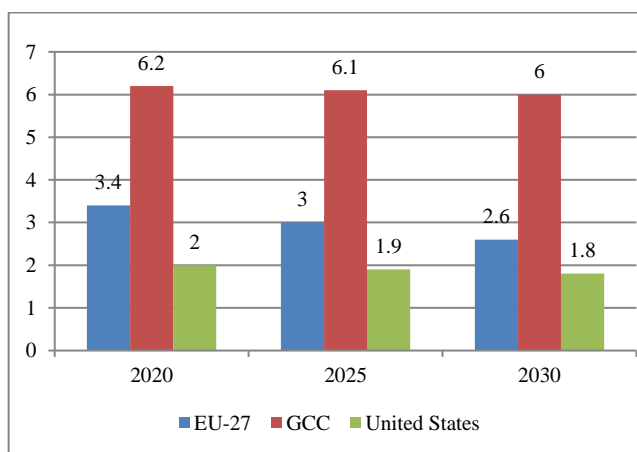
Figure 8. Evolution of total imports
(*Percentage*)
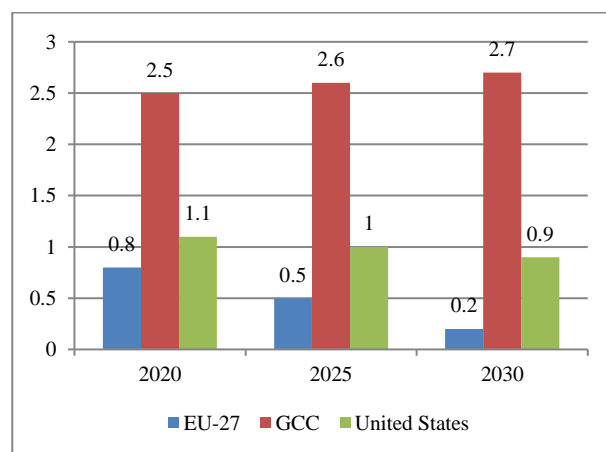
Source: ESCWA calculations based on the MIRAGE model results.

26.   Tables 4, 5 and 6 show the effects of these scenarios on production, export and import levels by production sector.

TABLE 4. SECTORAL PRODUCTION CHANGE COMPARED WITH THE BUSINESS-AS-USUAL SCENARIO
(*Percentage*)

	2020			2025			2030		
	EU-27	GCC	United States	EU-27	GCC	United States	EU-27	GCC	United States
Agriculture	1.14	-0.07	-0.39	1.01	0.11	-0.32	0.89	0.26	-0.26
Oil, gas and mining	1.16	1.92	-0.27	0.88	1.76	-0.26	0.66	1.64	-0.29
Chemicals	1.46	2.33	-0.24	1.28	2.38	-0.28	1.1	2.5	-0.3
Metal	1.46	2.8	-0.27	1.23	2.76	-0.31	1.12	3.05	-0.24
Food	-2.86	-3.51	0.22	-2.39	-3.23	0.24	-2	-3.02	0.28
Machinery	0.12	-1.96	-1.1	0.09	-2.42	-0.95	0.13	-2.77	-0.82
Electronics	1.79	1.3	-0.32	1.5	0.96	-0.32	1.31	0.73	-0.29
Oil industry	0.16	-1.02	-0.09	0.12	-1.13	-0.09	0.08	-1.28	-0.09
Textile	0.37	2.82	5.07	0.42	3	4.92	0.45	3.06	4.71
Transport equipment	0.4	-3.19	-1.99	0.27	-3.48	-2.41	0	-3.84	-2.38
Other manufactures	-2.23	-5.52	-0.51	-2.02	-5.82	-0.46	-1.83	-6.18	-0.37
Transport	0.66	1.5	0.13	0.57	1.48	0.12	0.49	1.46	0.12
Construction	-0.09	-0.05	0.02	-0.08	-0.02	0.03	-0.07	0.01	0.05
Other services	0.02	0.15	0	0.01	0.14	0.01	0	0.13	0.02

Source: ESCWA calculations based on the MIRAGE model results.

