

JORDAN

The Hashemite Kingdom of Jordan
Al-Mamlaka al-Urdunniyya al-Hashimiyya

CAPITAL: Amman.

MONETARY UNIT: Jordanian Dinar (JD). One dinar equals 1000 fils. There are coins of 1, 5, 10, 20, 25, 50, 100, and 250 fils. There are notes of 1, 5, 10, and 20 dinars.

CHIEF EXPORTS: Phosphates, fertilizers, potash, agricultural products, manufactures.

CHIEF IMPORTS: Crude oil, machinery, transport equipment, food, live animals, manufactured goods.

GROSS DOMESTIC PRODUCT: US\$17.3 billion (purchasing power parity, 2000 est.).

BALANCE OF TRADE: **Exports:** US\$2 billion (f.o.b., 2000 est.). **Imports:** US\$4 billion (f.o.b., 2000 est.).

COUNTRY OVERVIEW

LOCATION AND SIZE. Jordan, a Middle Eastern kingdom, is sandwiched between Saudi Arabia in the south and east, Syria and Iraq in the north, and Israel (including the West Bank of the Jordan River) in the west. The country has an area of 89,213 square kilometers (34,445 square miles) and a coastline of only 26 kilometers (16 miles) along the Gulf of Aqaba in the south. Jordan shares its longest border with Saudi Arabia, some 728 kilometers (452 miles). Amman, Jordan's capital, is located in the northwest of the country. Jordan occupies an area slightly smaller than Indiana.

POPULATION. In July 2000 the population of Jordan was estimated to be 4,998,564, increasing on average by 3.1 percent a year. The country has a very young population, of which 41 percent are under the age of 20. Only 3 percent of Jordanians are over the age of 65. In 2000 the birth rate stood at 26.24 births per 1,000 while the death rate stood at 2.63 per 1,000. With a projected annual population growth rate of 3 percent, the population is expected to reach approximately 7.5 million by the year 2015.

The Jordanian population is almost entirely Arab except for pockets of people from Armenia, Chechnya, and

a very small community of Circassians (the oldest indigenous people of North Caucasus). Although there are no accurate figures to date, it is estimated that up to 75 percent of the Jordanian population is Palestinian. The Palestinian people have been flooding into Jordan since the creation of the state of Israel in 1948, when they were either forced to leave their homes or subjected to such economic, cultural, and political hardship that they felt compelled to leave. There are existing tensions between the Jordanians who inhabited the country before 1948 and the refugees and immigrants who have since settled. The former group are known as the "East Bankers" and the latter group known as "West Bankers." Despite these tensions, the 2 communities are deeply inter-linked socially and economically. Many Palestinians living in Jordan refer to themselves as Jordanians, and it is hard to generalize about the loyalty and identity of the Palestinian population. In addition, there are 1 million foreign workers in the kingdom mainly from Egypt, Syria, and Iraq who perform menial, physical, and in some cases managerial jobs.

OVERVIEW OF ECONOMY

Jordan is a small Arab country with inadequate supplies of water and other natural resources such as oil and coal. Until the 1950s the economy was underwritten mostly by Britain, and in 1967 foreign aid still represented 60 percent of government revenues. The most important event for the Jordanian economy since the end of the World War II was the quadrupling of world oil prices in October 1973. Although Jordan possessed virtually no oil itself, it became inextricably linked to the other economies in the region. Between 1973 and 1981 the Arab budget (the sum of all Arab governments' budgets) rose more than 16-fold, from US\$71.8 million to US\$1.179 billion, and during the same period Jordanian exports rose almost 13-fold from US\$57.6 million to US\$734.9 million. In addition, Jordan



sent hoards of doctors, scientists, engineers, construction workers, and teachers to the Persian Gulf who sent home **remittances** of more than \$US1 billion between 1973 and 1981. Even after deducting the dinars flowing out of the country from the 125,000 foreigners working in unskilled jobs, the net remittances rose from US\$15 million in 1970 to US\$900 million in 1981. During this oil boom, Jordan's annual **real GDP** growth averaged 10 percent.

