

**Economic Reform in Jordan:  
An Analysis of Structural Adjustment and  
Qualified Industrial Zones**

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## Introduction

In the 1950s, Jordan was to kick-start its own modernization through phosphates and potash. In the 1970s, it was to be "the new Beirut" -- the banking and financial center of the Arab world. In the 1980s, it was to be "the Hong Kong of the Levant."<sup>1</sup>

In the new millennium, Jordan is proclaimed to be a model for the region, a beacon of free trade and entrepreneurial spirit, and not to mention a linchpin of the Bush administration's vision for a Middle Eastern "free trade zone." Since assuming the throne in 1999, Jordan's King Abdullah has made it clear which team he is rooting for. Two years ago, Colin Powell took the eager king to one side to reassure him, modifying a Rumsfeldian paradigm, that America saw him as part of "the new Middle East."<sup>2</sup> In a speech to the World Economic Forum in Davos in early 2000, King Abdullah stated, "We have taken the initiative to make free markets the only norm of resource allocation."<sup>3</sup> In the same year, Jordan entered the World Trade Organization, signed a free trade agreement with the United States, and in 2001, Jordan joined the European Free Trade Association. Clearly, in order to conform, and arguably, in order to survive, the Jordanian state has put forth a concerted effort to develop the kingdom in accordance with the *Washington Consensus*<sup>4</sup> and the neo-liberal economic agenda. Over the past few decades, the Jordanian economy has experienced a series of transformations, the most pronounced changes occurring since 1998. Jordanian efforts towards economic reform have seemingly been unparalleled by any other Arab country to this day.<sup>5</sup> Although perhaps still in its embryonic stage, it is nonetheless important to assess the effects of economic reform in Jordan thus far. A critical analysis that challenges official rhetoric is needed in order to evaluate the implications of these reforms on the least-empowered sectors of Jordanian society. This paper will therefore focus on two prominent interrelated areas of reform, namely "Structural Adjustment" reforms as dictated by international financial institutions and the creation of Qualified Industrial Zones. It will

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<sup>1</sup> Pete W. Moore, "The Newest Jordan: Free Trade, Peace and an Ace in the Hole," *Middle East Report*. 26 June 2003.

<sup>2</sup> Mark Steyn, "The Eye Doctor Never Saw it Coming." *The Daily Telegraph*. 8 March 2005.

<sup>3</sup> "In an Address from the World Economic Form in Davos," *Jordan Times*, 31 January 2001.

<sup>4</sup> The *Washington Consensus* holds the view that developing nations would move ahead if they adopt a 'package' whereby state owned enterprises are privatised, all subsidies are eliminated, and government policy is limited to budget balancing and the control of inflation.

<sup>5</sup> Today Jordan has the lowest weighted average tariff rate and the highest proportion of zero duty items among Middle East and North African countries.

become increasingly clear that the official hype surrounding these reforms is misleading and incomplete. A closer inspection reveals that while the positive effects of such reforms are questionable at best, they can also provide policy-makers with an invaluable lesson: while Jordan may have to maintain its current economic agenda,<sup>6</sup> the welfare of Jordanians at large will only improve if concerns for poverty alleviation, wealth distribution and political pluralism are incorporated as key components of a national plan.

## Background on Jordan

As a post-colonial state, the Hashemite Kingdom of Jordan was carved out as part of the Sykes-Picot wartime agreement between Britain and France. In 1921, King Abdullah I was installed as the ruler of the British Mandate of Transjordan.<sup>7</sup> The mandate evolved into the Emirate of Transjordan until 1946 when independence was granted and the Kingdom mutated into its current shape. King Hussein, the grandson of King Abdullah I, ruled the kingdom from 1953 to 1999, creating both a modern day Jordan and a sense of Jordanian national identity.<sup>8</sup> Jordan always maintained close strategic ties with the West and King Hussein ensured that such powers viewed Jordan as having “vital geopolitical and geostrategic importance in both the Cold War and the Middle East peace process.”<sup>9</sup> However, the political and regional centrality of Jordan has been accompanied by an omnipresent vulnerability. A newly-independent Jordan was initially shaken in 1950 by an influx of approximately 500,000 dispossessed Palestinian

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<sup>6</sup> Most all authors agree that ‘economic transition’ in Jordan is in the direction of a ‘market economy.’ Plus, as indicated, the Hashemite monarchy has made their unwavering commitment to the *Washington Consensus* clear. It could be argued that indeed no other economic option exists for Jordan, as it is a small post-colonial, semi-rentier state that has always been entirely dependent on foreign aid. Thus, discussion of a possible alternative economic system is outside the scope of this paper that reluctantly does not venture out of the neo-liberal discourse.

<sup>7</sup> The inauspicious beginnings of Jordan as an artificial buffer state ruled by a family whose roots can be traced back to Mecca in western Arabia, is significant when understanding the precarious position of Jordan today. Some scholars have describes the monarchies of the region initially as “instruments of European imperial policy.” See, Lisa Anderson, “Absolutism and the Resilience of Monarchy in the Middle East,” *Political Science Quarterly* 106, no. 1 (1991): 3.

<sup>8</sup> For a unique analysis of the historical construction of Jordanian identity, see. Joseph A. Massad, *Colonial Effects: The Making of National Identity in Jordan*. New York, Columbia University Press, 2001.

<sup>9</sup> Curtis R. Ryan. *Jordan in Transition, From Hussein to Abdullah*. London, Lynne Rienner Publishers, 2002, pg. 6. (Hereinafter, Ryan).

refugees.<sup>10</sup> Less than two decades later in 1967, Palestinian refugees fled to Jordan once again following Israel's illegal occupation of the West Bank and East Jerusalem.<sup>11</sup> These catastrophic events served to change the demographics and domestic stability of the kingdom, while putting immense pressure on the Jordanian economy.

The kingdom's economy has further been shaped by Jordan's location and scarcity of natural resources. With the exception of the small port of Aqaba, Jordan is a landlocked country with relatively small amounts of natural resources, namely phosphate and potash. Furthermore, with less than ten percent of the national territory being cultivable, water scarcity has been Jordan's major natural barrier to development.<sup>12</sup> While the availability of water is a regional concern, unlike its neighbours, Jordan has always been a net importer of petroleum. All in all, as a state with limited resources, a small population, and hence a small base for domestic consumption of goods, Jordan has experienced a permanent trade imbalance. Analysts agree that Jordan's main "resource" has been and remains its people who have achieved notably high levels of education. As a result, a significant number of Jordanians have historically and presently looked to the Gulf for job opportunities thus making worker remittances a major component of the Jordanian economy. In addition to emigration, Jordan's economy features simultaneously high levels of labour immigration as there are currently over 220,000 foreign workers in Jordan,<sup>13</sup> representing approximately over 17% of the labour force.<sup>14</sup> Overall, labour remittances from Jordanians abroad coupled with foreign aid are

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<sup>10</sup> It is important to note that these Palestinian refugees brought with them their savings, skills, and relatively superior levels of education. They were to become the backbone of Jordan's economy and remain so today.

