

ECONOMIC DEVELOPMENT OF JORDAN

by

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CHAPTER I

INTRODUCTION

After World War II, the question of economic growth arose, initially as a by-product of the Keynesian revolution in income theory, and later as economist's redirected their attention from Europe and America to the less developed countries. Likewise, the people at the underdeveloped countries increased their contacts with the advanced nations through the rapid progress in the means of communication. They began to realize the difference between their menial standard of living and the high one of the advanced nations. This realization motivated them to find out the reasons for their backwardness.

A revolution has occurred in the field of development and many writers, whether economist, sociologist or politician have started to deal with this change.

Generally one could say that 1950 was a decade of economic reform and development. Extensive discussion has occurred and many books have been brought forth dealing with the poverty and backwardness of these countries. A large volume of literature has emerged in the process of discussing the problem and outlining a path which may lead to economic progress and prosperity of these countries. Also, the problems of economic development are assuming more and more an international character, their solutions being in the interests of developing countries as well as fully industrialized nations.

The United Nations with its various specialized agencies has showed serious concern with poverty by its many programs and studies. The International Bank for Reconstruction and Development and more recently the International Finance Corporation have been established to provide funds for private investment in underdeveloped areas. The Technical Assistance Administration, the Food and Agriculture Organization, the World Health Organization, UNESCO, also provide technical assistance.

The Problem

Review of the Terms

Before beginning an explanation of the economic development of Jordan, it is desirable to know what is meant by the terms "underdeveloped country" and "economic development." This will give us an idea about the magnitude of the problem.

The underdeveloped countries have been described by various names by different authors. Some terms used to describe these countries are "backward," "underdeveloped," "less developed," "undeveloped," and "low income." No precise definition can be made for referring to these areas. The most generally used term is "underdeveloped."

An underdeveloped country can be defined as one that "on the average affords its inhabitants an end product of consumption and material well-being inferior to that being provided in developed countries. Conversely, a developed country becomes one that affords an economic product superior to that of underdeveloped countries."¹

¹Walter Krause, Economic Development, San Francisco, Wadsworth Publishing Company, Inc., 1961. p. 6.

Another definition presented by a group of experts appointed by the United Nation Secretary-General stated,

We have had some difficulty in interpreting the term 'underdeveloped countries.' We use it to mean countries in which per capita real income is low when compared with the per capita real incomes of the United States of America, Canada, Australia, and Western Europe.¹

Dr. Benjamin Higgins has adopted this definition which is synonymous with poor, by stating, "It seems better, therefore, to stick to it (underdeveloped) remembering that it is a technical term, meaning only that per capita incomes are less than one-quarter that of the U.S.A."²

The previous analysis points out that there is no specific and clear cut definition of underdeveloped countries. The only commonly accepted measure is per capita income.

The term of "Economic Development" also has no clear cut definition. This term is often used as synonymous with "industrialization."³ This concept is narrow and limited, it does not go far beyond an increase in manufacturing production. Breaking through "underdevelopment" requires a complete, systematic revolution in every side of economic life in those countries.

R. Richardson defines economic development "as a sustained, secular improvement in material well-being, which we may consider to

¹ Benjamin Higgins, Economic Development, New York, W. W. Norton and Company, Inc., 1959. p. 6.

² Ibid., p. 7.

³ Yusuf A. Sayigh, "The Place of Agriculture in Economic Development," Land Economics, Vol. XXXV, November 1959. pp. 297-298.

be reflected in an increasing flow of goods and services."¹ In other words economic development implies raising real income per person. It must also be realized that development change should be of a kind and type which generates sustained growth in real incomes.

From the preceding analysis, one can say that economic development implies an integrated social growth and is concerned with all the aspects of social, political, economic and cultural factors existing in the economy, and the rate of growth particularly in income should exceed the rate of increase in population to say that the country is developing.²

Significance of the Terms

The subject of economic development is of great concern to most of the countries of the World and still greater to the underdeveloped countries in which the standard of living is very low. In such countries "economic development" is "the high ideal" whereby they consider its achievement a big accomplishment in the battle against poverty. Ever since the factors of economic development were revealed, it has been recognized that the aim of economic development is to give man a greater control over his environment and to enable him to increase his freedom and prosperity. In fact, the problem of development has become a major socio-political problem to the masses of underdeveloped countries.

¹ Bernard Okun and Richard Richardson, Studies in Economic Development, New York: Holt, Rinehart and Winston. 1961, p. 230.

² Simon Kuznets, Six Lectures on Economic Growth, Illinois, The Free Press of Glencoe, 1959, p. 14.

Since about two-thirds of the human race is living in grinding poverty where misery and undernourishment is prevalent, educational opportunities and medical facilities are far from the reach of the majority of common citizens. This situation needs a deep thinking and proper approach.

At the present time the urge for economic development of underdeveloped countries has been largely intensified by the prevailing ideologies of communism and democracy. Communism and capitalism are compared as alternative routes to economic development. This ideological consideration has made the problem of development urgent in the democratic countries. It is thought that if these countries could not develop rapidly enough under a democratic setup, they will be forced to go the communism way. This feeling has been appreciated not only in the underdeveloped countries but in all the democratic countries of the world. Not only is economic development a prerequisite for political, cultural and social advancement, but also it is a continuing force and means for continued improvement and stability.

The Objective

The purpose of the study is to analyze the features of economic development in Jordan since the Palestinian War of 1948 until 1963 when Jordan started its economic development plan. Following the war, the Jordan economy was in a seriously deteriorated condition, partly due to the war strain. Since 1948 a rapid change in economic conditions has occurred. A descriptive and analytical path will be followed through that change and an attempt will be made to indicate the barriers to

economic development in Jordan.

This study concerns an agricultural country with unfavorable background of natural and financial resources, which is pursuing a program toward rapid economic growth.

Procedure

The main body of this study has been divided into two parts:

The first, deals with the growth and economic conditions from 1948 until 1963. It takes into consideration the fundamental limitational factors as well as other aspects of development.

Second, a presentation of the seven year economic plan 1963-1970 for economic development, is followed by an appraisal of this plan.

CHAPTER II

GROWTH AND ECONOMIC CONDITIONS FROM 1948-1963

To start on solid ground in tracing the features of the growth and economic development during 1948-1963, a brief idea about the economic situation for this period will be of great help. The economic setting in which Jordan operates has been affected by vast problems arising out of the events of 1948. In a few months, Jordan's population was increased almost threefold without corresponding increases in productive resources. Furthermore, Jordan was faced with the necessity of completely rerouting its trade and lines of communication. Previously these had been directed westward to the Mediterranean Coast where there were modern ports, airports, highways, railroads and telecommunication facilities. After the war, it became necessary to develop new trade routes and communication lines. These pressures stimulated Jordan to achieve a considerable degree of development. The data available indicate that the gross national product has increased from an average of JD 45.4 millions¹ in the years 1954 and 1955 to an average of JD 128.7 millions² in the two years 1961 and 1962, or an increase of 137 per cent in seven years. This indeed is a high rate of increase.

¹A. Asoar, "National Income Statistics in the Arab Countries," Arab Economical Report, June 1962. pp. 98-99 (Arabic)

²Government of Jordan, Statistical Guide to Jordan, 1964. p. 97.

Before going to the analysis of changes since 1948-1963, a brief idea about the background of the country and its geographic characteristics is needed.

The Background

The Hashemite Kingdom of Jordan was established in 1949 by the union of a portion of Palestine with the older state of Transjordan. Jordan is located between Africa and the mass of Asia which is bounded by Syria in the north, Saudi Arabia in the East and South, Iraq on the east and the occupied part of Palestine in the west. Jordan's population in early 1963 was 1,825,000. It covers an area estimated at 37,500 square miles about the same size as the state of Indiana.

Geographically Jordan is divided by the Jordan Valley; this is called the "Great Rift" in which lies the Jordan River and the Dead Sea, which constitutes a natural barrier between the two parts of the Jordan. The River which gives its name to the country is 156 miles long, of which 73 miles is in Israel controlled territory and the rest in Syria, Lebanon and Jordan. From its sources in Mount Hermon in Syria, some 1200 feet high, and the mountains of Lebanon, it flows through the lakes of Huleh, and the Sea of Galilee, some five miles to the south. Close to the frontiers with Syria it is joined by the Yarmuk River. The Jordan empties its waters into the Dead Sea which is 50 miles in length, 10 miles in width and is the lowest point on the earth, almost 1300 feet below sea level. The Dead Sea minerals are the country's most valuable deposits.

Concerning the two banks of the Jordan, the West bank--that area which Jordan held after the Israel-Arab armistice--constitutes 6 per cent of the land area of Jordan but it contains nearly 50 per cent of the population. The East bank, of which 85 per cent is desert area, is composed to a considerable degree of hills and mountains, with fertile strips lying East of the Jordan River and along the Syrian border. Jordan's climate is varied like the country. The West bank receives heavy rains in its short mild winter while its temperature in the long dry summer is moderate. The Eastern desert part has five inches annual rainfall, during the short cool season from December to March.¹

In brief, Jordan is a small country limited in its natural resources with a high per cent of its land in desert and like any other underdeveloped country, it is characterized by low per capita income. Recent estimates place it at 180 dollars per year.

Analysis of the Main Sectors

Agriculture

Underdeveloped countries are largely agricultural. Jordan, an underdeveloped country with a low standard of living, is no exception to this rule. Agriculture is of a major importance in the Jordan economy, and this is evident from the fact that 75-80 per cent of its people are dependent on land for their living, and agriculture offers employment for more than one-half of the employed labor force and in normal years accounts for

¹S. V. Valkenburg, "The H. K. of Jordan. A Study in Economic Geography." Economic Geography. Vol. 30, No. 2, April 1954. pp. 103-105.

roughly 25 per cent of gross national product.¹ In 1960 exports of agricultural produce amounted to 57 per cent of the total export value.

Agricultural Development

In spite of the importance of agriculture in Jordan economy, "this type of activity is a highly unstable industry, due to the fact that a large proportion of the total agricultural output is derived from dry farming in areas subject to frequent drought."² This causes a severe fluctuation in agricultural production and income.

Nevertheless, Jordan has achieved a considerable progress in expanding its agricultural output. In the year 1954-55 the average value of agricultural production was JD 11.4 million whereas it averaged JD 23.1 million during the years 1961-62.³

Cultivated Areas.--The amount of land under cultivation has increased in Jordan since 1948 as a result of the influx of some 420,000 refugees. These people greatly increased the pressure on the country's resources and led to 15 per cent extension of cultivation.⁴ According to the 1963 agricultural census, the total cultivated area

¹P. J. Klat, "Jordan's Five-Year Program for Economic Development, 1962-67," Middle East Economic Papers (American University of Beirut) 1962. p. 55.

²R. S. Robert, Economic Trends in Jordan, 1954-1959. Beirut, July 1961. p. 2.

³Government of Jordan, Department of Statistics, "Statistical Guide to Jordan," 1964. p. 47.

