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The Arabs' New Frontier

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Jordan is unique among the Arab countries in at least two respects: it has needed outside economic aid not merely to develop, but even to survive; and it has suffered more proportionately than any other from the vicissitudes of the recurrent wars with Israel, civil strife and inter-Arab conflict.

Indeed, the losses of territory and revenue it has suffered and the enormous burden of refugees and displaced persons it has had to bear, together with the lack of natural resources in the country, make some experts doubt whether even with large-scale foreign aid it can ever provide a decent living for all its present inhabitants.

But it has made great and often successful efforts to help itself: there is something admirable and moving in the resilience and energy with which its people seem able to pick themselves up from the floor after every disaster and start building again.

Jordan is, in fact, the classic case of an Arab have-not country which needs and can use aid from those Arab states whose huge oil revenues and small populations give them surplus capital to invest. Jordan has had a special demand on the sympathies and aid of the richer Arab states because for long she bore the main brunt of the Arab struggle with Israel. She was the main host country to the Palestinians, refugees and others, who now form two-thirds of her population; she was also the state which had to defend the longest Arab frontier with Israel. But Jordan's geographical position, surrounded by more powerful neighbours—Israel to the west, Syria to the

north, Iraq to the east, Saudi Arabia to the south, and Egypt nearby, has meant that she and especially her Palestinian citizens have been the targets of many contending pressures and influences. And since these conflicts have been seen by the Great Powers as affecting their own balance of power and interests in the region, Jordan has also been an object of wider international rivalries.

This entanglement has cost Jordan dear in many ways, but it has also had one compensatory result: it has made it easier for her to obtain economic aid from interested outside powers, in this case chiefly other Arab countries and the United States and Britain.

The Jordan state was born with heavy handicaps. It was created in 1949 by the union of the former kingdom of Transjordan, then under King Abdullah, grandfather of the present King Hussein, with the West Bank, that part of Arab Palestine which had been occupied by the Transjordan army and held against the Israelis during the first Palestine war.

Of the one million Palestine Arabs who fled from their homes before the Israeli advance, half took refuge in Jordan. Of the half-a-million who stayed in place on the West Bank, at least a hundred thousand in the border villages had lost their lands and livelihood. In addition, the West Bank and Transjordan itself had lost their normal markets and their access and trading routes westwards to the Mediterranean ports of Haifa and Jaffa.

With at least a third of its population homeless (Jordan alone of the Arab countries automatically gave citizenship to the Palestinian refugees), and almost a half of the working population jobless, Jordan was a depressed area in the Arab world with an unemployment ratio unheard of in a Western country even in the deepest depths of the Great Depression. It was kept alive by foreign aid. The refugees, whose natural increase far outstripped the numbers who could be absorbed or resettled, were provided with a meagre subsistence ration and some basic health and education services by UNRWA (United Nations Relief and Works Administration), most of whose funds were contributed by the United States and Britain. At first, Britain, the mandatory power originally responsible for both Palestine and Transjordan, also paid for most of the upkeep of the Jordan army, the Arab Legion, and gave some economic and technical assistance to the Jordan Government. The army subsidy was in itself a form of economic aid—though not necessarily the most effective kind—because the army was in a sense Jordan's biggest national industry, employing directly up to 50,000 men and providing support indirectly for perhaps five or even ten times as many people.

Economic development was slow at first and concentrated on the capital, Ammán, which expanded rapidly from a small market town of 30,000 to a handsome city (now about 400,000). Palestinians from the West Bank middle-class set up businesses and built houses on the surrounding hills in the beautiful local stone, like their former houses in Jerusalem and other Palestinian hill towns, while their less fortunate compatriots huddled in refugee camps of tents or huts nearby. A troubled border with Israel and internal disturbance, stirred by the impact of the pan-Arab nationalist movement, inspired by President Nasser of Egypt, deterred investment, especially on the West Bank.

Jordan was able to avoid direct involvement in the war between Egypt and Israel in 1956, except for suffering two or three big Israeli border raids. But Arab nationalist sentiment brought a break with the British treaty of alliance and the consequent replacement of the British military subsidy by a joint subsidy from Egypt, Saudi Arabia and Syria. This Arab subsidy was withdrawn and replaced by American aid in 1957 when King Hussein decided to endorse the new American post-Suez policy, known as the Eisenhower doctrine, of forming an anti-Communist front in the Middle East.

In the sixties there was for some years comparative

quiet on the border with Israel and rivalries between Egypt, Syria, Iraq and Saudi Arabia, to a certain extent relieved the pressure on the Jordan regime from its Arab neighbours. It was during these years that the Jordan economy began to develop more rapidly and to show some prospects of being able eventually to dispense with foreign aid—except for the United Nations relief to the remaining Palestinian refugees. There remained a large hard core of refugees who could not be absorbed in jobs, or who still lived in camps and were a kind of terrible enclave within the Jordan economy and society.