This rapid economic growth combined with the increase in oil prices also caused prices and import bills to rise. Then when world oil prices crashed in the early 1980s, reductions in both Arab aid and worker remittances slowed real economic growth to an average of roughly 2 percent per year. Imports—mainly oil, **capital goods**, consumer durables, and food—outstripped exports with the difference mostly covered by aid and borrowing. The Jordanian

government was immediately forced to downsize the **public sector**, stop construction projects, and cut **subsidies**.

In mid-1989 the Jordanian government embarked upon debt rescheduling negotiations and agreed to accept an International Monetary Fund (IMF) **structural adjustment program**, a lending program designed to correct an economies problems. Such programs usually involve devaluing the currency, reducing government spending, lowering the **budget deficit**, and implementing broad structural reforms. The Gulf War crisis, begun in August 1990, however, aggravated Jordan's already serious economic problems, forcing the government to shelve the IMF program, stop most debt payments, and suspend rescheduling negotiations. Aid from Gulf Arab states, worker remittances, and trade all contracted while refugees flooded into the country, producing serious **balance of payments** prob-

lems. (Jordan had to increase its imports, which pushed the trade imbalance further into deficit.) This action stunted GDP growth and strained government resources. The economy rebounded in 1992, largely due to the influx of capital **repatriated** by workers returning from the Gulf, but the recovery was uneven throughout 1994 and 1995. The government is currently implementing the reform program adopted in 1992 and continues to secure rescheduling and write-offs of its heavy **foreign debt**, which amounted to US\$8.4 billion in 2000. A new IMF package was approved in April 1999 that entitles Jordan to funds worth US\$174 million over 3 years. The U.S. Agency for International Development (USAID) agreed to an economic assistance program for Jordan in 1999 that amounted to \$150 million. However, debt, poverty, and unemployment (which stood officially at 15.5 percent in 1999) remain Jordan's biggest on-going problems.

POLITICS, GOVERNMENT, AND TAXATION

Transjordan was created in 1921 by the British, who brought over Hashemite Prince Adbullah from Saudi Arabia to be head of state. The Hashemite clan claims to descend from the Muslim prophet Mohammed and have enjoyed very close ties to the West since the creation of the country. Transjordan achieved independence from Britain in 1946 and was renamed The Hashemite Kingdom of Jordan. Jordan is a constitutional monarchy based on the constitution promulgated in 1952. The king and his cabinet ministers hold the executive authority, and the king signs and executes all laws, however, his veto power may be overridden by a two-thirds vote of both houses of the National Assembly. He appoints and may dismiss all judges by royal decree, approves amendments to the constitution, can declare war, and holds the title of commander-in-chief of the armed forces. Cabinet decisions, court judgments, and the national currency are also all issued in his name. The cabinet is led by a prime minister who is appointed by the king. Legislative power rests in the **bicameral** (2-chamber) Majlis al-Umma (National

Assembly). The 80-member Majlis al-Nuwaab (Assembly of Deputies or House of Representatives) is subject to dissolution by the king and of the 80 seats, 71 must go to Muslims and 9 to Christians. The 40 members of the Senate are appointed by the monarch for 4-year terms.

From 1953 until 1999 all this authority resided in Jordan's beloved King Hussein, who was one of the most famous and internationally respected Middle Eastern heads of state. King Hussein was instrumental in designing the framework for the "Peace Process" (the aim of which was to settle the historical conflict between the Palestinians and the Israeli government). His indefatigable commitment to a just and lasting peace accorded him the honor of being a guest speaker at the funeral of assassinated Israeli Prime Minister Yitzhak Rabin (prime minister of Israel [1974–77, 1992–95]). A strong proponent of democratization, King Hussein brought an end to martial law in 1991 and legalized political parties in 1992. He survived many assassination attempts, relying on the loyalty of his military. After King Hussein died of cancer, his son Abdullah II was crowned king on 9 June 1999. King Abdullah, along with Bashar Assad of Syria, belongs to a new generation of Arab leaders who have been educated in the West and whose priorities lie in the realm of economic **liberalization**, political accountability, societal justice, greater equality, and international status. Jordan's new politically accountable setting combined with its economic liberalization and its fast-growing population have led to the appearance of several political parties including the **Communist** Party and the Muslim Brotherhood. (The latter is a Sunni Islamic movement founded in Egypt in 1928 and active throughout the Arab world, although banned in most countries. It aims at the establishment of a Muslim state governed by Islamic law.) Several Arab nationalist parties are also active.