<sup>11</sup> In the 1967 war, Jordan ceded control over the West Bank thus losing about 40% of its agricultural base. Jordan also lost significant amounts of foreign exchange earnings from tourism in Jerusalem and other Palestinian towns.

<sup>12</sup> In spite of its minor importance in GDP generation, agriculture currently consumes over two-thirds of the country's water supplies. In 1998, industry used less than 4%, and households used 28%. For more information, please refer to EIU *Country Profile Jordan 2000/2001*, pg. 6.

<sup>13</sup> Jordan Human Development Report 2004, "Building Sustainable Livelihoods," United Nations Development Programme (UNDP) & The Ministry of Planning and International Co-operation, pg. 37. Available online for download: [www.undp-jordan.org/jordan\\_hdr/jhdr2000.html](http://www.undp-jordan.org/jordan_hdr/jhdr2000.html) (Hereinafter, UNDP report)

<sup>14</sup> This figure is nonetheless somewhat misleading as it fails to account for the thousands of non-registered labourers coming mostly from Egypt, Pakistan, Sri Lanka, and the Philippines. It is widely recognised that foreign workers generally occupy positions that Jordanians generally consider somewhat 'demeaning,' such as domestic labour or physically strenuous jobs. This trend will become increasingly clear when looking at the characteristics of labour at the 'Qualified Industrialised Zones.'

the foundations of Jordan's economy,<sup>15</sup> making it highly vulnerable to regional and global tensions that affect its labour and aid partners.<sup>16</sup>

For instance, dramatic events such as the Iranian revolution in 1979 and the Iran-Iraq war deeply affected Jordan. The eventual contraction of the oil economy resulted not only in an immense reduction in labour remittances, but also in Arab bilateral aid just as the kingdom's economic planners had set governmental spending levels in expectation of greater amounts of aid.<sup>17</sup> With an underperforming market and continual shortfalls in the national budget throughout the 1980s, Jordan increasingly resorted to external borrowings. While remittances and aid declined, the national debt steadily rose and by 1988, Jordan's debt was twice the kingdom's gross domestic product (GDP). Jordan was consequentially forced to sign its first structural adjustment agreement with the International Monetary Fund (IMF) and the World Bank (WB) as a means of correcting internal and external imbalances in April 1989.

### **Structural Adjustment**

The reforms prescribed for Jordan revolved around the typical IMF and WB<sup>18</sup> recipe as the key conditions of the structural adjustment programme (SAP) targeted fiscal and monetary policy. Salaries and wages in the public sector were frozen, government subsidies were cut and protectionist levels of import duties were scaled down.<sup>19</sup> A sales tax was also introduced as a first step towards establishing full scale tax

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<sup>15</sup> Worker's remittances, official development assistance, and foreign loans, allowed Jordan to maintain a huge foreign trade deficit. This is due to the fact that domestic investment was directed mainly to non-productive expenditure such as defense and consumption. For example, in the period between 1950-1966, Jordanian exports of goods and services covered only 11-15% of the cost of goods and services imported from abroad. Between 1959-1966, imports accounted for 28.3% of total GNP. Please refer to Roger Owen and S. Pamuk, *A History of Middle East Economies in the Twentieth Century*. I.B. Tauris, 1998, pg.189-191.

<sup>16</sup> Gil Feiler, "Jordan's Economy, 1979-1990: The Primacy of Exogenous Factors," in Joseph Nevo and Ilan Pappé, eds., *Jordan in the Middle East: The Making of a Pivotal State*. Frank Cass, Portland: Oregon, 1994, pg. 45-60.

<sup>17</sup> Total foreign aid from Arab states was over JD40 million (Jordanian dinar) in 1967/8. During the first 'oil boom' period between 1974-1978, total foreign aid averaged JD126 million per year, and during the second 'oil boom' between 1980-1983, aid averaged JD382 million per year.

(According to current exchange rates, \$1 US is equal to JD.70)

Data is from *Central Bank of Jordan*, Department of Research and Studies, Yearly Statistical Series.

Available online: [www.cbj.gov.jo/pages.php](http://www.cbj.gov.jo/pages.php)

<sup>18</sup> The Bank's current portfolio for Jordan consists of 6 operations for a total amount of \$192 million. New operations are under preparation and the WB intends to invest between \$300 and \$400 million in Jordan over the next three years. Details available online: [www.worldbank.org/jo](http://www.worldbank.org/jo)

<sup>19</sup> As part of 'trade reform,' the government simplified customs procedures and passed a New Customs law in 1998 in accordance with World Trade Organisation (WTO) standards. Jordan's accession to the WTO

reform based on a system of value added tax. "Trade liberalisation" and "privatisation" were also promoted as integral elements of the programme aimed at improving "efficiency and productivity."<sup>20</sup> Although much hope was placed in the programme, its initial implications were unclear since it had to be prematurely suspended at the onset of the Gulf War in August 1990. Nevertheless, the agreement was renewed soon after the crisis ended in 1992, and Jordan's reform efforts since then have been supported by several similar agreements with the IMF and WB in 1995 and again in 1999.<sup>21</sup> While analysts may disagree on the degree of "compliance" with IMF and WB loan conditionality,<sup>22</sup> the Jordanian government and international financial institutions (IFIs) seem to agree that Jordan is one of the IMF's "star pupils." A statement by an IMF representative in 1996 characterises the official view of the reforms and deserves to be quoted in full:

Jordan continues to make impressive progress under its structural adjustment and reform program. Reflecting the implementation of appropriate macroeconomic and structural reform policies, the Jordanian economy has registered a high rate of economic growth, low inflation, and increasing foreign exchange reserves. The economy is thus well poised to continue on the path of high growth, increased employment opportunities, and improved living standards.<sup>23</sup>

Indeed, advocates of such reforms speak of improvements in Jordan's external account balance, higher economic growth rates, the activation of the private sector and the build-

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was seen as the culmination of "domestic efforts to adopt various trade-related legislative adjustments in customs and taxes and within patent, copyright and trademark protection to remove administrative barriers." For more on Jordan and the WTO, see Rateb Sweis, "The Effect of the World Trade Organisation on the Jordanian Economy," in ed. George Joffe, *Jordan in Transition 1990-2000*, C. Hurst & Co, London, 2002, pg. 299.

<sup>20</sup> See Fahed Al-Fanik, *The Structural Adjustment Programme 1992-1999*, Amman: Al-Fanik Corporation, 1992.

<sup>21</sup> See E. Maciejewski and A. Mansur, *Jordan: Strategy for Adjustment and Growth*, Washington DC: IMF Occasional Paper no. 136, 1995.

<sup>22</sup> An analysis on the degree of compliance is outside the scope of this paper. However, it may be significant to mention to note that many regard 1989 to 1998 to be a period of "weak compliance." In 1998, Fahed Al-Fanik, a leading Jordanian economist wrote,

There is a consensus in Jordan today that the process of economic adjustment has not been completed..and the process of structural re-adjustment did not happen unless we consider changing the names of some public enterprises into companies an important thing. Privatisation did not even start despite repeated talks about implementation as the government has missed all the privatisation dates which it committed itself to, particularly privatisation of the Royal Jordanian Airlines, the Telecommunication Company and the Aqaba Railway.