A five-year development plan was begun in 1962 and then revised to put greater stress on achieving self-sufficiency, becoming the seven-year plan for 1964-70. In the uncertainty after the 1967 war, planning was on a year-to-year basis, until November 1972 when a new three year plan was published and explained to a specially-called international conference. The new plan, calling for an expenditure of £200 million, was drawn up by a National Planning Commission under the chairmanship of the Crown Prince Hassan. The National Planning Commission occupies modest offices in a stone villa in one of the hill suburbs of Amman. It was there that in March 1972 I first met the Commission's secretary, Dr Hanna Odeh, a quiet, precise civil servant.

By 1966 development expenditure was JD (Jordan dinars) 15.9 million (£18.5 million) a year compared with JD 2.8 million (£3.26 million) in 1954. Over the same period Gross National Product had increased to JD 185.8 million (£216.4 million) from JD 52.4 million (£61.1 million). Per capita income, despite a population increase of over fifty per cent, had risen from JD 37 (£49) in 1954 to JD 93 (£113) per annum in 1966. Exports of goods and services went up largely as a result of big increases in the three main export earners—fruit and vegetables, phosphates and tourism.

Jordan remained heavily dependent on foreign aid, especially for development purposes though a reduction in direct budgetary support showed some movement towards self-sufficiency. In 1954 aid amounted to JD 12.9 million (£15.5 million). In 1966, foreign aid totalled JD 31.4 million (£36.6 million) of which JD 13.4 million (£15.6 million) came from the United States JD 11.1 million (£12.9 million) from Arab governments, JD 1.3 million (£1.5 million) from Britain and JD 5.6 million (£6.5 million) from UNRWA and other UN agencies. But it had begun to represent a smaller proportion of GNP. Aid, together with invisible earnings from tourism and some JD 12 million (£14 million) worth of remittances from the thousands of Jordanians working in other Arab countries, helped to offset the trade deficit of some JD 56 million (£65 million) in 1966.

The outlook at the beginning of 1967 was promising. Jordan seemed to be moving towards the point of economic 'take-off'. In the 1967 budget JD 28.3 million (£33 million) was allocated for development out of a total of JD 69 million (£80.5 million).

Then came the catastrophe of the June war and the Israeli occupation of the West Bank. Within a few hours, Jordan lost half of her economic resources. A third of her population was left under Israeli occupation. The East Bank received the additional burden of 400,000 people who fled from the West Bank—100,000 of them already refugees from the 1948 war and 300,000 'new' refugees who had to be fed, housed and educated. The West Bank had provided 45 per cent of Jordan's GNP, and half of its government domestic revenues and foreign exchange earnings. It formed a quarter of Jordan's meagre cultivable area and produced two-thirds of its fruit and vegetables. With the Old City of Jerusalem, Bethlehem and other Holy Places, it was Jordan's main tourist attraction.

As if this was not enough, Jordan suffered two more serious setbacks. The first was the devastation and depopulation of the Eastern side of the fertile Jordan Valley in 1968, 1969 and 1970 as a result of border

guerrilla operations and Israeli reprisals. The second was the civil war of September 1970 and July 1971 between the Jordan army and the Palestinian guerrillas. Jordan was able to meet the shock of these events with the help of some JD 20 million (£23.3 million) emergency aid from Arab and other friendly governments in 1967 and subsequently a subsidy of £40 million a year from the wealthier Arab oil countries, Saudi Arabia, Libya and Kuwait. The economy was showing signs of revival by 1969 and this resurgence continued until the civil war in 1970 which was estimated to have cost the country some JD 16 million (£18.7 million) and a drop in GNP for the year of 12 per cent. After the final round of the civil war in 1971, Kuwait and Libya suspended their aid, amounting to £23 million, though the gap was partly filled by a resumption of budgetary support from the United States. The closure of the Syrian border and air space to Jordanian traffic (Iraq also closed her borders with Jordan but reopened them three months later) did serious damage to Jordan's foreign trade. But by the spring of 1972, Jordan, in its seemingly irrespressible way, had bounced back again and begun yet another recovery. However, its chances of progress still hinged on the prospects of peace and stability—if not a permanent peace settlement with Israel, then at least a form of peaceful coexistence with Israel and with its Arab neighbours which would provide greater outlets for its trade and better security for investment.