INFRASTRUCTURE, POWER, AND COMMUNICATIONS

Prior to 1950, Jordan had a very undeveloped **infrastructure** and the remarkable improvements that have

Communications

Country	Newspapers			Radios			TV Sets ^a			Cable subscribers ^a			Mobile Phones ^a			Fax Machines ^a			Personal Computers ^a			Internet Hosts ^b			Internet Users ^b				
	1996	1997	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1998	1999	1999	1999	1999	1999	1999		
Jordan	58	287	52	0.1	12	8.6	8.7	1.17	120																				
United States	215	2,146	847	244.3	256	78.4	458.6	1,508.77	74,100																				
Egypt	40	324	122	N/A	1	0.5	9.1	0.28	200																				
Israel	290	520	318	184.0	359	24.9	217.2	187.41	800																				

^aData are from International Telecommunication Union, *World Telecommunication Development Report 1999* and are per 1,000 people.

^bData are from the Internet Software Consortium (<http://www.isc.org>) and are per 10,000 people.

SOURCE: World Bank. *World Development Indicators 2000*.

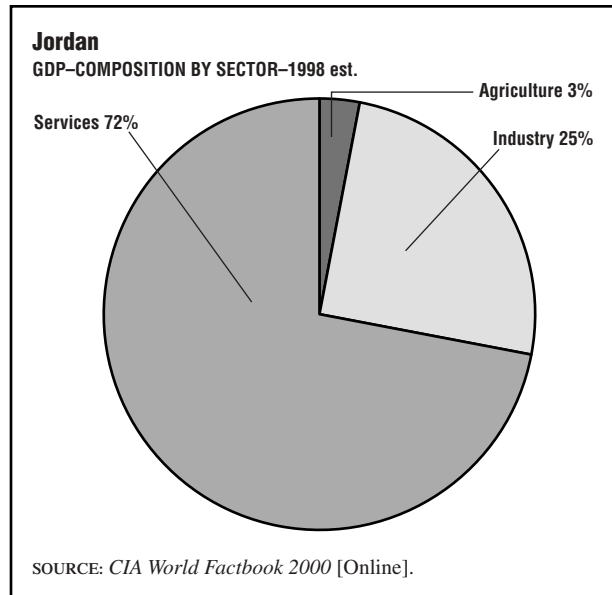
been made over the last 50 years have largely been shaped by the ever-changing politics and geography of the Middle East. Before 1948, Jordan's trade was almost entirely dependent on the port of Haifa, which was in Palestine at the time. However, Haifa was captured by the Israelis in 1948, and Jordan was forced to develop its own port at Aqaba. The peace treaty signed between Jordan and Israel in 1994 made Jordan a main route linking the Middle East to the Mediterranean and, therefore, a major trading hub. There are 2 major roads in Jordan, the north-south Desert Highway from Amman to Al Aqabah and the east-west highway from Al Mafraq to the Iraqi border. Jordan is a very small country that can be driven across in 5 hours, but in spite of its size, the country has a 6,200 kilometer (3,852 mile) road network. In addition, Jordan has a very small rail system that is used only for transporting raw materials to the southern port of Aqaba. There are 3 main airports, Queen Alia International Airport, 30 kilometers (18.6 miles) south of Amman; the old international airport at Marka; and King Abdullah Airport in Amman, used primarily by the Royal Jordanian Air Force.