Fahed Al-Fanik, 'Mustaqbal Burnamage al-Tasheh' (The future of the adjustment programme), *Al-Ra'i*, 31 August 1998, pg. 26. As quoted in Hamid El-Said, "The Political Economy of Reform," in ed. George Joffe, *Jordan in Transition 1990-2000*, C. Hurst & Co, London, 2002, pg. 264. (Hereinafter, El-Said)

<sup>23</sup> IMF (1996), *IMF Statement on Jordan by Mohamed El-Erian*, *News Brief 96/95*, 21 August 1996. Available online: [www.imf.org/external/np/sec/nb/1996/NB9605.HTM](http://www.imf.org/external/np/sec/nb/1996/NB9605.HTM)

up of foreign reserves. At Davos in early 2000, King Abdullah assured Jordanians that he would solve all of their economic problems in two years, “promising that Jordanians will reap the fruits of his drive for economic reform in 2001.”<sup>24</sup> However, more cautious analyses generally steer away from this picture of Jordan as a “success story,” and rather accept that the kingdom’s experience, even on a macroeconomic level, has been mixed throughout the years.

As mentioned, the first SAP programme was interrupted by the Gulf War in 1990 and during this time Jordan sunk deeper into economic recession. The second SAP programme was initiated in 1991 and between 1996 and 2000 Jordan experienced a remarkable reduction in its fiscal deficit. Account deficits turned to a surplus<sup>25</sup> reflecting a significant reduction in the kingdom’s trade deficit. The reform programme allowed Jordan to reschedule part of its debt repayments and have some of its bilateral debt forgiven. Whilst the 300,000 of Jordanians forced to leave the Gulf during the war put pressure on the domestic economy, they also brought with them their savings and skills. This contributed to a massive expansion in the form of residential construction, urban infrastructure, and investment in new productive activities. On the whole, Jordan experienced a dramatic improvement in the average GDP growth rate between 1992 and 1995 which stood at 6.7%. However, this so-called boom was short lived and between 1996 and 1999 GDP growth declined to an average of 2.9%. In retrospect it is evident that beyond the three year period of improvement, the reform programmes did not appear to stimulate economic growth and Jordan sunk into a deep recession for many years to come. The economy was further strained by the sanctions placed on Iraq in the 1990s, which ultimately reduced bilateral trade between Jordan and Iraq by 75%.<sup>26</sup> All in all, macroeconomic indicators clearly point to mixed results following the adoption of the adjustment programmes. Various commentators have subsequently put forth the familiar argument of placing blame on the Jordanian state for failing to implement the

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<sup>24</sup> “In an Address from the World Economic Forum in Davos,” *Jordan Times*, 31 January 2001.

<sup>25</sup> In 1999, surplus totalled 5%, and in 2000, surplus was reduced to 0.7%. Please refer to *Central Bank of Jordan*, Department of Research and Studies, Monthly Statistical Bulletin, September 2001. Available online for download: [www.cbj.gov.jo](http://www.cbj.gov.jo)

<sup>26</sup> The embargo reduced commerce between Iraq and Jordan from more than \$2 billion to \$857 million in 1999. Due to Jordan’s complete dependence on Iraq for trade, for some time the UN allowed Baghdad to import humanitarian goods from Jordan valued up to \$500 million per year in exchange for Iraqi oil. The Iraqi market was always of crucial importance to Jordan. In 1997, the volume of Jordanian exports to Iraq was 29 times larger than those to the United States and American aid at that time could not compensate for the loss of commerce with Iraq.



programme's provisions properly.<sup>27</sup> It is nonetheless problematic to locate blame in any particular area and it is likely that a combination of endogenous and exogenous factors influenced the performance of Jordan's economy on a macroeconomic level. What is indisputable, however, is the fact that Jordan's economy underwent a profound transformation during the past decade and the kingdom's economy today stands in stark contrast to that of the early 1980s. The policies initiated by structural adjustment touched on each and every aspect of the national economy. In his analysis of Jordan's economic transition, Oliver Schlumberger highlights substantial changes in the following areas:

The fiscal area and monetary policies, the tax system, investments in industry, agriculture, tourism and transport, international business cooperation, banking and financial markets, foreign trade and tariffs, administration and the public sector through institutional reforms and privatisation.<sup>28</sup>

Surely, the repercussions of changes such as these cannot be analysed comprehensively by looking solely at the balance sheet at the end of the day. It is widely recognised that macroeconomic indicators leave much to be desired in terms of social implications. Little investigation has been conducted on the effects of the reform process on the Jordanian population at large, especially with regard to poverty and social welfare. The following analysis thus examines the overall impact of the IFI reforms on the least empowered sectors of Jordanian society by looking at both economic indicators and the social response to these reforms.

### **Behind the Scenes of Structural Adjustment**

Overall economic performance during the second half of the 1990s did not match the hopes and expectations tied to the reforms by large parts of the population. On the contrary, economic reforms ignored several aspects of socio-economic dislocation, such as higher costs of living, rising poverty levels, and unemployment. Overall standards of living witnessed a decline over the past decade and the per capita dollar income in Jordan during the late 1990s was lower than in 1988. In fact, real per capita GDP remained negative since 1996 and IMF-directed revenue enhancement measures to support the government's budget served to reduce the real income of the population. Such measures included the expansion of the sales tax base to consist of basic

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<sup>27</sup> For example, see Chapters 4 & 5 in Timothy J Piro, *The Political Economy of Market Reform in Jordan*. Rowman & Littlefield Publishers, Oxford, 1998. Or Chapters 6 and 7, Osama Abu Shair, *Privatization and Development*, St. Martin's Press: New York, 1997.

<sup>28</sup> Oliver Schlumberger, "Transition to Development?" in George Joffe (ed), *Jordan in Transition 1990-2000*, C. Hurst & Co: London, 2002, pg. 233. (Hereinafter, Schlumberger)

commodities and medication. This resulted in the sudden increase in utility prices on necessities such as oil, electricity and even water.<sup>29</sup> An increasing tax burden coupled with higher costs of living, severely impeded efforts towards raising levels of domestic savings. Further attempts to “rationalise” general subsidies eliminated benefits in the fields of nutrition, transport, health, and education which had been important in the livelihoods of the poor. The disappearance of subsidies that supported certain vulnerable sectors of the economy created or deepened pockets of depression.

Following the 1989 economic crisis, poverty levels surged in Jordan. A decade of reforms left over one-third of the population living under the poverty line in 1999.<sup>30</sup> The elimination of food subsidies,<sup>31</sup> the stagnation of per capita income, and a generally poor economic climate, all served to aggravate the conditions of an already vulnerable sector. A recent report by the United Nations Development Programme (UNDP) explained that, “the shallowness of poverty in Jordan, with many people concentrated close to the poverty line, indicates a potentially disproportionate increase in the number of poor in response to an economic shock.” During their fieldwork the UNDP found that “the poor made explicit reference to the impact of utilities restructuring and privatisation on the cost of living.”<sup>32</sup> As with most parts of the world, the Jordanian poor are ill-equipped to cope with the increased costs and those who migrate to urban centres often find that their traditional knowledge and skills are not suitable for urban-based employment. While it is problematic to determine the precise character of Jordan’s poor, it is clear that structural adjustment interventions led to increased hardship for the poorer and more marginalised sectors of the population. Poverty is undoubtedly an urgent issue facing Jordan today and one that ought to be tackled alongside the problem of unemployment.