⁴George L. Harris. "Jordan, Its People, Its Society, Its Culture," New York, Haven, 1958. p. 148.

in Jordan is about 13 million dunums.¹ Since the Jordanian farmer farms under the crop rotation system, only about two-thirds of this land is actually cropped in any one season and the remainder lies fallow. About 6 million dunums are irrigated, and this area will increase after carrying out the irrigation projects of the Jordan and Yuumuk rivers.

Agricultural Production.--A variety of crops are grown in Jordan. They are grown principally for domestic consumption.

Field Crops.--Grains are by far the most important crops grown in Jordan. Principal grains are wheat, barley, kersinnal and sesame.

Wheat, which is the major cereal crop, is grown in all agricultural areas of the country. Wheat production has risen from 7000 tons in 1950 to 140,000 tons in 1961 and 1,119,000 in 1962. In 1963 a decrease was recorded and the production was 758,000. The area cropped in wheat has increased from 2,330,000 dunums in 1950 to 2,848,000 dunums in 1962. The production of wheat is higher in western Jordan than in the eastern sector due to the abundance of rainfall there.

Barley is largely used as a feed crop. Its production has raised from 29,846 ton in 1950-51 to 35,700 ton in 1962. A decrease in production was observed in 1962. The area under cultivation was 800,000 dunums in 1950 and has become 1,050,000 dunums in 1962. The crop yield approaches 800 pounds per acre in good years but falls below 400 pounds in years of drought.² The economic importance of barley is decreased

¹Ministry of Agriculture, Agricultural Statistics Division, Annual Report for the Year 1963. Amman, p. 4.

²Harris, op. cit., p. 155.

due to poor marketability compared to that of wheat.¹

In fact, the output of these crops varies from one year to another due to the climatic conditions.

Vegetables.--Jordan grows a large variety of vegetables. Among the most commonly seen are: tomatoes, eggplants, cauliflower, melons and beans. Most of these are consumed in urban centers. Only tomatoes and watermelons are of importance to Jordan's export trade. Their importance began to increase after 1950, the area cultivated and the production level has increased in many areas but particularly in the Jordan Valley which may be called a natural green house. The Jordanian farmer is able to grow crops in winter which are not available in neighboring countries. The area has increased from 170,000 dunums in 1951 to 600,000 dunums and it is expected to increase further after the completion of irrigation projects.

The production of vegetables account for 33 percent of the total agricultural production for 1962.

Tomatoes and watermelons are the main export crops. In 1963 Jordan exported 56,000 tons of tomatoes. Tomatoes have taken the first rank in vegetable production and rank second to wheat in crop value. In good years, the production reaches 250,000 tons yearly and the value of this is JD 3 million and this is about 10-12 percent of the total agricultural product which is valued between 20-28 million yearly.

¹A. L. Tahir, Alinassuh, "Agricultural Development in Jordan," The Modern Jordan, Guidance Department, Amman (Arabic). p. 92.

In contrast with other vegetables, tomatoes crop land is estimated at (190-220) thousand dunums and this is about 35-38 per cent of the total area of 600,000 dunums planted in vegetables according to statistics of 1962.¹ The estimated income from vegetables is JD 8 million per year.

In brief, owing to the expansion of irrigation, improvement in production and high efficiency of the farmers, vegetable production has increased from an average of 120,000 ton during 1952-54 to an average of 514,500 tons during the year 1961-62.

Fruits.--Climatic conditions in most of Jordan are suitable for fruit production. Approximately 12 per cent of the cultivatable land is devoted to fruit production according to 1962 agricultural statistics. Olives account for the largest share of the expansion in fruit acreage. Its cultivated area was increased from 431,072 dunums in 1950 to 562,000 dunums in 1962; the unfruitable area (presently cultivated but non-producing) was estimated at 30,661 dunums in 1950, and became 165,510 dunums in 1961.* Next in order of importance are bananas, grapes and stone fruits. Apple production is of minor importance.

Livestock and Livestock Products.--Restricted forage production and low rainfall are a limiting factor in the livestock population. Jordan depends on imported meat or slaughtered animals to meet its demand for livestock products. Some idea as to the small change that has taken

¹Ministry of Agriculture, Agricultural Statistical Division, Annual Report for the Year 1962. Amman.

*One dunum = 1/4 of an acre--1000 sq. meters.
JD = Jordan Dinar = \$2.80.

TABLE 1

ESTIMATED AREA AND ESTIMATED PRODUCTION OF PRINCIPLE GRAINS,
VEGETABLES AND FRUITS, SELECTED YEARS

Commodity	Area in 000 Dunums				Production in 000 Tons							
	1956	1957	1960	1961	1962	1963	1956	1957	1960	1961	1962	1963
Grains:												
Wheat	3253.7	2803.5	2510.2	2732.3	2848.1	2057.1	242.5	219.8	43.5	138.2	111.8	75.8
Barley	1094.8	946.4	745.6	749.6	1050.0	757.2	76.2	80.6	13.2	61.7	35.7	22.9
Lentils	334.5	236.9	188.6	165.9	208.0	157.8	21.7	11.9	1.8	6.4	13.0	4.0
Vegetables:												
Tomato	102.2	112.0	137.1	170.4	210.1	205.3	57.2	65.4	155.6	213.7	167.4	214.6
Eggplant	15.8	17.2	30.7	36.2	38.2	37.7	12.2	13.1	51.5	51.8	52.5	48.0
Watermelon		87.2	158.9	155.6	128.9				58.5	122.6	121.7	120.4
Fruits:												
Olives			501.1	531.3	544.2	562.2		14.9	16.7	114.4	7.5	38.7
Figs		73.3	81.1	80.2	81.2	75.4		14.3	17.7	20.9	21.1	18.9
Bananas		9.8	7.5	8.8	9.3	7.3		7.7	7.2	13.7	17.2	7.6
Grapes		103.3	187.7	177.4	177.3	173.2		47.0	43.3	78.4	79.0	58.7

Source: Government of Jordan, Department of Statistics, "Statistical Yearbook 1962," No. 13, pp. 132-134.
 Government of Jordan, Department of Statistics, "Statistical Guide to Jordan, 1964," No. 2,
 pp. 37-38.

Government of Jordan, Department of Statistics, "Statistical Guide to Jordan for Tourists,
 1962, No. 1, pp. 34-35.

place in livestock population within the last years can be obtained from Table 2. Goats are the most important livestock by number. They are bred principally for mutton. Sheep are the next in importance and in years when forage is adequate, they breed well and are capable of rapid increase in weight and produce good quality mutton.

Jordan has other animals found on farms throughout the agricultural areas which include camels, mules, horses, and a small number of hogs. In regard to egg production, it is low, averaging between 40-100 eggs per hen per year. Meat and milk production are supplemented by imports. In some years large numbers of sheep and goats are received from Iraq, Syria, and Sudan.

TABLE 2
JORDAN'S LIVESTOCK NUMBERS, SELECTED YEARS

Livestock	1952 ¹	1953 ¹	1954 ¹	1961 ^{2*}
Sheep	273,557	222,936	364,228	575,829
Goats	393,435	347,836	545,053	475,761
Cattle	41,531	31,467	51,599	36,385
Camels	50,625	13,805	18,812	24,507

Source: ¹International Bank for Reconstruction and Development. Economic Development of Jordan. Baltimore, 1957, p. 96.

²"A Joint Report submitted to the Near East Commission of Agricultural Statistics at its first Session in Amman, Jordan," Ministry of Economics and Agriculture, Government of Jordan, Nov. 12, 1962, Table 1.

* Figures include milk producing and meat producing animals together.

Limitational Factors

Despite the importance of agricultural sector in Jordan, economic life, there are some weak points or inhibiting factors which hold up agricultural development and form an obstacle to its expansion. Therefore, the agricultural sector is characterized by a low and changeable level of productivity from one year to another.

The Natural Factor.--Jordan is known as the country where the people pray for rain. The high rate of evaporation, the irregularity and lack of concentration of rainfall, and a negligible dew fall reinforce the effects of scarcity of rain in Jordan.¹ The combination of all factors contribute to limit the productivity of land and increase the chance of crop failures. Thousands of dunums could be opened to agriculture if all irrigation possibilities were developed. Don Peretz stated: "Expansion of agricultural areas and increased crop production through irrigation remain the foundations of economic development in the Arab East."² Also Mrs. Doreen Warrimer stated:

. . . Natural conditions are too adverse. By reason of the desert environment, the only stable basis for agriculture is more irrigation. For this reason a strong and enterprising policy on the part of the state is essential, without it, the countries of the Arab World must remain poor and unstable.³

¹International Bank for Reconstruction and Development. The Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957.

²Don Peretz, "River Schemes and Their Effects on Economic Development in Jordan, Syria, and Lebanon." Middle East Journal, Summer 1964, p. 304.

³Doreen Warrimer, Land Reform and Development in the Middle East, London and New York, Royal Institute of International Affairs, 1957, p. 189.

In view of the impact of these factors which cause severe fluctuations in agricultural production and income, primary attention must be given to irrigation projects and soil and water conservation programs.

Developmental Projects.--Since a lack of irrigation systems set up in limits on present agricultural development, The Jordan Government has been active in both implementing and planning irrigation and water control systems as a stabilizing factor affecting agricultural production and income. This involves two types of irrigation systems.

The minor systems make use of the underground water supply by digging artesian wells and by making wadi flows dams.¹

The major systems utilize water drawn from the Jordan and Yarmuk rivers. A number of large scale irrigation projects have been planned for Jordan. All of them, however, are presently blocked by the continuing tension between Jordan and Israel and the difficulty of reaching an agreement regarding the allocation of the waters of the Jordan river and the Yarmuk.² There are many plans made by the governments of Jordan and Israel and by various international organizations such as Macdonald Project, Bunger Plan, Baker Haraz Plan, Johnson Plan, and the Arab Plan.

¹International Bank for Reconstruction and Development. The Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957.

²Fred J. Khouri, "The Jordan River Controversy," The Review of Politics, Vol. 27, January 1951, No. I, University of Notre Dame, Notre Dame, Indiana, pp. 32-39.

³Ibid., p. 15.

The Bunger plan was prepared in 1952 by the Cooperative Department for Water Resources Development of the Jordan Government in conjunction with the Technical Cooperation Agency (Point 4). This plan calls for a high dam on the Yarmuk river and a system of canals fed by subsidiary dams.

It would make possible the irrigation of approximately 107,000 acres in Jordan, as well as 6,000 in Syria, besides providing 28,500 kilowatts of hydroelectric power for use by Jordan and Syria. The total cost of the plan was estimated at \$70 million. The plan was abandoned.¹

The main plan (known as Johnson Plan) was prepared in 1953 under the supervision of the United States Tennessee Valley Authority. Its principle features include storage dams, canals, and power houses on the head waters of the Jordan in Lebanon, Syria, and Israel. Included in the planning were the use of Lake Tiberias for the storage of Jordan and Yarmuk river waters, irrigation canals on the eastern and western rims of the Jordan Valley, an irrigation canal above Lake Hula for Israel and a power house at Al-adosigaha. The plan was rejected by the Arab countries, as well as by Israel.²

Jordan's East Ghor Project.--Since no regional plan for the development of the waters of the Jordan has been put into effect as a

¹Edward Risk, "The River Jordan," Information paper No. 23, Arab Information Centre, New York, October 1964. pp. 25-30.