The telecommunications sector was partially **privatized** in 1995 and currently Jordan enjoys a thoroughly modern communications system. Many people use cellular phones and pagers, and Internet access is widespread. In 1999, roughly 60,000 Jordanians owned mobile phones. In 2000 this number increased to 100,000. Forecasters have predicted that by the end of 2002 there will be 800,000 users. There were 403,000 main telephone lines in use in 1997.

Over 98 percent of the Jordanian population has access to electricity, and the demand for it has been growing at a rate of 10 percent in recent years. In 1999 total electrical energy production was 6.9 million kilowatt hours (kWh), and over 90 percent of this energy is supplied by the state-owned National Electric Power Company. Industry is the largest consumer at 34 percent of total production, and domestic consumption is the second largest consumer at 31 percent. Jordan has entered into a multilateral agreement with Egypt, Syria, Turkey, and Lebanon whereby electricity supplies will be taken from neighboring countries when domestic demand rises above domestic supply.

ECONOMIC SECTORS

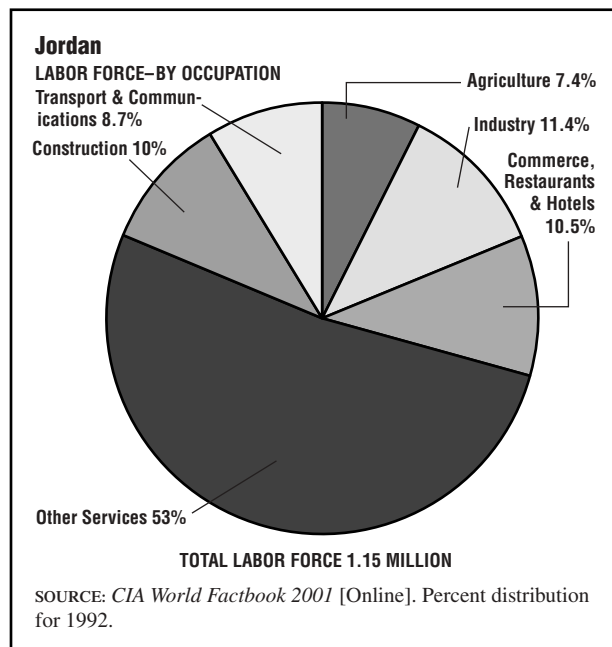
The small size of Jordan is mirrored in the relatively small size of its economic sectors. Given that there are few natural resources in the country, the Jordanian economy is heavily dependent on imports from other countries, notably from the European Union. The largest economic sector is manufacturing and the smallest is agriculture. Unfortunately the agricultural sector is vulnerable to changes in climatic conditions, and droughts



that plagued the country since 1998 seriously undermined the sector's productivity.

AGRICULTURE

In 2000, Jordanian farms accounted for just 500,000 of the country's 8.9 million hectares of land. The agricultural sector employed 7.4 percent of the Jordanian **labor force** in 1998 and contributed 3 percent to the GDP. Jordan experienced 2 serious consecutive droughts in 1998-99 and 1999-2000, which highlighted the agricultural sector's troublesome dependence on rainfall. Three-



quarters of the country's cultivable land is rain-fed territory to the north producing wheat, barley, lentils, and chickpeas. The remaining quarter of agricultural land in the Jordan Valley and the highlands is irrigated and produces eggplants, bananas, potatoes, cucumbers, citrus fruits, tomatoes, and onions. In 1999 tomatoes were the main crop with production reaching 293,000 tons, followed by 142,000 tons of melons. Agricultural products are mostly exported to the Gulf countries such as Bahrain, Kuwait, the United Arab Emirates, Saudi Arabia, and Lebanon. Some farmers, however, have tried to sell their produce to European markets. They have been largely unsuccessful because of their poor packaging, inadequate quality control, and the high transportation costs involved.