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<sup>29</sup> The new sales tax that almost doubled from 7% in 1994 to 13% in 1999 is paid by consumers not producers. It is also a ‘regressive tax’ that favours merchants and large businesses. It can therefore be considered a socially unjust tax that disproportionately impacts on the poor. See, Y. Mansur, “Only Taxing the Poor,” *Jordan Times*, 12 June 2000.

<sup>30</sup> In contrast to other reports on poverty, the WB claims that “poverty declined in Jordan between 1997 and 2003/4 no matter which poverty line is chosen.” See, the *World Bank Group*, “Jordan Quarterly Update,” Third Quarter 2004, Jordan Country Unit. Available online for download:

[//siteresources.worldbank.org/INTJORDAN/News%20and%20Events/20348821/jordanq3cy04.pdf](http://siteresources.worldbank.org/INTJORDAN/News%20and%20Events/20348821/jordanq3cy04.pdf)

<sup>31</sup> It should be noted that while the Jordanian government reduced food subsidies, it provided several wage and salary raises to civil servants and bureaucrats to compensate them for the decline in subsidies. The National Aid Fund was also established “to provide direct cash assistance to the poor and most vulnerable.” By the late 1990s, the Fund increased its assistance to more the JD23 million (\$32.9 million), an amount which exceeded the savings to the treasury from the lower subsidy. It is not clear how successful the Fund has been in combating poverty in Jordan, since by the late 1990s one-third of Jordan’s population was considered to be below the poverty line. For more on the National Aid Fund, see El-Said, pg. 262.

<sup>32</sup> UNDP report, pg. 3.

Structural economic reforms led to a freeze on public sector employment thereby significantly reducing job opportunities in categories of employment where the poorest and least qualified of the Jordanian labour force had traditionally been absorbed.<sup>33</sup> The longer-term process of privatisation of state-owned enterprises also reduced employment opportunities for the poor. Yet it is not only the poorest Jordanians who suffer from unemployment since overall rates are generally high and retrenched remaining between 20 and 30%. Levels of unemployment have generally been unresponsive to changes to the kingdom's economic conditions due to various structural problems in the labour market. Nearly seventy percent of Jordan's population is under the age of 29.<sup>34</sup> The high level of youth unemployment is particularly problematic, since it reflects the slower pace of domestic job creation when compared to labour force growth. Furthermore, economic policy in Jordan has failed to address income inequality and wage level rigidities. Not only have the effects of unemployment resulted in a lower per capita income and but they have also caused incomes to be redistributed in favor of the rich, and led to the shrinking of the middle class.

## Revolt

Against the backdrop of such hardship, Jordanians took to the streets on several occasions in vocal opposition to austerity measures. In 1989, for example, price hikes on goods such as fuel, beverages, and cigarettes, represented the final straw for a public already dissatisfied with broader issues of political and economic mismanagement. Rioting thus erupted in the Southern town of Ma'an leading to police intervention and by the time the state had crushed the riots, at least 17 people were seriously injured. Jordanians demonstrated again following the implementation of the new adjustment program in 1996. Subsidies on various basic products had been lifted, and the cost of bread, a dietary staple, had more than doubled. This time the riots spread throughout Jordan, reaching the capital of Amman as well as other towns thought to be strongholds of support for the monarchy. Demonstrators and riot police clashed violently in towns such as Karak where approximately 500 people were detained. In a televised speech shortly after, King Hussein threatened to use an "iron fist" and any other means necessary to put down "sedition" and restore order.<sup>35</sup> The army soon occupied Karak

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<sup>33</sup> Ibid, pg. 37.

<sup>34</sup> Ibid, pg. 2.

<sup>35</sup> Sana Kamal, "Jordan: Bread Subsidy to Go," *Middle East International*, 2 August 1996, pg. 11.

and a curfew was enforced on the city, but before the riots could be suppressed, demonstrators set fire to several government offices, a private bank, and numerous cars.<sup>36</sup> It is interesting to note that while the public response to economic reforms was markedly similar in 1989 and 1996, the overall economic circumstances in Jordan were very different. As mentioned earlier, in 1989 the macroeconomic indicators showed that Jordan's debt was twice its GDP and its budget and balance of payments deficits were virtually out of control. Whereas, by 1996, these economic figures had improved considerably and the kingdom's macroeconomic picture was much brighter, yet the public still erupted in anger against the reforms. This peculiarity indicates that while the adjustment programmes may have reinforced the wealth of Jordanian elites, they also posed a serious threat to Jordan's masses. The riots in Karak and elsewhere were a clear signal of the precarious standard of living of large parts of the population. In examining this point Curtis R. Ryan observes, "It is not a coincidence that the riots occurred in places left out of Jordan's improving fortunes."<sup>37</sup>

Public dissent was expressed in other forums as well and in 1995 a massive campaign against economic reforms was organised by opposition parties and professional associations. National conferences and public meetings against the IMF and the WB were held and covered extensively in the press. An open letter to the prime minister described the reforms as, "an international conspiracy" imposed on the Jordanian government "as part of a series of measures by foreigners in the IMF." The letter continued to read that such reform was "not a part of any national programme" since it impinged "upon the sovereignty of Jordan and its people."<sup>38</sup> The opposition then issued a nation-wide call for resistance against IFI policies. However, such activity was soon silenced as the pro-reform will of the monarchy prevailed and Jordan remained committed to adjustment despite public and parliamentary opposition. At this point, the state stifled any further public criticism by pushing through a series of laws seriously curtailing press freedoms and nullifying the right to organise and demonstrate.<sup>39</sup>

Jordan's experience is not unique and "temporary hardship" is commonly justified by the so-called need to correct the course of the economy and provide the "appropriate conditions for growth." An increase in poverty and the deterioration of living standards

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<sup>36</sup> Jamal Halaby, "More Jordanians Riot in Bread Price Protest," *Washington Post*, 19 August 1996.

<sup>37</sup> Ryan, pg. 58.

<sup>38</sup> As translated and quoted in El-Said, pg. 267.