²Ibid., pp. 16-17.

result of Israeli opposition and unilateral diversion, the Arab states have proceeded with limited irrigation projects for their lands, which do not affect Israeli water plans or have any bearing on the quantity of Jordan river waters available for Israeli use.¹

The plans have involved the transferring of Yarmuk water for use in the Mazerib plains of Syria and the construction of an East Ghor Canal for the irrigation of Jordanian lands along the eastern slope of the Jordan Valley. Both of these small projects could be easily fitted into any regional plan.

In 1958 the Government of Jordan began the construction of the Canal to tap the waters of the Yarmuk River in northern Jordan. This project, financed jointly by the U. S. and Jordan, is scheduled for completion in three to five years. The East Ghor project is a modest venture which involves a simple gravity diversion of the Yarmuk river, a tributary which empties into the Jordan a few miles below Lake Tiberias, for the irrigation of approximately 120,000 dunums of cultivatable land.²

As presently envisaged, the Canal will be 48 miles long. It is estimated that the Yarmuk will provide over 140 metric cubic meters of water annually, with the Zarga river and some seasonal streams which the canal crosses providing an additional amount. The project has progressed steadily and with considerable economy. Furthermore, a

¹Ibid., p. 26.

²Peretz, op. cit., p. 297.

Canal Law was passed in 1959 providing for a canal authority to supervise future distribution of both land and water.¹ This has been widely praised as a virtual Land Reform Law.

This project will help in raising the national production and income, and absorb a labor force estimated at six times that employed in ordinary farming.² Furthermore, the canal is so constructed that it could readily be adapted to a regional scheme for the development of the Jordan waters.³

Effects of Diversion.--In an article in "The Arab World" the Arab objection to Israel's diversion of Jordan's Holy River was stated from an economic standpoint as follows:

1. It is estimated that out of the rivers annual flow of 538 million cubic meters (McM) at the outlet of Lake Tiberias, only 60 McM will remain after Israel diverts the waters into the Negev and Beisan areas more than 100 miles south of the river basin.

2. Due to the above reasons, rate of salinity will increase and it will not be suitable for irrigating a soil already suffering from a high degree of salinity.

3. The consequences of diversion on the economy of Jordan are incalculable, at a time when the Government is striving to develop its

¹Peretz, op. cit., p. 297.

²The Arab World, Vol. VIII, No. 2, February 1962, p. 4.

³Joseph L. Dees, "Jordan's East Ghor Project," Middle East Journal, Autumn 1959, pp. 357-371.

limited arable lands to provide food and shelter for the destitute, especially those who live in the border villages and whose lands and other means of livelihood are under Israel control.

4. Jordanian engineers estimate that 70,000 dunums of Arab-owned land in Jordan Valley below Lake Tiberius will dry up after Israeli diversion, depriving 50,000 farmers of their sole means of livelihood.

5. Moreover, plans to develop vast areas of hitherto, uncultivated land in the Valley, which have priority over projects outside the river basins, will have to be abandoned.

6. Finally, diversion of the Jordan waters will lower the surface of the Dead Sea to such an extent that it will cause immense damage to the industries which have been built on its shores, particularly to the potash and associated industries.¹

In fact, and briefly stated, "The question of the waters of the Jordan is of the utmost importance not only economically, but politically, militarily and strategically."²

Agricultural Credit.--Lack of financial resources which can be made available for loans is a serious obstacle to agriculture in Jordan particularly in a country like Jordan with its scattered peasant communities and inadequate transportation facilities. The small farmer is

¹ Arab Information Centre, The Arab World, Vol. X, No. 4, New York, July-August 1964. P. 11.

² Saadut Hasan, "Israel Diversion of the Jordan Waters, A Threat to Peace in the Middle East." Arab Journal, Vol. X, No. 1, Winter 1964, p. 22.

forced to apply for credit to the village shop keepers, the landlord, the merchant, and the money lender. To meet day to day necessities of life, the farmer mortgages his land, movable property, livestock, wife's jewelry and accepts terms of delivery or repayment ranging from 20-25 per cent.¹

The Agricultural Credit Corporation in Jordan started as early as 1866 when Jordan was still a part of the former Ottoman Empire. In years a credit institution was established by an imperial decree. Its operations covered many fields of credit, agricultural and individual manipulation.

During the first World War a constitutional agricultural bank was formed in the Ottoman Empire, with branches in many parts of the country. In Jordan there were three branches. These branch banks continued to function and issue loans to farmers within their limited resources until 1920, when an agricultural bank was firmly established.²

In 1952 a new institution was established and termed the Village Loan Scheme. It was attached with the Development Board and had assets of JD 240,000. Its purpose was to alleviate the hardships of the rural population, who in most cases, especially in the frontier village had lost the large part of their cultivated land.³

¹International Bank for Reconstruction and Development. Economic Development of Jordan. Baltimore: John Hopkins Press, 1957. pp. 131-132.

²Agricultural Credit Corporation, Annual Report for the Year 1960-61. Amman. p. 7. (Arabic)

³Ibid., p. 9.

In 1953-54 the assistance was extended to all parts of Jordan and loans were issued for 14 years; for the first four years the borrower was required to pay interest only at the rate of 4%. Until 1960 there were only three agricultural credit agencies in Jordan.¹

1. The Agricultural Bank, a semi-official institution which was reestablished in 1920 in Jordan with limited resources.
2. The Village Loans Scheme, administrated by the Development Board.
3. The Agricultural Co-operatives, administrated by a separate department.

These three credit agencies were functionally independent of each other and in many cases there was a degree of overlapping in their operation so to remove that overlapping, while at the same time satisfying all the credit needs of the farmer, the Jordan government took immediate action by forming a committee to outline a plan for consolidation of the agencies. Acting on the recommendation of this committee, a law constituting the Agricultural Credit Corporation was enacted by parliament. Thus the Corporation came into being with a Chairman and Board of Directors. The authorized capital of the Corporation was JD 7 millions, three million in the form of loans that were already issued to farmers. The remaining four millions were to be made available in the form of credit.

The main objective of the new Corporation is to provide an improved and strictly supervised Agricultural Credit in Jordan. Farmers are given

¹Ibid., p. 10.

advice and personal services by members of the technical staff. The rate of interest is only 4 per cent and this Corporation issued three categories of loans:

A - Short term loans

B - Intermediate term loans up to 10 years

C - Long term loans up to 20 years.

Table 3 shows the amount of money issued and the type of credit.

Marketing.--"Marketing is a subject of vital importance to Jordan and calls for continuous study of the consumptive capacities and production plans of neighboring countries."¹

Jordan's marketing system for farm products is slow, cumbersome and wasteful. Still the middleman and brokers take a big role in buying and selling at a price which is not profitable for farmers.² Since the storage facilities are very limited, the farmer is forced to sell his crop soon after harvest. This season will be a period of depressed prices. Due to the poor storage facilities and large loss from crop spoilage, the total agricultural output is reduced and the purchasing power of the producer is diminished.

The irregular transportation services between the producing centers and the main markets forms another problem. The small farmers either transport his limited marketable surplus over a long distance by himself or sells it to the middle man.

¹International Bank for Reconstruction and Development. Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957. p. 117.

²George Harris, Jordan, Its People, Its Society, Its Culture. New York, Haven, 1958. p. 171.

TABLE 3

A COMPARATIVE STATEMENT OF THE AGRICULTURAL CREDIT CORPORATION OPERATION
AS TO TYPE OF LOANS, NUMBER OF BORROWERS AND AMOUNT OF LOANS
DURING 1960-61 AND 1961-62

Types of Loans	1960-61		1961-62		Amount of Loans JD	Number of Fils	Number of Borrowers	Amount of Loans JD	Number of Fils	Amount of Loans JD	Number of Fils
	Number of Borrowers	Amount of Loans JD	Number of Borrowers	Amount of Loans JD							
1. Short term loans	1682	77477	000	958	63250	535					
2. Intermediate loans	286	116866	000	696	193877	785					
3. Long term loans	16	10240	000	6	7664	000					
4. Loan given to cooperative Central Union		44643	000		35766	266					
5. Development loans (Project No. 78-14-091)	12	5008	000		266	000					
6. Development loans (Project No. 273-14-091)	376	55394	000	837	142171	000					
7. Village Development loans	--	--	--	2	2900	000					
8. East Ghor Canal loans	--	--	---	121	24301	000					
9. Other loans, seeding loans	12107	148051	715	--	--	--					
Total	14483	457680		2618	470197	786					

Source: ¹Agricultural Credit Corporation, Annual Report for the Year 1960-61, p. 31, Amman, Jordan.

²Agricultural Credit Corporation, Annual Report for the Year 1961-62, p. 21, Amman, Jordan.

In comparison with highly developed and organized marketing economics, the marketing system in Jordan has many imperfections; these include lack of proper standardization, weights, and measures. Central wholesale markets are inadequate for the volume of produce handled.¹

External marketing is handicapped by unsuitable merchandising methods, transport difficulties and inadequate knowledge, awareness of conditions and the requirements of foreign markets.

The Government of Jordan has recognized the urgent need for the development at markets for its agricultural product; an agricultural Marketing Bureau was established in November 1962 for the broad purpose of

1. Discovering and developing markets for agricultural products.
2. Developing improved and lower-cost marketing methods, procedure and facilities, and improved institutions.

The Educational Factor.--This problem deals with the prevailing agricultural methods and the socio-economical outlook or attitudes toward working in agriculture. The old techniques are still used in cultivation, but some progress has occurred in the use of tractors and fertilizers.² Generally speaking, the farmers suffer from poverty,

¹H. Rifai, Lecture "Agricultural Marketing Problems and Programs in Jordan," November 2, 1962. (unpublished).

²"Rural Jordan Changing Its Social Appearance," The Arab World, July-August, 1962. pp. 8-9.

indebtedness, and lack of education. A few of them are conversant with modern cultivation and fertilization techniques along with pest and disease control. The Ministry of Agriculture has established an Extension Service to carry modern methods as directly to the farmers, and also has established an integrated research and technical services department which provides reliable and tested information for the Extension Service.

In regard to popular attitudes toward agriculture, the Jordan farmers still hold some old customs or ideas which impede his progress. Some still consider agricultural production as rightfully used for personal consumption only. The graduate of the agricultural school tends to avoid farming and prefers a career in government work or perhaps administration of agricultural cooperatives.

