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Taking It Slow at Jordan’s Nasib Border Crossing with Syria

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Besides raising security concerns, rushing to reopen the crossing would yield far fewer economic benefits than implementing recommended IMF reforms.

During an August 2 press conference in Amman, Jordanian foreign minister Ayman Safadi stated that reopening the Nasib-Jaber border crossing with Syria “will depend on when we ensure our interests and our security.” His wording indicated that the potential benefits of resuming trade would be secondary to the kingdom, even with its struggling economy. Despite significant public speculation that Amman preferred a rebel defeat in southwest Syria in order to hasten the reopening of a previously busy trading route, the government is being rightly cautious. More critical to its long-term prosperity is the task of reforming its customs fee structure and improving its investment climate so that it can increase the quality and quantity of exported goods once border traffic resumes.

RISK VS. REWARD

Examining Jordan’s trade data suggests that reopening the border quickly would not provide a sufficient economic boost to justify taking meaningful security risks. Direct exports to Syria have never comprised more than 4% of Jordan’s exports since 2010, and their wartime peak (in 2011) was higher than any prewar year except 2007. Losing the Syria market was not nearly as critical as the substantial loss of trade to Iraq in 2014-2015. Moreover, Jordan has not suffered a significant loss of overall customs and international tax revenue since the Syrian border was closed in 2015, despite Nasib’s role as a regional trading hub.

To be sure, reopening the border would improve the local economy in the adjacent Jordanian towns of Jaber and Ramtha, boosting employment for workers who previously serviced the free trade zone. Yet these areas would require new infrastructure and additional security to prevent easy access by jihadists from Syria. Jordan would also have to consider the political and diplomatic implications of becoming the first country in the anti-Assad coalition to normalize relations with Syria, which Damascus says it would require in order to resume trade.

NASIB’S MINIMAL ROLE IN OVERALL TRADE

With few natural resources and a weak industrial base, Jordan relies substantially on imports and runs an annual trade deficit of $10-14 billion. This figure was closer to $8-10 billion before 2011, when Egypt provided the kingdom with subsidized gas that substantially reduced its energy costs. Jordan’s main exports are minerals (phosphates and potash), agricultural goods, clothing, chemicals, and pharmaceutical products. Clothing is the largest export category, totaling $1.5 billion in 2017.

Contrary to conventional wisdom, the Arab Spring and the outbreak of the Syria war did not hinder Jordan’s overall export volume (including re-exports). In fact, data from the World Bank and Jordan’s Department of Statistics show that the country’s total exports grew from around $7 billion in 2010 to nearly $8 billion in 2011, reaching a peak of $8.4 billion in 2014—a 20% increase over their prewar level. Even after Amman closed the Nasib-Jaber crossing in 2015 due to Syrian rebel victories along the border, total exports were still 7% higher than they had been in 2010 ($7.8 billion in 2015 and $7.5 billion in 2016 and 2017).

The free trade zone at the Nasib crossing was first established in 1975-1976 to facilitate interstate commerce and investments, and the two countries signed an updated agreement in 2001. Yet exports to Syria have never constituted more than a small fraction of Jordan’s total, ranging from a high of $286 million in 2011 to $43.7 million last year. Put another way, Jordan’s exports to Syria have never exceeded 3.67% of its total exports since 2010, and they declined only 0.5% in 2017. As mentioned previously, a much more consequential loss was the drop in trade with Iraq after 2015, when the Islamic State seized much of the country and transit became perilous. Jordan’s exports to Iraq reached $1.16 billion in 2014 (14% of its total), but by 2017 they had fallen to $500 million (7%).

Before the Arab Spring, Jordan also proved to be a reliable transit area for goods from Egypt and the Gulf going north, and from Europe and Turkey to points south. The value of these transiting goods reached $14.6 billion in 2011 but has declined consistently during the war, falling to $5.3 billion in 2017. This decline did not cause a substantial loss of government revenue, however. Customs and border fees fell from $327 million in 2014 to $287 million last year, a drop that represents as little as 0.15% of Jordan’s total annual revenue. That $40 million difference also includes the decline in traffic to Iraq, so only a fraction of it can be attributed to the Nasib closure.

Moreover, Jordan's exports to Saudi Arabia (its top Arab market) and the United States (its top global market) have continued to grow. Since 2014, it has sent between $800 million and $1.1 billion in mostly consumer goods and raw materials to Saudi Arabia each year, or 10-12% of its overall exports. And after the 2011 free trade agreement with Washington went into effect, Jordanian exports increased by 67%, reaching more than $1.5 billion last year, or 21% of its total.

A BETTER APPROACH

The United States should encourage Prime Minister Omar Razzaz and his new government to adopt investment and customs reforms that encourage growth and increase revenue, while simultaneously taking more time to prepare for a safe border reopening. By adopting IMF recommendations on simplifying and increasing its customs duties, Jordan could generate around $400 million in additional revenue—roughly equivalent to 1% of its GDP, and more than twice what it currently earns from customs and border fees. Reforming the complex tax system for investments would also improve the kingdom's business environment. All of this can take place while Razzaz continues to consult with a wide spectrum of Jordanians over the controversial income tax law that toppled his predecessor in June.

At the same time, the United States should help Amman survey the Nasib crossing, determining what new infrastructure and procedures need to be implemented in order to maximize both commerce and security. The Pentagon has invested several hundred million dollars in Cooperative Threat Reduction and other programs to secure Jordan's borders with Syria and Iraq since 2011, such as installing physical barriers and improving the kingdom's ability to detect the potential smuggling of weapons of mass destruction. These efforts should be updated given the evolving situation in Syria and the mounting calls to reopen the border.

Finally, if Syrian refugees seek voluntary repatriation to their homes around Homs, Jordan need not reopen the Nasib crossing just for that purpose. Rather, it can send them through the Ramtha crossing, which has already been used to provide Syrians with humanitarian assistance during the war. The Office of the UN High Commissioner for Refugees and associated aid groups could facilitate that process with additional U.S. funding. Repatriating even a fraction of the 1.3 million Syrian refugees in Jordan would also help the kingdom reduce the energy, education, healthcare, and social welfare expenses that have burdened its struggling economy.

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