<sup>39</sup> Over the past few years over about 120 laws such as these have been passed in the absence of parliament. They have been given the misnomer of "temporary laws" and involve issues such as free speech, demonstrations, and economic laws relating to the IFIs and trade agreements.

are often dismissed as the “temporary adverse social effects” of structural adjustment. However as the Latin American experience illustrates, for example, such negative effects may well perpetuate. The effects of structural adjustment in Jordan thus far, coupled with findings elsewhere, present a cause for urgent concern. While some may view the kingdom as having undergone relatively “smooth stabilisation,” the last decade cannot realistically be judged a success when examined in social terms. Thus far, only a very narrow stratum of Jordanian elite who already possessed the resources to diversify their economic activities have benefited from IFI policies. Indeed, there is no reason to believe that the open-economy Jordan is striving for will ultimately improve the welfare of the population. As Gunnar Myrdal stated, “In the absence of counteracting policies, inequality would tend to increase both internationally and within a country.”<sup>40</sup> While this is precisely what is happening in Jordan, greater income equality, rather than inequality should be the correct basis to achieve enhanced economic growth.<sup>41</sup> The social crisis and increase in inequality has recently been acknowledged by the government and select programmes have been implemented to deal specifically with social issues against the backdrop of economic change.<sup>42</sup>

Yet while the dismal conditions facing most Jordanians may be gaining recognition, Jordan is by no means steering away from neo-liberal demands. On the contrary, Jordan is very clearly committed to the *Washington Consensus* “vision” and has created several “free zones” as part of its trade liberalisation strategy. Free zones, such as the “Qualified Industrialised Zones” and the “Aqaba Special Economic Zone” (ASEZA)<sup>43</sup> have sprung up all over Jordan. Given the large number of these zones in a country as small as Jordan, the amount of relevant research conducted so far has been remarkably low. The following section will therefore examine the dominant characteristics of these zones and the extent to which they have contributed to the Jordanian economy on a macro and micro-economic level.

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<sup>40</sup> Gunnar Myrdal, “International Inequality and Foreign Aid in Retrospect,” in Gerald Meier and Dudley Seers (eds), *Pioneers in Development*, Oxford: Oxford University Press, 1984, pg. 152.

<sup>41</sup> Ibid.

<sup>42</sup> For example, 2002 witnessed the launch of the “Social and Economic Transformation Plan” and the “Enhanced Productivity Programme.” Such programmes purportedly aim to “tackle human and socio-economic development” from a “holistic approach.” Funding problems delayed their implementation and their effects remain unclear.

<sup>43</sup> An examination of ASEZA is outside the scope of this paper. General information is available on official website: [www.aqabazone.com](http://www.aqabazone.com)

## Background on Qualified Industrial Zones

The Qualified Industrial Zones (QIZs) in Jordan mirror the characteristics of Economic Processing Zones (EPZs) elsewhere.<sup>44</sup> On a strategic level, EPZs are supposed to draw attention to both the “benefits” of open trade regimes and the efficacy of export-led growth. The argument follows that success achieved within a geographically limited zone will then lead to the implementation of similar policies on a nation-wide level.<sup>45</sup> Small nations, such as Jordan, often establish EPZs in hope of gaining badly needed foreign exchange. Along EPZ guidelines, the QIZ programme was established against the backdrop of the “peace process” as a sort of incentive scheme to promote exchanges between Jordanian, Palestinian, and Israeli businesspersons.<sup>46</sup> It establishes areas within Jordan from where goods can be exported duty and quota free to the United States, provided there has been Israeli involvement in their manufacture. The QIZ rules stipulate that a minimum of 35% of the exported good’s value must be composed of local content. A total of 11.7% of this must be Jordanian and 8% must be provided by Israeli manufacturers,<sup>47</sup> while the remainder needed to reach the 35% value-added requirement can come from Jordan, the United States, Israel, and/or the Palestinian territories.<sup>48</sup> All companies operating within a QIZ are exempt from customs tariffs and from paying income and social security taxes.<sup>49</sup> Foreign investors are allowed to acquire full ownership or control of their plants and investors are offered full repatriation of capital, profits, and salaries. There are currently 13 fully established QIZs

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<sup>44</sup> The *International Labour Office* (ILO) has defined EPZs as “industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being (re-)exported again.” According to ILO estimates in 2002, there are thought to be 3000 EPZs worldwide.

<sup>45</sup> Many divergent theories on the costs and benefits of EPZs are available, for an overview please refer to, Marwan A. Kardoosh & Riad al Khouri, “Qualified Industrial Zones and Sustainable Development in Jordan,” *Jordan Centre for Public Policy Research and Dialogue*, September 2004, *Draft only*, pg. 8/9 (Hereinafter, Kardoosh & Khouri)

Available online for download: [www.erf.org/11conf\\_Lebanon/Trade/Kardoosh&Khouri.pdf](http://www.erf.org/11conf_Lebanon/Trade/Kardoosh&Khouri.pdf)

<sup>46</sup> The QIZ program was set up against the backdrop of the 1995 Amman Economic Summit, which created the Regional Business Council (RBC). The RBC was managed by American officials and served as a kind of a regional chamber of commerce to facilitate meetings, multilateral exchanges and joint business ventures amongst Jordanian, Palestinian and Israeli businesspersons. To provide incentives for these exchanges, US officials presented the QIZ program. However, the RBC collapsed in 1997 due to the Israeli occupation that increasingly soured Jordanian public opinion on the “peace process” and led to boycotts against Jordanians who dealt on any level with Israelis.

<sup>47</sup> 7% for hi-tech products

<sup>48</sup> For a detailed breakdown of the agreement, please see Kardoosh & Khouri, pg. 13/14.

<sup>49</sup> These can reach 35% and 10% respectively

in the kingdom where approximately 30,000 workers are employed in 785 firms.<sup>50</sup> As compared to the Jordanian manufacturing sector outside of the QIZs, a brief look at these massive zones would lead one to believe that they must present vast benefits to Jordan. Indeed, over the past few years, proponents of the QIZs have seemed to focus exclusively on the greener side of things.

### Official Hype

The World Economic Forum of 2003, held at Jordan's Dead Sea resort, provided an ideal opportunity for officials to tout QIZ successes.<sup>51</sup> American and Jordanian officials boasted that in 2003 alone, QIZ exports totaled \$587 million out of total exports of \$2.4 billion.<sup>52</sup> Jordan's exports just to the United States had risen dramatically from less than \$20 million in 1999 to over \$200 million by 2002.<sup>53</sup> Plus, the QIZs had created approximately 20,000 jobs and in an unprecedented development, seventy percent of the jobs were going to women.<sup>54</sup> Jordan's Export and Finance Bank reinforced these findings in reporting that several thousand jobs had indeed been created and that foreign currency earnings had increased due to the surge in exports. However, such oversimplifications cloud the fact that even if employment opportunities are created and gross exports are high, the actual impact on Jordan's economy is determined by the effect on wages paid to *Jordanian* workers and on *domestic* investment through profits re-invested in Jordan. When investigated from this angle, it becomes clear that Jordan has benefited minimally from the QIZs primarily due to the dominance of foreign ownership and labour over domestic input. As Pete W. Moore observes, "Similar to Amman's past efforts at economic reinvention, the real QIZ story bears unpleasantly little resemblance to the slogans."<sup>55</sup>

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<sup>50</sup> These figures do not include ASEZA. For the latest ILO statistics on Jordan, see ILO Database on Export Processing Zones, available for download: [www.ilo.org/public/english/dialogue/sector/themes/epz/epz-db.pdf](http://www.ilo.org/public/english/dialogue/sector/themes/epz/epz-db.pdf)

<sup>51</sup> The QIZ scheme laid the foundation for the Jordan-United States Free Trade Agreement (FTA), hence it had to be spun in simplistic terms of success. The FTA was signed in 2001 and stipulates that tariffs between the two countries will be phased out over a ten-year period. Jordanian products exported to the US will be required to meet a 35% domestic value-added requirement, thereby making the entire country a kind of QIZ, albeit with a higher domestic component. Exploitation of the agreement is still recognised as very limited. General information available on official website: [www.jordanusfta.com](http://www.jordanusfta.com)

<sup>52</sup> Kardoosh & Khouri, pg. 11.