The Agricultural Co-operative Movement in Jordan

The Co-operative movement began on a small scale in Jordan in 1947 and was enlarged when the Co-operative Law No. 39 of 1952 was enacted.¹ The reason making it necessary for the government to take steps to encourage the co-operative system in Jordan was the great need for organizing the efforts of the working classes, fixed income earners, along with small land owners and farmers toward an improvement of economic and social conditions.

There are great possibilities for co-operation in Jordan, especially among farmers as more than 75 per cent of the total population

¹International Bank for Reconstruction and Development. Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957. p. 143.

is engaged directly or indirectly in farming. Agriculture provides a living for the majority of the population to utilize their lands more effectively, it is necessary for all to combine their efforts.

Cooperation has become more important today because Jordan is carrying out many agricultural and economical projects which aim at improving the economic and social conditions of the various classes of the people.

The most important of these co-operative schemes is the East Ghor Canal Project. The Co-operative movement can go hand in hand with such projects to help raise the standard of living of the Jordanian classes of the people.

The Co-operative Directorate of the Ministry of Labor and Social Affairs has amended the Societies Law not for the year 1953 with Law No. 17 for the year 1956 to conform more with the development of the co-operative movement. Co-operative societies of various forms have been established to provide members with the services they need. The most important type of these co-operatives is the agricultural and credit co-operative societies. These co-operatives provide members with credit at low rate of interest which they can use for agricultural and livestock productive purposes. In this way co-operatives can help eliminate money lenders and assist the farmer to improve and increase his production. Although of recent innovation, this movement succeeded within a few years in developing rapidly toward an achievement of its objectives. The Government has realized the co-operation is the best way to spread agricultural services among farmers and to liberate them from exploitation. During 1963 there were about 40 supply and marketing

co-operatives and 200 agricultural credit societies which provided seasonal loans to about 14,000 members. These agricultural co-operatives constitute nearly 75 per cent of the total co-operative associations in Jordan.¹

The Central Co-operative Union was established in 1957 as an autonomous body to provide seasonal loans, supervision, advice and auditing services to local co-operatives.

Industry

As an agriculturally dominated region, industry has little effect on the economic life of the country. Before 1948 there were no factories in Jordan and even handicrafts were underdeveloped. After 1948, Jordan's industrial growth began, due to the influx of the Palestinian refugees, among whom were a number with industrial skills (or an amount of investment capital). Of the businesses and projects which the refugees were forced to abandon in Palestine some were gradually reestablished in Jordan. After 1948 through the assistance of protective measures and promotional activities of Government, private initiative and the technical and financial assistance by the foreign agencies, a considerable progress has occurred in this field.

In breaking down the industrial sector there are two distinct categories. Home industries still echo the ancient way of life. One category is that of manual labor, which makes up a large part of the

¹The Co-operative Institute, The Annual Report for Co-operative Movement in Jordan. Amman, Jordan, 1963-64. pp. 34-36. (Arabic)

labor force. The real progress has been made in the category of manufacturing, refining and mining industries.

Industrial Development

The development of the industrial sectors has been no less impressive. Income originating in manufacturing and electrical industries has increased from JD 4.2 million in 1954¹ to JD 10.1 million in 1962² or an increase of about 170 per cent during this period. The share of industry in the gross domestic product has also risen from 7 per cent in 1954 to 10.6 per cent in 1962.³ This indicates that manufacturing and mining have become increasingly important activities in the Jordan Economy. Since 1954 a large cement factory, a petroleum refinery, a number of foundries, a tannery, a marble factory, and an expanded phosphate mine have come into operation. Other industrial activities include milling, textiles, bottling and brewing, tobacco products, food products, and batteries among many others.

In recent years Jordan has experienced a substantial expansion of its industrial sector against a comparatively unfavorable background of natural and financial resources. At the end of 1963 according to official government figures, there were 1453 industrial establishments

¹R. S. Porter, Economic Trends in Jordan, 1954-1959. Beirut, July 1961, p. 4.

²Government of Jordan, Department of Statistics, Statistical Guide to Jordan, 1964. p. 47.

³Government of Jordan, Jordan Development Board, Investment Opportunities in Jordan, July 1964, Amman. p. 6.

employing five or more persons with 14,850 employees compared with 421 establishments in 1954 employing five or more persons with a total number employed at 8,198. Table 4 gives a comparison of the numbers of manufacturing industries, persons engaged for the years of 1954 and 1963.

TABLE 4
MANUFACTURING, INDUSTRIES, ENGAGING 5 PERSONS OR MORE

Kinds of Establishments	No. of Establishments		No. of Workers	
	1954 ¹	1963 ²	1954 ¹	1962 ²
Food manufacturing	61	887	912	3402
Beverages	30	20	353	420
Tobacco and tomato	5	3	583	476
Textiles	26	24	388	665
Clothing and footwear	57	123	906	2018
Wood, furniture	50	92	767	1064
Paper and paper products				
printing and publishing	22	33	530	881
Leather and leather products	11	2	71	186
Rubber, rubber products	3	6	20	141
Chemicals	27	24	452	333
Petroleum refinery	--	1	--	683
Non-metallic products	37	5	861	526
Metal works	31	6	392	710
Electrical, non-electrical machinery	18	24	476	490
Vehicle repair	11	47	256	406
Miscellaneous	32	10	231	58
Grand Total	421	1453	8198	14850

Source: ¹United Nations, Department of Economic and Social Affairs, Economic Developments in the Middle East 1958-1959. Supplement to World Economic Survey, 1959, New York, 1960. p. 21.

²Ali Dajani, A Directory of Jordan's Industrial Firms, The Amman Chamber of Industry, 1965. p. 35.

Recent developments have occurred in plastics, pharmaceuticals and dairy plants. During the life of the present Seven Year Plan the share of manufacturing and mining is expected to expand more than 18 per cent of total gross domestic product from JD 11.3 million in 1962 to JD 22.6 million in 1970. This in itself represents an increase of 100 per cent over 1962 level.¹

Phosphate is the major mineral in mining activity. In 1962 approximately 30 per cent of all Jordanian exports was phosphate.² New higher grade phosphate has been recently located and exploitation of it will soon begin. Potash and copper projects are being planned in addition to previously mentioned oil exploration. The processing of phosphates is an economic activity that now warrants further investigation in Jordan.

This growth, small as it is in comparison with that of other countries, represents so far as Jordan is concerned, a remarkable progress. Its effect is felt in the increase of the production at local manufacturers and in the increase of employment. For example, the production of cement amounted to 285 thousand tons while the total importation of cement in 1952 was in the region of 25 thousand ton. The government organized this industry and prohibited imports. It is expected that output will expand rapidly over the next five years.

¹Ibid., p. 6.

²United Nations, Department of Economic and Social Affairs, Economic Development in the Middle East 1959-1961, Supplement to World Economic Survey, 1961, New York, 1962. p. 37.

An oil refinery is being built which will be supplied from transit pipelines; the production of gas and oil is now in the region of 166 thousand tons, while the total imports of petroleum products did not exceed 50 thousand ton in 1952.¹

In regard to industries dependent upon an agricultural base, they consisted chiefly of olives, tobacco, fruits and vegetables.

There are a number of olive presses located in the growing areas of the country. Some progress has occurred in mechanizing this industry. Raw olive oil is Jordan's major industrial product. Over 90 per cent of the fruit is pressed and the oil yield may be between 12,000 and 15,000 tons.² The government has participated in the construction of an olive oil refinery at Nablus.

The soap industry is one of the oldest and most primitively organized in Jordan. Some progress has occurred in canning vegetables and fruit products.

Table 5 gives some benchmarks on the volume of industrial production of a number of firms as is recorded in the Annual Bulletin Statistics for the years 1960-1963.

¹ Ali Dajani, "The Birth and Growth of Industry in Jordan," A Directory of Jordan Industrial Firms. The Amman Chamber of Industry, 1965. p. 8.

² International Bank for Reconstruction and Development. Economic Development of Jordan. Baltimore: John Hopkins Press, 1957. p. 210.

TABLE 5
OUTPUT OF CERTAIN INDUSTRIAL PRODUCTS DURING 1961-63

Products	1961 ¹	1962 ¹	1963 ²
Crude phosphate, tons	422,512	681,010	614,436
Cement, tons	22,126	235,277	285,278
Alcohol, (000) liter	425.7	328.9	327.8
Brandy, (000) liter	56.5	58.9	57.8
Beer, (000)	671.6	734.4	843.7
Cigarettes, kgs.	756,038	1,020,064	1,045,402
Tobacco, kgs.	46,155	47,065	43,351
Matches, gross	9,017	3,850	4,375
Soap, tons	2,453	3,154	2,752
Benzine, tons	38,348	41,734	46,177
Gas, oil, tons	42,745	52,211	54,697
Kerosene, tons	72,028	112,992	116,679
Vegetable oil	--	3,198.0	3,776.0

Source: ¹Government of Jordan, Department of Statistics, Statistical Guide to Jordan for Tourists, Amman, 1962, pp. 37-38.

²Government of Jordan, Department of Statistics, Statistical Guide to Jordan for Tourists, Amman, 1964. pp. 40-41.

Role of Government

Industrial development is actively encouraged by the government. Government encouragement takes many forms whether through extension of credits, legislation, direct participation and technical or by encouraging investment by domestics and foreign firms. The law for the Encouragement and Guidance of Industry No. 27 for the year 1955, grants special facilities to approved industries and development projects. These facilities include:¹

¹Research Department, "The Laws of Foreign Investments in the Arab Countries," Arab Economical Report, December 1962. General Union of Chamber of Commerce, Industry and Agriculture for the Arab Countries. Beirut, Lebanon. pp. 37-41. (Arabic)

1. Exemption from custom duties and all other fees in respect to all machinery, equipment, and construction materials.

2. Exemption from income tax for 3 years from the date of production, continuing and to the extent of 50 per cent for the following two years.

The Government enacted another law designed to encourage foreign investment. It is called Foreign Capital Investment No. 28 for the year 1955, which offers these opportunities:¹

1. Foreign capital is treated on an equal footing with local capital investment in similar industries. Owners of foreign capital are authorized to transfer from Jordan their annual earnings in foreign exchange.

2. Foreign capital can be repatriated in the same foreign exchange in which it was brought into the country without any hinderance.

3. Foreign capital can be invested in the form of cash or machinery, subject to the condition agreed upon with the Ministries of National Economy.

The Government also conducts feasibility studies as a service to potential investors. It provides protection against foreign competition through tariff protection.

To further industrial development in the country, the government has recently established an industrial advisory Service at the Ministry of National Economy.

¹Ibid., pp. 41-45.