MEAT AND LIVESTOCK. There is very little land for grazing because 90 percent of the country is classified as desert, but Jordan is usually able to supply its people with 30 percent of domestic demand for red meat and milk, with the remaining 70 percent needing to be imported. However, regular outbreaks of foot and mouth disease (a destructive disease that infects cattle and sheep) associated with very dry climatic conditions have pushed the production of red meat and milk 40 percent below the normal levels. In 1999 only 21,000 tons of red meat was produced, along with 171 tons of milk. In addition to this problem, the structural adjustment program adopted by the government has cut subsidies on water and fodder, which has forced 30 percent of breeders to close.

The drought was so severe in 1998–99 that the cereal harvest met only 1.2 percent of domestic needs instead of the usual 10 percent. The reduction in cereal supply was coupled with soaring demand for wheat, which reached 650,000 tons in 1999–2000 when the country was producing only between 40,000–50,000 tons a year. The agricultural sector's problems have caused the food gap (the difference between the amount of food a country produces and the amount of food it has to import) to widen and the import bill to appreciate. In 1995 Jordan imported US\$61 million worth of fruits and nuts, and in 1999 this figure amounted to US\$82 million, an increase of US\$19 million. This trend has shaken the Ministry of Agriculture into reviving talks with the Sudanese government over the use of their spare land and water. Jordan currently has use of 24,200 hectares of land to the north of Khartoum given by the Sudanese government in thanks for the medical aid provided by Jordan in the 1980s.

INDUSTRY

Jordan's industry can be divided into 2 sub-sectors: mining/quarrying and manufacturing. In 1998 the industrial sector employed approximately 14 percent of the country's labor force and contributed 25 percent to Jordan's GDP. This sector is the much-needed provider of

foreign exchange because it accounts for 68 percent of domestic exports.

MINING AND QUARRYING. Phosphates and potash are Jordan's main natural resources, and both of these minerals are used in the production of fertilizers. In 2000 Jordan was the second largest supplier of phosphates in the world after Morocco, producing 7 million tons and announcing proven reserves of 1.5 billion tons. The bulk of the phosphate industry is located in the south of the country near the Saudi Arabian border and is dominated by the Jordan Phosphate Mines Company, which is mostly owned by the government. Mining is certainly one of the strongest **emerging markets** in Jordan, and the government has made significant investments in the sector. The sector's output has been growing steadily with profits increasing from US\$27 million in 1997 to US\$35 million in 1998. The Jordan Phosphate Mines Company has been very successful in attracting international capital especially through contracts with Indian and Japanese firms.

Jordan has impressive proven shale oil reserves that have been estimated to amount to the equivalent of 29.5 billion barrels of oil. This oil has not been exploited yet because shale oil is difficult and costly to extract. However, in 1999 a Canadian firm, Suncor, entered into talks with the Jordanian government and hopes to produce 17,000 barrels per day (b/d), 67,000 b/d after 2004, and 210,000 b/d after the year 2008. This project would be a great boost for the Jordanian economy because it would make Jordan self-sufficient in energy production. Currently, Jordan imports 100,000 b/d of oil from Iraq.

MANUFACTURING. Jordan has never had a large heavy industry base because it does not have the purchasing power to import the necessary and costly machinery. Second, the regional instability makes it an unattractive place for potential investors. The principal heavy industries, such as cement and fertilizer production, have developed only through heavy government intervention. Most private investment is concentrated in light industry such as **consumer goods**, textiles, food processing, and construction materials. In order to spur growth in the industrial sector, the Jordanian government has set up a series of **free trade zones**. Light industry has largely been driven by the growth of Jordan's pharmaceutical industry, which has been very rapid since 1998. In 2000, Jordan was exporting pharmaceutical products to over 30 countries. In 1995, US\$125 million worth of pharmaceutical products were exported, and in 1999 this figure had increased to US\$143 million.

CONSTRUCTION. The construction industry has been growing steadily since the oil boom in the 1970s, helped by the economy through the remittances flowing into the country from Jordanian workers in the Gulf. The fast-growing Jordanian population has led to growing urban communities, and the capital Amman has almost doubled