<sup>53</sup> Moore, *Middle East Report*, 26 June 2003.

<sup>54</sup> Orly Halpern, "Jordan's New Female Workforce," *Christian Science Monitor*, 17 December 2004.

<sup>55</sup> Moore, *Middle East Report*, 26 June 2003.

## Behind the Scenes Again at the QIZ

Ralph Lauren, Victoria's Secret, Wal-Mart and other such retailers<sup>56</sup> are clearly attracted to the low wages and minimal production costs offered at Jordan's QIZs. Yet while the favourable conditions offered at the QIZs may have helped increase exports and employment opportunities, the actual benefits of the QIZs to Jordan and Jordanians as a whole, are questionable. The main direct economic benefits of the QIZs and EPZs are generally thought to be: employment, foreign exchange earnings through sale of products abroad, economic diversification by stimulating the growth of a non-traditional export sector, stimulation of domestic companies or "backward linkages," and technology transfer from investors to local companies. A closer examination of QIZ operations reveals that the benefits to Jordan and Jordanians in all the aforementioned areas have been minimal.

Recent figures from the Jordan Investment Board show that 88% of the capital invested in the QIZ sector is by firms classified as non-Arab. No company with purely Arab capital appears to be operating in any of the QIZs.<sup>57</sup> The reasons behind this apparent lack of interest are likely to be complex, but the author would argue that local investors are perhaps hesitant, to say the least, to embark on a venture that insists on Israeli involvement. This could be either out of personal or political conviction or out of the fear of being shunned by Jordanian society which is largely sympathetic to the Palestinian struggle.<sup>58</sup> Of the 47 firms operating in the QIZs, only nine are partially Jordanian. The majority are owned and operated by entrepreneurs from China, Taiwan, Korea, India, Pakistan or the Philippines.<sup>59</sup> Jordanian involvement however is not only invisible in terms of ownership, but also in terms of labour, as over half of the workers employed in the zones are immigrant workers.<sup>60</sup> Ninety percent of the workers are

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<sup>56</sup> Al Tajamouat Industrial City for example, manufactures goods for Wal-Mart, Sears, Calvin Klein, JC Penny, Target, Gap, Kenneth Cole, and Jordache. Please see official site: [www.altajamouat.com](http://www.altajamouat.com) Calvin Klein is also manufactured in Jordan's QIZs and Nike has expressed interest in setting up a factory in a QIZ.

<sup>57</sup> *Jordan Investment Board* (JIB). Resources available online: [www.jordaninvestment.com](http://www.jordaninvestment.com)

<sup>58</sup> Over the past few years, Jordanian "Anti-Normalization" groups have regularly published "Lists of Shame" that draw attention to companies or individuals who should be boycotted for dealing in any way with the "Zionists." For example, see: [www.freearabvoice.org/ArabZionistConflictInJordan.htm](http://www.freearabvoice.org/ArabZionistConflictInJordan.htm)

<sup>59</sup> Aaron Glantz, "Jordan's Sweatshops: The Carrot or the Stick of US Policy," *Corpwatch*, 26 February 2003. Available online: [www.corpwatch.org/article.php?id=5688](http://www.corpwatch.org/article.php?id=5688)

<sup>60</sup> While there are no legal restrictions on the employment of foreign nationals in a QIZ, there seems to be a tacit, albeit unsuccessful understanding between QIZ investors and the government that no more than 30% of the total workforce in a QIZ company may be foreign, and that they should be phased out within a few years. Recognising the persistent problem of foreign labour, the government recently introduced a number



women<sup>61</sup> under the age of 22<sup>62</sup> who officially are said to earn a minimum wage of \$3.50 a day.<sup>63</sup> Plus, employment in the QIZs, as with EPZs in general, is demanding and insecure as turnover rates are sometimes as high as 200% per year. Jordanian men represent at most only ten percent of the total number of employees in the QIZ factories.<sup>64</sup> Even a recent publication by the WB remarked that Jordan's QIZs rely on foreign workers and on importing a large share of their intermediate inputs.<sup>65</sup> Not surprisingly, these workers battle against widespread worker rights abuses in the zones and "workplace conditions are often tantamount to bonded labour."<sup>66</sup> Navri Sarisi, a leader in one of Jordan's refugee camps, expresses popular sentiment by explaining that "the United States is trying to set up a relationship between Israel and Jordan similar to the one between United States and Mexico."<sup>67</sup> He notes the minimum wage in Israel is eight times the minimum wage in Jordan.<sup>68</sup> While Jordan's own labour laws<sup>69</sup> are

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of new regulations aimed at curbing employment of non-Jordanians in the QIZ sector. The proposed changes range from imposing new limits on the employment of foreign workers to preventing it altogether for certain types of jobs. Kardoosh & Khouri observe however, that this may be easier said than done since existing vocational training centres do not seem to teach Jordanians the skills they need to replace foreign workers.

<sup>61</sup> This employment trend is evident on a global scale. Employers have often mentioned factors such as "a pliant nature," "non-union," "nimble-fingered," and "docile," in stating their preference for women.

<sup>62</sup> Since the QIZ opened in the Jordanian town of Irbid for example, large numbers of young Asian female factory workers would work as prostitutes at night. See, "Unions to Discuss Labour Market Controls, Legislation at Meeting with Tarawneh" *Jordan Times*, 13 September 1998.

<sup>63</sup> According to the *Jordan Investment Board*, minimum wage in Jordan is JD80 (\$114) per month. However, a recent UNDP report states that an average household requires a minimum of JD156 (\$220) per month to meet basic needs and remain above the poverty line.

<sup>64</sup> General Managers of textile firms in the QIZs have rated 'labour productivity' among foreign workers as significantly higher than that of local labour. Using as a benchmark the number of minutes it usually takes to manufacture a t-shirt, the productivity of foreign workers is said to be approximately 13% higher than the time needed by local workers. While the 'international standard time' needed to produce a t-shirt is 3.5 minutes, in Jordan it is 5-6 minutes. See, "Textile companies warn of shortage of skilled labor," *Jordan Times*, 29-30 November 2002.

<sup>65</sup> The World Bank Group, "Jordan Quarterly Publication," First Quarter 2003, Jordan Country Unit. Pg. 7. Available online for download: [www.worldbank.org/jo](http://www.worldbank.org/jo)

<sup>66</sup> From "Solidarity Center Report." Available online: [www.solidaritycenter.org/docUploads/ARfinal%20pdf?CFID=11715595&CFTOKEN=56031727](http://www.solidaritycenter.org/docUploads/ARfinal%20pdf?CFID=11715595&CFTOKEN=56031727)

<sup>67</sup> Glantz, *Corpwatch*, 26 February 2003.