TABLE 5. SECTORAL EXPORTS CHANGE COMPARED WITH THE BUSINESS-AS-USUAL SCENARIO
(*Percentage*)

	2020			2025			2030		
	EU-27	GCC	United States	EU-27	GCC	United States	EU-27	GCC	United States
Agriculture	-0.42	-0.73	-1.87	-0.31	-1.02	-1.95	-0.1	-1.14	-1.87
Oil, gas and mining	-0.81	-1.9	-2.17	-0.86	-1.73	-2.31	-0.66	-1.97	-2.3
Chemicals	-0.12	-2.74	-2.16	-0.12	-2.6	-2.13	-0.11	-2.41	-2.08
Metal	0	0	-1.79	0	0	-2	0	0	-2.29
Food	2.54	-0.39	1.37	1.88	-1.32	1.13	1.46	-1.83	1.28
Machinery	2.24	3.73	-1.12	2.17	4.35	-1.45	1.79	5.38	-1.43
Electronics	1.89	-5.66	-1.89	1.59	-5.56	-1.59	1.34	-5.37	-2.01
Oil industry	-1.82	-10.91	-1.82	-2.08	-11.46	-2.08	-2.3	-12.64	-2.3
Textile	1.02	12.84	16.31	0.68	12.07	15.54	0.38	11.31	14.73
Transport equipment	0.8	0	0	0.72	-0.72	0	0.66	0	0
Other manufactures	3.08	5.77	-1.54	2.65	6.12	-1.63	2.19	6.35	-1.75
Transport	-1.43	-2.26	-1.93	-1.19	-2.15	-1.91	-0.95	-1.97	-1.78
Construction	-0.41	-1.24	-2.07	-0.4	-0.81	-2.42	0	-0.39	-1.96
Other services	-0.74	-1.62	-2.14	-0.6	-1.59	-2.11	-0.53	-1.45	-2.06

Source: ESCWA calculations based on the MIRAGE model results.

TABLE 6. SECTORAL IMPORTS CHANGE COMPARED WITH THE BUSINESS-AS-USUAL SCENARIO
(*Percentage*)

	2020			2025			2030		
	EU-27	GCC	United States	EU-27	GCC	United States	EU-27	GCC	United States
Agriculture	-1.69	4.58	1.69	-1.29	3.87	1.55	-0.81	2.97	1.35
Oil, gas and mining	-1.27	-3.86	-1.03	-0.95	-4.02	-0.95	-0.63	-4.21	-0.86
chemicals	-0.66	-4.82	-0.77	-0.33	-5.09	-0.55	-0.11	-5.38	-0.56
metal	-1.03	-2.8	-0.29	-0.85	-3.24	-0.28	-0.55	-3.55	-0.27
Food	9.5	9	0.67	7.76	8.26	0.51	5.89	7.07	0.51
Machinery	-0.1	0.95	-0.19	-0.28	1.67	-0.37	-0.36	2.37	-0.36
Electronics	-1.96	-3.33	-0.78	-1.6	-3.41	-0.8	-1.43	-3.27	-0.61
Oil industry	-1.1	0	-0.55	-0.73	0.18	-0.55	-0.37	0.55	-0.37
Textile	-0.18	5.12	1.94	-0.18	4.8	2.21	-0.56	3.92	2.05
Transport equipment	-0.44	1.31	2.4	-0.44	1.64	2.4	-0.33	2.2	2.2
Other manufactures	4.17	9.95	0.12	3.3	10.82	0	2.47	11.81	-0.11
Transport	-2.26	-4.71	-0.94	-1.7	-4.91	-0.95	-1.15	-4.78	-0.57
Construction	0	0	0	0	0	0	0	-25	0
Other services	-2.77	-5.54	-0.92	-2.21	-5.53	-0.69	-1.75	-5.69	-0.58

Source: ESCWA calculations based on the MIRAGE model results.

III. CONCLUSION

27.   The conducted analysis, based on an innovative methodology, shows that the choice of development strategies may be based on the optimal utilization of identified productive capacities to move towards higher value production sectors, capable of contributing to overall economic and social progress. Options that are far from the available productive capacities should be completely discarded. In addition, the TFAs with the economic groupings examined can be effective tools for achieving substantial restructuring of the Jordanian economy. The main recommendations derived from the case study on Jordan can provide guidance to other countries in the region in determining their policy orientation and strategic decision-making.

28.   ESCWA can help member States to develop similar studies on how to make regional integration agreements and policies work for structural transformation by identifying strategic options to achieve sustained economic and social development, especially in the context of identifying strategies to implement the 2030 Agenda for Sustainable Development. Work on a comprehensive toolkit integrating trade reforms, transformation strategies and connectivity to GVCs to the 2030 Agenda and the Sustainable Development Goals is currently underway.