In order to augment the supply of investible funds, in this area, the Industrial Development Fund was created in 1957 as part of the Jordan Development Board. Credit loaned by this Fund since its establishment and until June 3, 1964, amounted to JD 1,405,174.¹

The Limiting Factors

As a matter of fact the industry in Jordan faces the same problems which industry faces in the other Arab countries. These problems hinder industrial growth. These limiting factors may be explained and analyzed as follows:

The Market.--Jordan is characterized in contrast to the other Arab countries by a restricted local market² because of its limited population, as well as low purchasing power among the people. This obstacle presents the possibility of establishing a large scale industry and the benefits derived from decreasing costs. The internal market for local goods is limited and most of the middle class people prefer to purchase foreign products whether they are superior or not. The foreign competitors are more up to date and fashion minded. Local producers should appeal to the demand of the rural population who want produce sold at a price commensurate with their income. In agricultural areas there is demand for flours, cheap textiles and household utensils. This suggests that local production could appeal to the rural population

¹Jordan Development Board, Monthly Economic News Bulletin, June-July 1964. p. 19.

²K. Grunwald and J. Runall, "Industrialization in the Middle East," Council for Middle Eastern Affairs Press, New York, 1960, p. 295.

by satisfying their primary needs. In the long run the industry will develop the town market demand. The external market is also limited because of competition with the local and foreign producers. Each Arab state is adopting its national policy and is encouraging local production. In most cases the production of these countries is similar to Jordan's products, except holy-land manufacturing which is mainly produced in Jordan. Marketing technics are not well developed.¹ Design and standardization of a product is not sufficient. The soap industry is an example of a competitive failure for a long established industry that could not face foreign competition.

Resources.--Some industries depend upon the importation of raw materials from foreign countries. The present cost of electricity is high relative to other industrial countries,² but it is expected that the problem of fuel and power would be solved after the completion of the Yarmuk project which is a hydro-electric power plant which will be built on the river providing for a total capacity of about 60 MW.³ This project is financed by a Kuwait Fund for Arab Economic Development.

Jordan has many local raw materials which can be used for industrial growth, such as phosphate and potash and fishing. Moreover processing of local goods is possible in the food industries such as refined

¹United Nations, Review of Economic Conditions in the Middle East, 1951-52, Supplement to World Report, New York, March 1953, pp. 44-48.

²George Harris, Jordan, Its People, Its Society, Its Culture. New York, Haven 1958. p. 163.

³Government of Kuwait, Kuwait Fund for Arab Economic Development, Second Annual Report, 1963-1964.

oil, soap, cement products and others. Other industries can be set up for semi-manufactured goods with imported raw materials such as plastic. Encouragement of such industries is essential for accelerating the growth of industrial production.

Finance.--Another major limitation to the execution of industrial planning is credit shortage. The economic development of Jordan is severely handicapped by lack of adequate financial institutions.¹ The history of both Germany and Japan shows how important a part such institutions can play in promoting rapid growth. The banking system although suited for commercial purposes seems unable to satisfy the expansion of industry.² Although short term credit is available in most cases, industrial expansion needs long term financing which the present banking system cannot afford. The Jordanian government attempted to assist industries in this respect by establishing the Jordan Development Bank in 1962, through the U.S.-Jordan joint fund for economic development. The authorized capital of the Bank shall be three million Jordan Dinars (JD 3 million) divided into three million shares of one Jordan Dinar each. The Government shall participate in the amount of JD 1,000,000.³ Of course the loans of this bank will help Jordanian credit needs as they are long term loans at low rates of interest. The encouragement of foreign capital is necessary. The

¹The International Bank for Reconstruction and Development, Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957. pp. 229-233.

²Charles P. Kindleburger, Economic Development, McGraw-Hill Book Company, New York, 1965. pp. 123-124.

³Jordan Development Board, Monthly Economic News Bulletin. November-December, 1964. p. 13.

creation of the central bank in 1963 would be helpful in this respect too.

Technical Consideration.--The productivity of labor is low because of lack of experience, as well as dependence upon old equipment. Technical knowledge, though essential, does not compensate for managerial planning and control. This means that skilled supervisors are needed for the executing of the new plan. Training, reorganization, and coordinating work as will require able managers and supervisors. Maintenance of new machinery¹ needs skill and supervision. The managerial problem is widespread. The employer-employee relations are not based on good grounds because of job insecurity for the employee.

The Tourist Industry

The geographical position of Jordan, its climate, its famous antiquities and its rich historical sites which group the remains of several ancient civilizations on the same land, including the preserved relics and living evidences of three great monotheistic religions, make Jordan one of the most important centers for tourists.

"The tourist industry is Jordan's major source of foreign exchange and is capable of considerable further expansion."² Jordan's income from tourism has raised from JD 1.2 in 1956 to JD 4.3 in 1961.

¹R. Patai, The Kingdom of Jordan, Princeton, New Jersey, Princeton University Press, 1958. pp. 128-129.

²International Bank for Reconstruction and Development, Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957. p. 247.

This means that the share of tourist income from the national income has risen from 3.3 per cent in 1958 to 8 per cent in 1961. This tangible increase in income may be recognized by the increase in the number of visitors to Jordan from 62 thousands tourist in 1958 to 162 thousands in 1961.

Table 6 gives the number of visitors and their estimated expenditure in Jordan for selected years.

TABLE 6
THE TOURIST MOVEMENT IN SELECTED YEARS

Year	Number of Tourists (1000) ¹	Income in Jordan Dinar JD million ²
1950	10.6	0.9
1952	34.0	1.3
1954	46.1	2.2
1956	61.7	1.4
1960	131.6	3.3
1961	162.0	4.3

Source: ¹International Bank for Reconstruction and Development, Economic Development of Jordan. Baltimore: Johns Hopkins Press, 1957. p. 248.

²Government of Jordan, Directorate of Guidance, The Annual Book for 1962. April, 1962, Amman. p. 349. (Arabic)

It is expected that the income from tourism will be JD 10 million in 1970. The expansion in this kind of activity will help the deficit in the balance of payments which Jordan faces. Likewise the high rate of growth in the tourist industry has occurred even though publicity efforts have not been very extensive. The insufficiency of hotel accommodations constituted limitations to the expansion but the increase in the number of visitors was associated with an increase in tourist facilities.

Due to the potential importance of such type of activity, Jordan's Government in 1953 established the Tourist Authority to promote and encourage this field of industry. Under the auspices of the Tourist Authority, the Jordan Hotel Association was founded and a center for training hotel personnel was opened. A tourist police was formed to receive visitors at airports and frontier posts and to protect historical and archeological sites. Formalities at airports have recently been reduced to the minimum for the tourist convenience.

Foreign Trade and Balance of Payments

The changes in the foreign trade of a country reflect partly the development in its economic structure and its monetary and fiscal policies. Jordan's foreign trade and payments reflect the status of the Jordan economy and its underdevelopment. The following is an attempt to survey the resultant changes in Jordan's foreign trade and its balance of payment.

Growth of Foreign Trade

Jordan is limited in its natural resources and its wealth is dependent on foreign trade to satisfy its various needs. Foreign trade statistics indicate that Jordan's foreign trade has expanded rapidly. The total value of exports and imports was JD 57 million in 1953 against JD 120 million in 1960.

Jordan's exports and imports behaved in a markedly different fashion in relation to each other. Imports have tended to increase more rapidly than exports. The value of imports was JD 18.3 million in 1953 against JD 42.9 million in 1960. Export trade in the same years was JD 1.9 million against JD 3.4 million in 1960. The difference in growth rates of exports and imports has become more pronounced in the period 1950-1962.

The net result at the dissimilar growth of exports and imports and of changing terms of trade has been a chronic deficit in the balance of trade. The balance has always been a deficit and foreign trade statistics showed that this deficit was increasing through 1953-1960. The deficit was JD 17.5 in 1953 as compared with JD 39.4 million in 1960 as is shown in Table 7. Compensation for the deficit was effected by grants and international aid.

TABLE 7
 TRADE BALANCE BETWEEN THE JORDAN AND ALL DIFFERENT
 COUNTRIES IN THE YEARS 1953-1960

Years	Exports	Imports	Deficit in Balance (JD 1000)
1953	1,900,465	18,394,974	17,499,509
1954	2,433,895	19,840,468	17,406,593
1955	2,617,422	27,058,453	24,441,031
1956	4,379,275	27,818,733	23,433,458
1957	4,302,344	30,486,209	26,839,745
1958	3,137,253	34,028,750	30,887,447
1959	3,097,500	40,328,400	37,230,000
1960	3,480,400	42,934,700	39,145,600

Source: General Union of Commerce, Industry, and Agriculture for Arab Countries, Arab Economical Report, December 1962, pp. 204-205. (Arabic)

Imports.--Jordanian imports have increased during the period 1950-60. They have risen from JD 18.4 in 1953 to JD 42.9 million in 1960. Jordan's imports of food and agricultural products have doubled over this period and exceed agricultural exports considerably. In 1960 they totaled JD 14,093,400, exceeding agricultural exports by JD 12,143,400. The main food and agricultural products imported are live animals, livestock products, cereal, and cereal products. These have been necessitated by the succession of poor harvests in all years except 1956.¹

¹Research Department, "Development of Foreign Trade for the Arab Countries for the Period 1953-1960." Arab Economical Report, Beirut, Lebanon, December 1962. pp. 28-29.

Recently there has been a proportionately greater demand in the Jordanian market for transport and equipment goods, industrial and agricultural machinery parts as well as electrical appliances.

Imports of building materials have increased over this period and totaled JD 4 million in 1950, in spite of the increase of cement production which has supplied a considerable proportion of local needs.

Textiles and clothing imports have increased from JD 3.4 million in 1953 to JD 6.3 in 1959, an increase of 15.6 per cent. Table 8 shows the main imports for selected years.

TABLE 8
MAIN IMPORTS BY COMMODITY GROUPS IN SELECTED YEARS

Commodities	1954	1955	1956	1957	1958	1959	1960
	(JD '000)						
Foodstuffs	6,403	8,376	7,923	7,468	11,567	12,477	14,073,400
Textiles & Clothing	4,595	4,382	4,395	5,476	5,271	6,426	6,295
Chemical & Pharmaceuticals	344	522	490	665	708	885	1,805
Fuels	1,195	1,484	1,822	2,052	2,113	2,307	2,678
Building materials	1,169	1,638	1,685	1,713	2,379	4,325	3,103
Electrical machinery & apparatus	218	348	523	670	1,116	1,218	4,577
Vehicles & parts	1,133	2,156	2,367	1,700	2,307	3,291	2,239

Source: R. S. Porter, Economic Trends in Jordan, 1954-1959. Beirut, July 1951. p. 13. (Mimeographed)

General Union of Chamber of Commerce Industry and Agriculture for Arab Countries, Arab Economical Report, December 1962. p. 204. (Arabic)

Exports.--In general exports have had a rising trend during the period 1950-1960, although moved by some decline in recent years. Exports have risen from JD 1.9 in 1953 to JD 4.4 in 1957, but have declined to JD 3.5 in 1960.

The value of agricultural products reached JD 2.4 million in 1957, an increase of 56 per cent. Vegetables and fruits rank first in importance. They account for a third of Jordanian exports. In 1960 exports of agricultural produce amounted to JD 1.4 million or 57 per cent of the total export value. Seventy per cent of this was horticultural produce. The main export products are tomatoes, eggplants, watermelons and cabbage. Exports are directed exclusively to neighboring Arab countries.