<sup>68</sup> The camp leader also said, "The trade agreements came by force of the United States and the best example are these Qualified Industrial Zones. The Israelis are investing money in very cheap labor where people work long hours. They are getting free access to the U.S. market duty free and customs free and this contributed largely to the collapse of the locally based industry." Ibid.

<sup>69</sup> Unions do exist in Jordan and approximately 30% of Jordan's work force is organised into seventeen unions, which comprise the General Federation of Jordanian Trade Unions. However, Jordan's unions have very limited political power and exist primarily in the public and mining sector.

supposed to be applicable in the free zones,<sup>70</sup> they seem largely irrelevant and factory owners claim to be in full conformity with “American outlet specifications.” Putting questions of labour rights cautiously aside, the claim that QIZs have presented Jordanians with a beacon of employment opportunities is difficult to uphold.<sup>71</sup> As noted earlier, jobs are urgently required since Jordan is a labor-surplus economy and population growth is projected to result in over 50,000 new entrants to the labour market each year.<sup>72</sup> While data on the *indirect* employment effects of QIZs are unavailable, the following discussion on linkages reveals that such an impact is also likely to be insignificant.

On the surface, QIZs serve to distance Jordan from more traditional sources of export earnings such as non-renewable natural resources, while simultaneously increasing export diversification in value-added goods. However, ready-made garments, which are low value items, make up the vast majority of manufactured goods emerging from the QIZs and most exporters have restricted themselves to the assembly of low-cost discount clothing destined for major retailers in the United States. These items tend to dominate production of QIZs and EPZs in general since they are manufactured in “footloose” companies that can relocate easily if investment conditions are more favourable elsewhere primarily because costs associated with labour and equipment are relatively low.<sup>73</sup> Thus, manufacturing activity in the QIZs has remained traditional, labour intensive, and technologically dependent on foreign expertise. Investments are mostly contained within the QIZs and demand for raw materials and intermediate goods, is met

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<sup>70</sup> The US/Jordan FTA includes explicit provisions on labour and environmental law. Since worker’s rights such as the right to unionise are flouted on a daily basis, it would seem that such provisions have little effect on the ground. For analysis on the FTA from an environmental perspective, see: Emily Harwood, “The Jordan Free Trade Agreement: Free Trade and the Environment,” *27 Wm. & Mary Envtl. L & Pol’y Rev.* 509 2002/3.

<sup>71</sup> Another 30,000 jobs have supposedly been created by the US/Jordan Free Trade Agreement (FTA). However, employment trends have been consistent and the vast majority of new workers appear to be foreign.

<sup>72</sup> The author is not assuming that QIZ jobs are desirable. In general, the jobs currently on offer at the QIZs could be considered “dead end” jobs that offer little few possibilities for personal development.

<sup>73</sup> Jordan is most likely going to suffer as the Multi-Fiber Agreement (MFA) expires this year. It is expected that Jordan will lose most all of its competitive advantage since once quotas on trade in textiles and garments are removed, investors are likely to relocate elsewhere. A garment industry was able to develop in Jordan primarily because of the quota-free status of QIZs. Therefore, the end of the MFA will allow Asian investors to locate their firms based on market criteria rather than on the availability of quotas, and it is likely that previously constrained exporters such as China and India will dominate the global garment industry.

mainly through imports.<sup>74</sup> Consequently, as economists Marwan A. Kardoosh and Riad el-Khouri explain, “In Jordan, QIZs have not produced backward linkages to any significant extent.” They attribute this to “Jordan’s main liabilities,” namely a “small domestic market and a narrow industrial base.” The argument follows that little “technology transfer” is likely to take place since QIZ companies are “low-tech assembly firms” that tend not to utilise advanced technology.<sup>75</sup> On all levels, it appears that the QIZs have presented little developmental benefits to Jordan. As Moore explains, “The money that does come back to the country only benefits the handful of men who manage these zones, not your average Jordanian.”<sup>76</sup> This seems accurate as QIZ activities do not seem to complement local investments by promising to increase the rate of expansion, but rather they seem to be *substituting* for local capital ownership, local control, and perhaps local learning. So far, Jordanian QIZs appear to have created some sort of “export platform” where foreign companies are generously hosted in enclaves and exist completely disarticulated from the local economy. Unless Jordan is able to force production linkages to the broader economy onto firms in the QIZs, the situation is likely to remain the same. As for now, by providing cheap foreign labour and an attractive investment climate, Jordan’s QIZs are contributing to a higher level of profit for foreign companies while doing the bare minimum for local growth.

All in all, these observations demonstrate that QIZs have offered little in terms of the industrial transformation they were purportedly designed to promote. A precise cost-benefit analysis of the QIZs is difficult to undertake since the sum of direct costs associated with establishing the QIZs is not available. Plus, it is difficult to determine the hidden running costs of QIZs that result from the economic distortions created by generous investment incentives. Losses in tax revenue and environmental degradation are other indirect costs placed on the host country. Benefits are also difficult to determine as a recent World Investment Report by UNCTAD notes, “potential long-term and structural contributions to the local economy are difficult to appraise since they

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<sup>74</sup> One possible explanation for this would be that foreign firms, which account for the bulk of the investments in the QIZ sector, tend to have a higher propensity to import from known sources abroad than from domestic suppliers. That the latter have not marketed themselves to QIZs is perhaps a fault of Jordanian businesses, which do not in many cases demonstrate the “dynamism needed to promote linkages.” Linkages that did in fact occur have been rather limited with “slow delivery, incompatibility, and poor quality often being cited as problems.” Neither the government nor business associations have put forth a “systematic effort” to promote such linkages. See Kardoosh & Khouri, pg. 30.

<sup>75</sup> Kardoosh & Khouri, pg. 33.

<sup>76</sup> Moore, *Middle East Report*, 26 June 2003.

derive from dynamic gains that can only be realized over time and through deliberate effort.”<sup>77</sup> Nevertheless, overall, it remains clear that to the extent that the value from QIZ exports has ended up as wages paid to foreign labour, or as profits remitted abroad, neither employment nor investment in Jordan have reaped any real benefits. In recognition of these shortcomings, it has been suggested that the Jordanian government allow QIZ products to be sold on the local market instead of continuing to manufacture products solely for export. This would arguably reduce the high level of isolation of QIZ companies and create forward linkages. Another measure towards the same objective would be to extend “equal footing” policies to firm’s operation outside QIZs.<sup>78</sup> This is, in effect, what has taken place with the recently signed US-Jordan Free Trade Agreement (FTA), which essentially transforms Jordan into one big QIZ. The main difference between this agreement and the QIZ scheme, is that no Israeli involvement is required under the FTA. For this reason amongst others, the FTA agreement is likely to make the QIZ program irrelevant and this is perhaps preferable in view of the precarious and potentially unsustainable situation of the zones today.