From the earliest days of the Kuwait Fund, Jordan was an obvious and deserving client for the Fund's operations. Jordan was the second country after the Sudan—both inheritors of a British-trained civil service with a businesslike approach—to apply for and receive loans from the Fund. Jordan's need and her special position as the main haven for the Palestinians no doubt increased sympathetic interest in Kuwait where exiled Palestinians were also becoming a large, productive and intellectually influential part of the population. But special sympathy did not deflect the Fund from applying to Jordan the cautious criteria for loans it was seeking to establish for all applicants. In March 1962, agreements were signed for a series of Fund loans totalling KD 7,500,000 (£8.29 million) for projects in Jordan in the three most promising fields of development, especially for foreign exchange earning, namely irrigated agriculture, phosphate mining and tourism, as well as for an expansion of electric power.

The tourism projects were for two modern hotels in Jerusalem and Amman, which received loans totalling KD 260,000. Another small loan of KD 240,000 was for the expansion of the Jerusalem electric power station. The fate of these projects is a small indication of the difficulties Jordan has had to face in her development. They were all completed by 1966, the two hotels, as I know from personal experience, being handsome and well-run establishments.

By that year Jordan's income from tourism had risen from JD 2.2 million (£2.5 m) in 1954 to JD 11.26 million (£13.1m), providing 25 per cent of her foreign exchange earnings. But the following year the Jerusalem hotel and power station fell under Israeli control with the conquest of Jerusalem in the June war. The Jordan hotel in Amman alternately languished for lack of tourists and was full to overflowing with journalists and other foreigners during Jordan's periods of internal crisis, achieving world-wide fame—and sustaining some military damage—as the headquarters of the beleagured international press during the battle of Amman in September 1970. In the spring of 1972 it was flourishing again, though without a political crisis, and had even resumed the construction of a new wing which had been planned but held up for several years past.

But the biggest Kuwait Fund aid was in two loans totalling KD 6.5 million (£7.18 million) to finance the Yarmouk project and the later Zerka River project for the extension of irrigation in the Jordan Valley, and two

others totalling KD 3.22 million (£3.78 million) for the development of phosphate mining.

The Jordan Valley is the most fertile part of a country of which a very large area is desert or steppe with little or no rainfall and only 13 per cent of which is cultivable land. The Valley is in three sections: the Zor which is the flood bed of the Jordan River; the Qatar which is the non-irrigable lip of the valley; and the Ghor which is the name given to the higher irrigable ground on each side of the Valley.

The original 'Yarmouk Project' was to build two main storage dams on the Yarmouk and Zerqa rivers which flow into the Jordan, with smaller dams on the other tributaries further south. There would also be a network of main and subsidiary irrigation canals and flood protection, drainage and land improvement works. The total cost of the scheme, together with hydro-electric installations, was expected to be JD 60 million (£70 million). It would put about 550,000 dunums (about 50,000 hectares) under irrigation and eventually add over JD 24 million (£28 million) a year to the value of agricultural production.

Part of the scheme had already begun in 1958 when with the help of American aid a start was made on building the East Ghor main canal. The Yarmouk waters were diverted by gravity through a one-kilometre tunnel into a 69 kilometre long canal running down the eastern side of the Jordan Valley. From this another 600 kilometres of subsidiary irrigation and drainage canals supplied 3,500 farm units and 120,000 dunums of land. All these installations, including ancillary maintenance roads and a telephone system, had been completed by July 1966.

One of the smaller side dams (the Sharhabil Bin Hasna at Ziglab) had also been completed in March 1967. Work began on two others, at Shueib and Kafrein, in September 1966 and was completed in 1968 and 1969, despite the fighting then going on in the Jordan Valley.

Meanwhile, the Yarmouk project as a whole had been complicated by 'the immediate Arab project'. This was the Arab states' plan for countering the Israeli diversion of the Jordan head waters by diversion schemes of their own. The Israeli diversion begun in 1964 had posed two serious problems for Jordan: it not only reduced the flow of the Jordan, but also, in the view of Arab experts, made it saline and unsuitable for irrigation purposes.

Jordan's share in the 'immediate Arab project' was to make greater use of the Yarmouk water in place of the saline Jordan river flow by three developments. (1) To double the capacity of the East Ghor Canal. (2) To build canals to carry Yarmouk water to the Zor flood lands and a syphon to carry it over the Jordan river to the West Bank, and (3) to build the main Yarmouk storage dam, the Khalid Ibn Al Walid dam at Mukheibe. The total cost of these projects was to be JD 16.3 million (£19 million).

The doubling of the East Ghor Canal and the construction of most of the Zor Canals were completed by May 1967; work had begun the previous year on the Khalid dam. But the June war and the Israeli occupation of the Golan Heights led to the suspension of work on the Khalid dam and the Zor canals.

Of an initial Kuwait Fund loan of KD 4 million (£4.64 million) for the Yarmouk project, nearly half had been spent by 1972 on feasibility studies, on the Khalid dam and other dams, and on an extension of the East Ghor Canal by eight kilometres. In early 1972 the Jordan Government was negotiating with the Kuwait Fund, the World Bank and several national governments for help in financing a revised form of the Yarmouk scheme, concentrating on the Zerqa river. This included the building of the Zerqa Dam and a further extension of the East Ghor canal, together with feeder canals and land levelling. The extension would put another 34,000 dunums under irrigation.