Fats and oils ranked second in Jordanian exports, their value as an average 1953-60 was 13.2 per cent of total exports, and it reached its maximum in 1956 which valued JD 830 thousands.

Export of mineral resources such as phosphates have risen at a rapid rate. The figures are: JD 7.4 thousand in 1953 to JD 1.3 million in 1960. It is hoped that the quantity exported will increase in the future due to the Jordanian government's efforts for marketing promotion. Table 9 gives the principal domestic exports, quantity, and the value for selected years.

TABLE 9

PRINCIPAL DOMESTIC EXPORTS IN SELECTED YEARS
Quantity in (tons) unless specified, value in (000) JD

Commodity	1958		1959		1960		1961	
	quantity	value	quantity	value	quantity	value	quantity	value
Vegetables:								
Cabbages, cauliflower	4734	85	4886	93	6707	68	3133	35
Cucumber, marrows, etc.	2057	46	1493	37	2077	61	2394	48
Eggplant	8902	163	5647	81	10416	107	11434	124
Olives, fresh	675	20	480	22	144	10	1226	43
Tomatoes	23211	556	23513	580	36814	515	36755	674
Fruits:								
Bananas	4384	133	2617	79	2474	75	2220	69
Figs, fresh, dried	434	8	569	12	813	17	796	13
Grapes, fresh	304	7	466	26	753	20	1137	26
Watermelons	16911	241	17592	233	14735	234	30000	307
Vegetable oils:								
Olive oil	326	56	179	32	73	14	270	46
Mineral:								
Phosphate	1027		1052		1346		--	

Sources: Government of Jordan, Statistical Yearbook for the Years, 1958, 1959 and 1960.

General Union of Chamber of Commerce, Industry and Agriculture for the Arab Countries, Arab Economical Report, December 1962, Beirut, Lebanon, p. 206.
(Arabic)

Geographical Distribution

Through the period 1954-62 the surrounding Arab countries maintained their position as a leading customer of Jordanian products. They purchased approximately 67 per cent of the country's total exports.¹ The main exports are agricultural products. Eastern Europe ranked second in 1960, although exports to this area were hardly noticeable in 1953 and constituted only 5 per cent of the total exports in 1955. In 1960 it has become 28 per cent of the total, due to the increase of phosphate exports to Yugoslavia, the value of phosphate exports alone has increased from JD 19 thousand in 1955 to JD 208 thousand in 1960.

Table 10 indicates that exports to the European Common market has declined from JD 58 thousand in 1953 to JD 17 thousand in 1960.

In regard to the geographical distribution of imports, Arab countries ranked as the first source of supply, furnishing approximately 21.4 per cent of total imports for the period 1953-60. The European Common market ranked second, particularly Germany. Jordan's import from Germany is increasing due to the easily available credit and the competitive price offered by German exporters, although in 1955 the United Kingdom maintained its position as the leading European supplier of Jordan, furnishing approximately 19 per cent of total imports, but imports are declining from Britain.

¹United Nations, Department of Economic and Social Affairs, Economic Development in the Middle East, 1959-1961. Supplement to World Economic Survey. 1961, New York. p. 94.

²Harris, op. cit., p. 175.

TABLE 10
TRADE EXCHANGE OF JORDAN GEOGRAPHICALLY DISTRIBUTED, SELECTED YEARS

Country	Exports			Imports				
	1953	1955	1957	1960	1953	1955	1959	1960
Arab countries	1.791	197	2.030	2.110	4.908	5.280	6.511	8.441
European Common Market	58.1	102	1.2	17.6	2.731	3.808	1.117	10.805
Western Countries	1.70	42	2.1	52.7	3.782	3.816	6.348	7.438
U.S.S.R. & Eastern Countries		209	762.5	97.4	3.888	7.83	2.454	2.188
Far East	--	265	57.7	28.8	5.00	1.651	1.948	1.950
U.S.A.	25.0	18	17	18	1.137	2.811	3.751	5.072
Others	25.0	13	14.6	20.1	4.942	5	7.830	6.550
	1.900	2.620	3.028	3.481	18.395	27.058	40.326	42.935

Source: General Union of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, December 1962, Beirut, Lebanon. p. 206. (Arabic)

Imports from U.S.A. have begun to rise from JD 1.13 million in 1953 to JD 5.1 million in 1960. Imports are expected to increase from U.S.A. in the future because of a law enacted by the Jordan Government in February 1961 which proposes to import twelve commodities from U.S.A. such as vehicles, refrigerators, washers, radios, and records.¹

There have been changes in the distribution of trade by currency areas. The sterling area still dominates as a result of certain priorities; practically its importance as a source of imports has declined while that of imports from dollar areas has increased sharply as mentioned before.

Commercial Policy

The importation of commodities is presently free of any barriers except for a licensing fee of a per cent applied to imports from non-Arab countries.² The license fee for imports from Arab countries amounts to $\frac{1}{2}$ per cent.³

Trade Agreements

The Jordan Government made trade agreements with a number of countries to encourage its trade and to narrow down the gap between exports and imports. The trade agreements were made with Arab countries

¹General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, June 1962, Beirut, Lebanon. p. 156. (Arabic)

²General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, December 1961, Beirut, Lebanon. p. 96. (Arabic)

³Ibid., p. 156.

like Syria, Iraq, Lebanon, Saudi Arabia and Egypt, as well as non-Arab countries like India, Iran, Ethiopia¹ and Yugoslavia.² The agreement with Arab countries dealt with exemption from custom duties and custom entry for many industrial products.

The duration for such an agreement is one year, automatically renewable, unless a nation would want to modify or cancel it. The other agreement within the Arab league is called the Arab Economic Treaty which was drawn up by the members of the Arab league on September, 1953.³

This is a step towards multilateral economic cooperation among the Arab League, which tends to encourage capital movement to promote preferential treatments and facilitate the transfer of payments.

Recently Jordan has entered as a member of the Arab Common Market which began its work on the first day, 1965.⁴ The countries which joined this market are Jordan, Kuwait, Iraq, Syria and the United Arab Republic. Tariff rates on agricultural products, livestock and mineral resources have been reduced by 20 per cent, and this reduction will continue for the next five years until all the tariffs are completely eliminated.

¹General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, January 1964, Beirut, Lebanon. p. 108. (Arabic)

²General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, June 1963, Beirut, Lebanon. p. 139. (Arabic)

³Dajani, op. cit., pp. 112-120.

⁴Jordan Development Board, Monthly Economic News Bulletin, 1964. pp. 5-6.

Customs tariffs on all industrial products were reduced by 10 per cent and again this reduction rate will be maintained for the next 10 years, when it is hoped trade between the Arab Common Market would in effect become a domestic trading area. This Common Market is a first step towards an Arab Economic Union which aims at enacting the following:

1. Freedom of movement of people and capital.
2. Freedom of exchanging national and imported products.
3. Freedom of residence, employment and economic activity.
4. Freedom of transport, transit and the use of public transport facilities such as harbors and civil airports.¹

In order to achieve above privileges which are possible and practical, the Signatory parties must endeavor to make their countries one custom area and unify the customs tariff, export-import policies and transport and transit regulations. They must enact jointly trade agreements with other countries. They have to coordinate policies relating to agriculture, industry and domestic trade. It is required that they take any measures necessary to achieve the objectives of economic unity. An Economic Unity Council has been set up to deal with this agreement and many subcommittees have also been established.

Jordan also has other agreements with Britain relating to economy and military matters. The agreement with U.S.A. provided for economic and technical assistance under the auspices of a technical assistance program.²

¹General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, January 1964, Beirut, Lebanon. pp. 73-82. (Arabic)

²Patai, op. cit., p. 112.

Balance of Payments

The deficit in the balance of trade was JD 26 million in 1957 which rose to JD 39 million in 1960. This was as a result of the rising import demand and the decline in exports due to unfavorable weather conditions. While exports formed 18 per cent of imports (in value in 1957, they constituted only 9 per cent of imports in 1960)¹

This heavy import surplus was covered partly by earnings on account of services, private donations and capital inflow. The remaining deficit on current account was covered mainly by official donations and loans, resulting in an increase in Jordan's foreign assets.

Expenditure by the United Nations Relief and Work Agency for Palestinian Refugees played an important part in the balance of payments since 1950. Its role also was important as a largest local employer.²

Donations have made a significant contribution to Jordan's balance of payments, official donations from U.S.A. aids, U. K. grants, and personal donations increased from \$42.2 million in 1957 to \$73.1 in 1960.³

Another source of donations in the foreign cultural and charitable institutions of various religious organizations operating in Jordan.

Capital and gold movements do not as yet play a significant role in the Jordan balance of payments. However, capital inflow constitutes

¹United Nations, op. cit., p. 78.

²J. Baster, "Economic Problems of Jordan," International Affairs Vol. XXXL, 26-35, January, 1955. p. 30.

³United Nations, op. cit., p. 78.

a potential source for improving the countries position with regard to payments.

Recently, two factors were developed to assist the balance of payments.¹

1. The trend of private remittances from the Jordanians who work in the Arab oil producing countries, an increase from \$13.6 million in 1957 to \$21.4 million in 1960.

2. The earnings from tourism are increasing due to the improved facilities, better government organization and greater political stability.

In short, Jordan's balance of payments breakdown reveals the dependence of the Jordan economy on foreign aid to meet the balance of economic and financial requirements.

¹Ibid., pp. 78-79.

CHAPTER III

JORDAN'S SEVEN-YEAR ECONOMIC PLAN 1964-1970

King Hussein said in 1962,

Our problem was essentially one of creating, almost from scratch, an economy capable of supporting overnight a vast influx of people. The task was colossal by any standards.

Let us build our country and serve our nation.¹

Economic planning is one of the most important subjects which has a great role to play at national, as well as international levels, due to its importance in regulating the economic activities of the country and accelerating economic development within available resources.

At present, economic development programs are carried out in most countries of the world, which aim to raise the standard of living. The developing countries consider "Economic Planning" a necessity and an essential means for rapid economic growth.

Jordan's economic development is oriented to solution of the main problems the country is facing. Jordan's planners are convinced that flexible long range planning is necessary for the achievements of its economic and social objectives. With a small domestic market at 1.8 million of populations with an increase of 3 per cent per year in population, with limited natural resources in agriculture, forestry

¹ King Hussein, Uneasy Lies the Head, Bernard Geis Associates, 1962. p. 275.

and mining, and with limited capital resources available for financing development projects, these scarce resources must be used in such a way as to make the maximum contribution to achieving the overall goals of the nation. It should be clarified, that whatever the motives behind the reform and development program were, there was no ideological pressure. Israeli economic and military expansion, political unrest, and similar situations did not force the Jordan government to begin corrective action.