## Reflections

The QIZ scheme represents a key component of Jordan’s neo-liberal economic programme of liberalisation and market reform. These free zones as well as other reforms have been guided by the *Washington Consensus* which characteristically neglects the socio-political dimension of economic reform. At the World Economic Forum of 2003, United States Trade Representative, Robert Zoellick, said, “Old patterns of conflict in the Middle East can be broken if all concerned will let go of the bitterness, hatred and violence, and get on with the serious work of economic development.”<sup>79</sup> However, as the apparent failure of the QIZs and the dislocation that followed structural adjustment illustrate, this “econocentric approach” is fundamentally flawed. As mentioned earlier, for example, the Jordanian public effectively shunned the QIZ program due to Israeli involvement. Indeed, the social, political, and “cultural” dynamics

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<sup>77</sup> United Nations Conference on Trade and Development (UNCTAD), *World Investment Report*, 2002, pg. 214.

<sup>78</sup> Dorsati Madani, “A Review of the Role and Impact of Export Processing Zones,” *World Bank-Country Economics Department*, 1 November 1999. Available for download: [//www.econ.worldbank.org/view.php?id=965](http://www.econ.worldbank.org/view.php?id=965)

<sup>79</sup> As quoted in Moore, *Middle East Report*, 26 June 2003.

of any state outrightly refutes the “one-size fits all” policy actively embraced by the IFIs and neo-liberal economists. As Schlumberger explains,

This social-political dimension represents an aspect of the transition which influences each and every effort for reform, regardless of the sector concerned, and is therefore even more essential to understanding the successes and failures of market-oriented reform in Jordan than any purely economic variable.<sup>80</sup>

In implementing economic reforms, Jordanian policy makers have generally taken short cuts when it comes to social and political issues. The recently introduced “Jordan First” campaign, for example, seems to illustrate the ideological framework guiding the government today. The nation-wide campaign attempts to promote a Jordanian national identity based on kingdom rather than kin. As part of its marketing strategy, the campaign distributed thousands of Jordanian flag pins and erected scores of billboards telling citizens to put “Jordan First.” While reactions to “Jordan First” have been varied, many agree that the campaign actually calls for Jordanians to put the economy first and suppress any non-aligned political sentiment. In other words, issues of political pluralism or participatory democracy should be ignored and any pro-Palestinian, pro-Iraqi, anti-American, or anti-Israeli opinions should not be expressed. This interpretation offers a striking resemblance to Zoellik’s point of view which calls for Jordan to “get on with development.” As political analyst Rami Khouri explains,

The thrust of the campaign is that Jordanians should be like Europeans..that they should consider the welfare of their own nation instead of listening to the wild demands of extremist mullahs or enraging themselves about the plight of their Arab brothers under Israeli occupation.<sup>81</sup>

Such an approach illustrates the huge gap that exists between the Jordanian population at large and the government. Jordan’s pro-Western choice now stands in increasingly strong contrast to popular currents and with the continued occupation of two of Jordan’s neighbours, the situation is unlikely to change. Plus, instead of helping to decentralise political power, economic reforms like trade with the United States has helped, “concentrate power in the hands of the regime,” in Moore’s words.<sup>82</sup> Indeed, while

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<sup>80</sup> Schlumberger, pg. 225

<sup>81</sup> Rami G. Khouri, “Jordan First? Internal Politics and the Approaching Iraq War,” *Lecture* given at Saban Center for Middle East Policy at the Brookings Institution, 23 January 2003. Available for download: [www.brook.edu/dybdocroot/FP/saban/events/khouri.pdf#search='rami%20khouri%20%20jordan%20first'](http://www.brook.edu/dybdocroot/FP/saban/events/khouri.pdf#search='rami%20khouri%20%20jordan%20first')

<sup>82</sup> Quoted in Daphnee Dion-Viens, “Made in the USA: A Plan for Middle Eastern Economics,” *Alternatives Online News*, 7 March 2003. Available online: [www.alternatives.ca/stages/furetezmmm/mozambique/print735.html](http://www.alternatives.ca/stages/furetezmmm/mozambique/print735.html)

Jordan is jumping on the “free trade” bandwagon, it is also implementing a blanket nationalist campaign and backtracking on issues pertaining to political “progress.”

This is not to say that it is viable for Jordan to recoil from its neo-liberal ambitions. Indeed, Jordan is umbilically tied and structurally linked to the American economy<sup>83</sup> and the kingdom seems to have no option but to comply with IFI demands. Needless to say, the task of this essay is not to offer an alternative economic plan or push for a change in the political system, but rather to point out that despite official pronouncements of economic success, the realities facing Jordanians today are bleak. Instead of benefiting the population at large, economic reforms such as the QIZ scheme or structural adjustment, have hurt Jordanians economically and even politically. Jordan’s present and historical vulnerability underscores the kingdom’s dependence on external sources, but such vulnerability also demands that the well-being of the masses be brought to the forefront of national concerns. Jordan has to counter IFI interest in debt repayment, neo-liberal ideology, and opportunities for transnational corporations, by initiating domestic plans for ending poverty. Instead, the sole focus of Jordanian policy-makers has been to attract foreign investment on any terms and at any cost. This has not only deepened Jordan’s state of economic, political, and even psychological dependency, but it has also undermined the capacity and potential of indigenous resources. Perhaps dependency should not always be seen as a zero-sum game and perhaps the world economy can offer Jordan some opportunities.<sup>84</sup> However, any kind of widespread growth will depend exclusively on Jordan’s internal policies and its ability to gain advantage vis-à-vis foreign investors. If Jordanian policy makers continue to focus exclusively on molding the kingdom into a beacon of free trade, the status of the Jordanian bourgeois-bureaucratic alliance will continue to be enhanced at the expense of public welfare and domestic development. Until the totality of Jordan’s social and political system is considered an integral component of economic reform, the situation on the ground is unlikely to improve. Nothing is predetermined or inevitable. Jordanians can locate agency and create a unique development programme that recognises Jordan’s vulnerable and dependent position, but does not sacrifice the internal for the external. In the meantime, the situation on the ground is unlikely to change, and Jordanians will continue to live in

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<sup>83</sup> Washington recently rewarded Jordan with \$700 million for their cooperation in the war against Iraq. It is widely recognised that Jordan allowed US forces to operate in its eastern desert close to Iraq.

<sup>84</sup> Fernando Henrique Cardoso and Enzo Faletto, *Dependency and Development in Latin America*, Berkeley, CA: University of California Press, 1979.

conditions reflected in the words of Marxist economist Paul Baran in his analysis of the colonial legacy:

...Their exploitation was multiplied, yet its fruits were not to increase their productive wealth; these went abroad or served to support a parasitic bourgeoisie at home. They lived in abysmal misery, yet they had no prospect of a better tomorrow. They existed under capitalism, yet there was no accumulation of capital. They lost their time honored means of livelihood, their arts and crafts, yet there was no modern industry to provide new ones in their place. They were thrust into extensive contact with the advanced science of the West, yet remained in a state of the darkest backwardness.<sup>85</sup>

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<sup>85</sup> Paul Baran, *The Political Economy of Growth*, New York: Monthly Review Press, 1957, pg. 144.

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**\*All websites accessed between December 2004 – March 2005.**