With these considerations in mind, Jordan produced a "Five Year Program for Economic Development, 1962-1967" which set out goals for the economy and presented a large number of specific study and action projects. However, in early 1963 it became evident that some change of emphasis in the program was desirable, particularly in the direction of improving Jordan's chronic foreign trade deficit and reducing the level of budget support received from the United States and Britain. The introduction of such changes does not indicate abandonment of the original program, but does indicate a substantial modification of it both in terms of priority of the goals and specific projects in response to changing economic conditions.¹ During 1963 and early 1964 a Seven Year Program (1964-1970) was formulated to provide a long term plan for Jordan's economic development.

This chapter provides a general analysis to the Seven Year Program under each of the following headings: Economic conditions

¹General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries. Arab Economical Report, June 1963, pp. 140-141. (Arabic)

evoking planning; aims and main sectors of the plan; financing the plan, and an economic evaluation or appraisal.

Economic Conditions Evoking Planning

The economic setting in which Jordan operates has been affected by vast problems arising out of the events of 1948. In a relatively short time the population of the country increased without a corresponding increase in productive resources. Jordan had to face the necessity of re-shaping its trade and lines of communication. Previous trade routes had to be re-directed from the Mediterranean Coast with its modern ports, airports, highways, railroads, and telecommunications facilities. After 1948, Jordan lost all these facilities and it became necessary for the country to develop new trade routes and lines of communication.¹ The country, through the effects of its people and with large scale assistance from external resources, has been able to overcome the complex problems facing the nation in 1948.²

It is appropriate to mention that Jordan has achieved a remarkable economic progress during the last ten years as indicated earlier. On the favorable side there has been three major achievements. First, the data available indicate that Gross National Product has increased from an average of JD 45.4 million in the two years 1954 and 1955³ to

¹Baster, op. cit., pp. 29-31.

²Jordan Development Board, Five Year Economic Development Plan, 1962-1967. p. 9.

³Asoar, op. cit., pp. 98-99.

an average of JD 128.1 million in the two years 1961 and 1962, or an increase of 106 per cent in six years.¹ This is indeed a high rate of increase. Second, a number of projects have been initiated which have not yet been fruitful, but which will, when completed, lead to further increase in natural output. Third, the price level has apparently remained remarkably stable during a period in which other countries have experienced serious inflation. No investigated and well studied plan was formulated to deal with the whole economic body of Jordan.

On the unfavorable side, there are four major problems: First, the balance of trade is weighted heavily against Jordan. The result has been heavy dependence upon external funds to offset the trade deficit.

Second, and closely related to the first problem is the high level of budget support which still constitutes a significant proportion of government revenues. While the circumstances of Jordan's origin were such that heavy dependence on foreign aid has been necessary, the Government of Jordan is now determined to give first priority to the related problems of the trade deficit and heavy dependence on foreign aid.

The third problem is that per capita income is remaining low in spite of considerable increases in recent years. In 1961 the Gross National Product averaged less than JD 70 per person, still a low figure, although nearly double that of 1956. Associated with low per capita income are the low productivity of labor among those who are working, and the multitude of those who are too young for the labor force or who

¹Statistical Guide to Jordan, op. cit., p. 47.

are unemployed.¹

The fourth problem is the level of unemployment.² While estimates of the level of unemployment have ranged as high as 25-33 per cent of the labor force, the 1961 census indicated that only seven per cent of the "economically active" population were "seeking work."³ However, another 9 per cent of the males 15 to 64 years of age were classified as "economically inactive" and were not in school. While this additional 9 per cent included a specified number of retired or incapacitated persons, it is probably a measure of considerable "disguised unemployment" in addition to the seven per cent who were seeking work.

In summary, it appears that unemployment amounted to about 12 to 14 per cent of the male labor force in 1961. In addition to the unemployed, there were undoubtedly a large number of workers who were "underemployed" in the sense that their levels of output were much lower than might have been obtained considering their training and capacity. The extent of such underemployment cannot be measured.

This situation brought with it both the demand and the opportunity for rapid economic development. It has been always a prime objective of Government Policy to develop the resources of the country as rapidly as possible, so as to provide a reasonable standard of living for the people to eliminate poverty and want. Clearly, in such economic

¹Government of Jordan, Five Year Program for Economical Development, 1962-1963. p. 13.

²Ibid., p. 13.

³Statistical Guide to Jordan, 1964 No. 2. pp. 24-25.

conditions, this policy objective could only be achieved by a planned formulation and implementation of programs and policies designed to stimulate the economy and accelerate its growth.

Goals of the Seven Year Plan

Jordan's Seven Year Program for the period 1963-1970 was prepared in 1963 and early 1964 with the close cooperation of the various government ministries and departments on the one hand and the Development Board on the other.

The underlying idea of the Seven Year Program is to move Jordan's economy as fast as possible into economic independence. The sub-goals established by the Government of Jordan are in the following order of importance:¹

First, a major reduction in the external balance of trade deficit and in the level of budget support.

Second, an increase in per capita income at as rapid a rate as possible consistent with the first goal.

Third, a reduction in the level of unemployment.

This represents a change in the order of importance of the goals in the earlier Five Year Program. These goals were income, employment, and balance of trade, in that order.²

¹Government of Jordan, Jordan Development Board, Annual Report 1964-65. p. 15. (Arabic)

²General Union of Chamber of Commerce, Industry and Agriculture for Arab Countries, Arab Economical Report, June, 1962. p. 158. (Arabic)

In quantitative terms, the Seven Year Program expects to increase Jordan's gross national product from JD 128 million in 1963 to JD 191 million in 1970, which represents an overall increase of 50 per cent and an annual rate of increase of 6 per cent. The trade deficit is expected to decrease from JD 38 million in 1963 to JD 24 million in 1970. This represents a reduction of the ratio of the trade deficit to gross national product from 30 per cent in 1963 to 12 per cent in 1970. Employment opportunities are likewise planned to increase at an annual rate of 5 per cent.¹

To achieve these goals, the Seven Year Program calls for an investment expenditure of JD 207 millions of which JD 90 million will be in public sector and JD 119 million in the private sector. These investments are allocated among the sectors of the economy as follows:²

Agriculture and water	JD 48 million
Manufacturing, mining and electricity	JD 38 million
Tourism	JD 13 million
Transportation	JD 30 million
Construction	JD 33 million
Others	<u>JD 47 million</u>
Total	JD 209 million

¹Government of Jordan, Jordan Development Board, Jordan's Past Achievements and Future Plans, March 1965. p. 8. (Circular)

²Ibid., p. 8.

Main Sectors of the Plan

Tourism

The expenditure on tourism in Jordan in 1961 was estimated to be in excess of JD 4 million, which represents more foreign exchange than earned by any other sector of the economy. This is about 24 per cent of all revenue from the exports of goods and services. The number of tourists coming to Jordan doubled in the four years 1959 to 1962. It is expected that tourism will continue to earn more foreign exchange than any other sector, and that about 40 per cent of Jordan's foreign exchange in 1970 will be from this source. The tourist program, estimates the number of tourists to triple in 1970 from the level of 1962, and expenditure by tourists is expected to be four times that of 1962. To achieve this goal will require a substantial increase in promotional activities in foreign countries, and a major increase in local hotel accommodations to meet the basic needs of tourists.¹

An emphasis will be directed toward restoring, preserving, and marking historical sites, to accomodate direct flights from Europe, an extension of the runway at Amman is being planned. Jerusalem airport, which currently receives about two-thirds of all air passengers coming to Jordan, will be improved both as to runway and passenger facilities.

¹General Union of Chamber of Commerce, Industry, and Agriculture for Arab Countries, Arab Economical Report, Beirut, Lebanon, December 1964. p. 93. (Arabic)

Agriculture and Water

Agriculture has provided a good living to some of the population but a majority of the people are in a precarious existence because of recurrent droughts and soil erosion. However, Jordan is not in a position to produce as much food as is needed to feed its entire population. Obviously the principle objective in the agricultural sector must be to increase production in order to raise living standards and reduce the balance of trade deficit.

A shortage of water is one of the disadvantages which must be overcome in order to increase production. On account of its semi-arid climate, Jordan must put increasing emphasis on irrigation. At present about 30 per cent of farm production comes from irrigated agriculture. It is estimated that this proportion will increase to 40 per cent by 1970.¹ The Seven Year Program envisaged dams and irrigation structures on nine wadis on the east side of the Jordan Valley north of the Dead Sea.

The Yarmuk Project is a natural and desirable extension of the East Ghor Project which involves the impounding of winter run-off water for year-around use. The program calls for construction of dams, irrigation structures and electric power stations. Attention will be given to raising the productivity of farmers and land by developing the farming practices, using fertilizer, research and extension along with agricultural credit.

¹Ibid., pp. 93-94.

Mining

Mining has a high priority on the list of important mineral production because exports of raw materials contribute significantly to an improvement of Jordan's balance of trade. Phosphate production has increased each year and in 1962 amounted to 545,000 tons. Top priority will be given to El-Itasa reserves. Potash production from the brines of the Dead Sea have been suggested by an economic and technical feasibility study and a plant to produce 250,000 tons per year should begin operation in 1967. Bromine and other components of the Dead Sea brines may also be extracted economically, as their use is now being studied.

Copper deposits in Saudi Arabia are now being evaluated. The program also includes exploration of mineral wealth and oil.¹

Manufacturing

This sector will receive additional emphasis in order to reduce Jordan's dependence upon imports. The Seven Year Program emphasizes encouragement to local industry in order to help them compete with imports. To make more technically competent personnel available to industry, the program calls for the establishment of an Industry Advisory Service in 1964. The Program also calls for a substantial expansion in the funds available for loaning to Jordanian business through the Industrial Development Fund. In addition to encouraging the

¹Ibid., p. 94.

formation of new firms largely owned by Jordanians, the program proposes to give encouragement to foreign capital sources to establish branch plants in Jordan.¹

Financing the Economic Plan

Jordan's Seven Year Program calls for an investment expenditure of JD 209 million.

Since there is no available data concerning the estimated funds for financing the Seven Year Plan in detail, our discussion on this subject will deal with the same main resources of financing dealt with in financing the Five Year Program, 1962-1967.

Capital for the Economic Development of Jordan is available on a continuing annual basis from:

- 1) Private savings of Jordanian individuals which are estimated at JD 5 million per year.
- 2) Retained earnings and depreciation allowances of Jordanian corporations which are estimated at JD 1/2 million per year.
- 3) The national and municipal budgets which were estimated for the five years at JD 67 million.²

Foreign sources for financing will be confined to the following:³

¹Ibid., p. 95.

²Government of Jordan, Development Board of Jordan, Five Year Program for Economic Development, 1962-67. pp. 23-32.

³Government of Jordan, Development Board of Jordan, The Annual Report for 1963-64. pp. 36-38. (Arabic)

1. Foreign aids and grants from foreign governments and international agencies.

2. Loans from foreign governments and international agencies.

(It is estimated this source will provide JD 60 million for the five year program.)

In fact, foreign aids and grants and loans are the most significant source of investments appropriated for financing development in Jordan.

International agencies have also contributed capital resources in the form of technicians. Kuwait Funds of JD 7 1/2 million are assigned to the following projects.¹

1. Yarmuk Irrigation and hydro-electric power projects.
2. Al-hasa phosphate project.

Appraisal

The Seven Year Plan of Jordan represents a type of planning which deals with the central problems of allocation of resources, the distribution of income, and the rate of economic growth. The Government has been the key instrument in setting up the goals for the country, in judging among alternative means of approaching the goals and in executing and carrying out the plan.

The plan may be considered a revolutionary measure in the economic life of Jordan and it is an absolute reaction to the problems which

¹Government of Kuwait, "Kuwait Fund for Arab Economic Development," Second Annual Report, 1963-64. pp. 15-17.

face Jordan at present. It should also be pointed that whatever the imperfections of the program and the defects in its application, it represents a good hope and a first step in the economic life of the country. The plan was adopted to guide the government and private enterprise and to establish a suitable economic organization under which living standards of the people could be raised.

The planners take into consideration the urgent needs of Jordan and pay attention to the main sector and allocate an investment to agriculture, mining, tourism. This was a good measure for the first time to pave the way toward establishing a good base for economy. Also the planners remember that Jordan is a member of the Arab Common Market, and they try to make its economy as an integral part of the Arab economy, this measure is a very sound one.

The plan assigns a definite place to the private sector for successful operation. Two conditions are necessary:

1. A continuous watch over the pattern of investment so as to influence it in the proper direction through tax incentives, selective credit, controls and similar devices.
2. Assistance of financial institutions to enable the private sector to have promotional and financial facilities.

The objective of the proposed plan judged from an economic point of view requires a minimum level of continuity in its general aims and in its source of finance and administration.

As far as financing is concerned, the availability of funds and foreign exchange needed to meet the requirements of the Seven Year Program

may be limited. There has been only limited continuity in the availability of funds from two sources, U.S.A. Aid and U. K. assistance. Aid from both sources has suffered substantially from the viewpoint of development in Jordan, from inflexibility, cumbersome administration and short term planning. Unfortunately for development planning in Jordan, there seems to have been no stable and positive long term economic policy on the part of the countries most directly involved in Jordan, namely the U.S.A. and the U. K. The help does not go far beyond the financial support of the armed forces, to the extent of maintaining internal security and satisfying minimum demands for external security. Since Jordan authorities cannot hope to finance an ambitious development plan out of government resources without endangering its internal security or its financial stability, such overall planning can only make false hopes about serious development planning. The availability of funds is the determinant factor in development planning in Jordan.

In spite of the very favorable legislation, little private foreign investment was attributed to Jordan. For various reasons, foreign capital is presently reluctant to flow to undeveloped countries, in the first place. The demand for capital in one's own country seems to be great, and there is not enough inducement for the investor abroad. Public administration in Jordan, as in many underdeveloped nations, requires improvement in many respects so that the government will be capable of co-ordinated planning and execution of the program. The tradition of rigid centralization requires the submission of the most

trifling matters to directors or under-secretaries of state. This situation is bad enough when the bulk of the country's economy was run by private enterprise and when government officials could at most slow down the momentum of the private sector. It is more serious today.

To conclude, it may be said that the major obstacles to effective development planning, in Jordan and its execution are not formed by the lack of technical studies or by weak supporting services and facilities. They are of rather a more fundamental nature arising from the lack of long-term stability both in sources of finance and in internal political conditions.

CHAPTER IV

CONCLUSION

An underdeveloped country is defined as a country in which per capita income is low compared to highly developed nations like U.S.A. and Canada. Generally underdeveloped countries are characterized by a low standard of living with a high per cent of population engaged in agriculture, which is characterized by primitive methods and techniques.

Economic development is a process which deals with removing the economic limitations which are an obstacle to social development, and tries to bring a complete change on the economic and social life of the country. Many factors exist which urge the people in underdeveloped areas to seek economic development as the only way for a better standard of living and political independence. In recent years economic development has become the subject of many international agencies and United Nations activities. A large quantity of literature has been written on the subject.

Jordan is one of those underdeveloped countries, and today its people for the most part suffer from dire poverty. In spite of the recent progress which Jordan has achieved, still the average standard of living is low.

The Arab-Israeli war brought about a fundamental change. Jordan territory was increased by some 2,000 square miles and her population by some 850,000 Palestinian Arabs. As a result of the increase in area

and population, economic activities expanded. The government had to provide employment for the surplus labor force which suddenly arrived, to prevent the standard of living from declining. This influx of one-half million refugees was beyond the capacity of a poor country. But the influx of skilled workers, the funds brought by some of them, and supplies provided by international agencies provided the elements for limited economic expansion and contributed significantly to the Jordan economy.

Jordan traditionally is an agricultural country, and the great majority of Jordanians make their living from the soil. Although programs have been introduced to equate living standards, a comparatively sharp difference in agricultural conditions exist on the two sides of the Jordan River. On the west, the land is skillfully farmed. Most of the cultivatable land is cultivated and about a third of the area is sown with fruit and vegetables. On the east, most of the land suffered from erosion and scarcity of rainfall. For this reason the projects for the storage of water of the Yarmuk and Jordan Rivers will be very important. This may open the area for settlement and increase production. An additional 20,000 to 30,000 acres of irrigated land are expected to result from the completion of the East Ghor Canal. This land will be distributed in small plots to farmers, who will pay low interest rates spread over a long period of time. The Agricultural Credit Corporation was established to extend credit, advice, and low interest loans to communities, organizations and individuals. Co-operatives help farmers to market their products locally and buy equipment and seed at reduced rates. At the end of 1960 there were 215 agricultural co-ops in Jordan with a total membership of 12,589.

Industry in Jordan is of recent origin and the industrial sector is relatively small. Phosphate mining is the fastest-growing industry in Jordan. Large quantities of high grade phosphate have been found at Russiaifa, near Amman, with other deposits located in Al-Iltusa. Overall production increased from 361,500 tons for 1960 to 681,000 tons in 1962. Oil refining as well as cement industries showed remarkable progress. Tourism is one of Jordan's primary industries and the growth of tourism has been very encouraging.

Industry and industrial expansion appear to be a necessity rather than an alternative field of economic growth. Supporting and encouraging the Development Bank and Central Bank will give the government the necessary tools to implement its policy. This means that long-term credit, will be made available and that financial regulation will be promulgated for the benefit of industry.

The Central Bank will direct the financial policy toward more savings and better distribution of investment capital. The uneven distribution of income among different social classes and regions is a sign of social injustice that is characterized by underdeveloped countries. To reduce the wide discrepancy between the income brackets, Jordan must accelerate its industrial growth.

Jordan tourist industry is a growing one, visitors were 131,699 in 1960 to 160,000 in 1961. Nevertheless, continued expansion of tourism will not take place automatically. To maintain and if possible increase Jordan's share in the total travel markets, vigorous action will have to be taken.

Exports show some upward progress, but a large increase in imports has occurred. Principal exports are agricultural commodities. Vegetables, olive oil and fruit accounted for 40 per cent of the total value of exports. With the present expansion in phosphate production, the value of fertilizer production will increase.

Most exports go to Syria, Lebanon, and Iraq with Saudia Arabia and Kuwait accounting for 21 per cent. Jordan's imports largely constitute vehicular, oil, grain, flour, and other manufactured goods, as well as food stuffs and sugar. In regard to trade agreements, Jordan has joined the Arab Common Market and the success of this Market largely depends on the political situations among the Arab states. The balance of payment deficit remains a major problem.

The Five Year Plan, 1962-67, was initiated in 1962. At the end of 1963 after experience was gained, many adjustments were made. These adjustments have been incorporated into the Seven Year Program. The motives behind this program may be summarized as follows:

First, a desire to find adequate solutions for the main problems of which our society has suffered for many years and which were inherited from foreign control and the Palestinian issue in 1948.

Secondly, pressures for the reduction of budget tax support to Jordan were rising and are expected to continue to rise in the future. The natural wish of Jordan is to reduce its dependence on foreign budget support.

Third, economic development is a necessity in Jordan to enable the country to defend itself from the unstable political situations. Jordan adopted the principle of economic planning, and employed planning as an

active policy to control Jordan's society and direct its development towards a better future.

The present program is a good beginning. Its implementation is an urgent need to meet the problems which face the country today. An accomplishment and realization of its goals depends on the sources of financing and on the internal political conditions. In economic terms its significance should be a considerable advance toward raising the national income and employing many people. Planning itself is not an economic system, but a scientific means by which the program can realize its goals in the shortest time and at a minimum of cost.

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The purposes of this study are to combine a historical inquiry, designed to show the various factors that have contributed or impeded normal economic progress, with an analysis of Jordan's recent economic growth. This is followed by an analysis of Jordan's Seven Year Plan of 1963-1970.

The two terms "underdeveloped" and "economic development" are defined to reveal the magnitude of Jordan's economic poverty. Some attempt is made to disclose the ways and means of achieving economic progress.

Before 1948 Jordan could be aptly described as having a subsistence level agrarian economy. Nomadic herding, primitive agricultural techniques, and consequently, low crop yields were common place. Due to the influx of the Palestinian refugees, with their investment capital and technical skills, the previously stagnated economy began to move forward. Agricultural production increased and many new industries were born.

In spite of recent improvements, many limitational factors are still present which prevent the Jordan economy from reaching its optimum level of development. Although the country suffers from a rather limited supply of natural resources, recent studies indicate that a potential for growth exists.

With an agriculture based on Nomadic sheep herding and limited cropping, Jordan is plagued by inadequate rainfall and irrigation systems. To improve these conditions, the Jordan government has embarked upon the Ambitious East Ghor Canal and Yarmuk River projects. Agricultural credit has been provided by two sources, government credit corporations and private commercial banks. In the past, the farmers have largely relied on government aid. Because of educational limitations among the potential

borrowers, private investment informing has been slow to develop.

Even taking into consideration the recent industrial expansion, further growth is limited by restricted public purchasing power, a high rate of interest on investment capital, and a lack of adequately trained managerial and technical personnel. The present administration is attempting to aid industry by passing legislation that encourages foreign investment and protects local industry. The tourist trade is also being promoted in an effort to bring additional capital into the country.

The economic well-being of Jordan is interrelated with that of surrounding Arab states. Exports to, and imports from these states constitute an important source of revenue. Several economic associations such as the Arab Common Market, have been formed.

In recognition of the problems facing the country, in 1961 economic planning was introduced. The present Seven Year Program of 1963-1970 arose out of this awareness. This new effort assigns a top priority to economic progress. Great emphasis has been given to industrial development and tourism. The program in its present overambitious form has exceeded Jordan's financial capabilities to support it. Securing the needed investment capital is a foremost economic problem today.

Ultimately the effectiveness of the present Seven Year Plan is dependent upon a stable political and ideological environment. Political stability and economic development are not two separate problems. The government and the people must work together in a spirit of cooperation and be prepared to accept a new responsibility to work industriously for the common good.