The Jordan Government eventually reached agreement in 1972 for the Kuwait Fund to supply KD 4.6 million

(£5.1 million) out of the total cost of £11.1 million for the new Zerqa River project. This would be made up of KD 2.1 million balance from the original Fund loan for the Yarmouk project and an additional Fund loan of KD 2.5 million.

During the border fighting between 1967 and 1970 the East Ghor canal was several times damaged by Israeli shelling and bombing. Thousands of Jordanian farmers were forced to leave their fields in the valley and take refuge in the hills. By 1972, after the expulsion of the Palestinian guerrillas from Jordan, the canal was repaired and the rehabilitation of the farmlands had begun. The Jordan Government was working with the US AID agency on an integrated plan for the restoration and development of the Valley.

Apart from farming, minerals—chiefly phosphates, rock for cement-making, and the potash and other salts of the Dead Sea—are Jordan's only other important natural resource. So far no exploitable oil has been found.

The potentialities and problems of Jordan's phosphate industry were explained to me in Amman in March 1972 by Mr Abdul Wahab Majali, chairman of the Jordan Phosphates Company which is two-thirds government owned and one-third private capital (including 4,000 small shareholders). Mr Majali, a short, stout, forthright man, is a former minister from a leading royalist political family.

Jordan has large phosphate deposits in many places and proven reserves of 130 million tons, with another 140 million tons estimated but unproven. But the economic working of the deposits depends on how deep they lie, what ground covers them and how far they are from the nearest port for shipping. Then there is also the question of their grade. The keenest world demand now is for super-phosphates: for the average grades which Jordan mostly produces the market is very competitive.

In the nineteen-fifties, phosphate mining was located near Amman in central Jordan and output was less than 100,000 tons a year. The location was a handicap on exports because it meant sending the phosphates by road either 380 kilometres south to Aqaba or 350 kilometres north through Syria and Lebanon to Beirut.

So a location was sought nearer to Aqaba, which was then being developed as Jordan's only port of its own. Suitable deposits were found at Al Hasa, 180 kilometres north of the port.

It was there that a Kuwait Fund loan of KD 2.99 million was used to set up the mining installations, together with a small town or village for the employees. There are 1,500 men directly employed by the company as well as others working on contracts given to small local enterprises which use their own bulldozers and are paid by the cubic metre excavated. Contractors also run the fleet of trucks carrying the phosphates to the ports. The mine installations include a beneficiation plant for purifying and improving the grading of the phosphate, as well as furnaces and an electricity generator.

With the help of loans from the West German Government the port of Aqaba was expanded to take ships in deep berths up to 50,000 tons. There is a special berth for phosphate ships with a modern handling system capable of dealing with 10,000 tons a day.

By 1967, the company was producing and exporting over a million tons a year and was making a profit. Its exports, valued at over £3 million, represented 35 per cent of the country's total commodity exports. Markets had been found in Turkey, Eastern Europe, Yugoslavia and the east coast of Italy and other sales were being developed in the East in Asia and Africa.

But this promising outlook was seriously affected at least temporarily by the aftermath of the June war. The closure of the Suez Canal meant that phosphates intended for Mediterranean or Black Sea ports could no longer be shipped from Aqaba but only through Beirut, involving a long and costly road journey to the port.

Then, after the civil war in Jordan, even this route was interrupted completely for seven months in 1971-72 when Syria closed her borders as a reprisal for the expulsion of the Palestinian guerrillas. Some of these European markets have been retained by continuing the contracts at a loss, in the hope of an eventual reopening of the Suez Canal. For technical reasons, a contract once lost is difficult to regain. The Syrian blockade was lifted for phosphate consignments early in 1972 when it was pointed out to the Syrians that the chief gainers from the blockade would be the Israelis who were trying hard to replace Jordan in the Turkish market.

At the same time, Jordan sought to expand her exports to East Asian and African markets for which Aqaba is well situated as a port of shipment. In these areas an increasing demand for fertilisers is expected as a rising population requires greater food production. India signed a contract for 350,000 tons a year. Japan was considering increasing its imports from 50,000 tons to 100,000 tons, especially if Jordan could upgrade its phosphate. The Japanese showed an interest in sharing in the establishment of a plant in Jordan for this purpose.

The company is now optimistically looking round for more money to expand production, especially of a higher grade phosphate, and to improve its transport and shipment.

It hopes to build up production and export to two million tons a year over the next two years—doubling current output. This figure compares in the world phosphate league with a production of 30 million tons in the United States, 14 to 15 million in Morocco, three to four million in Tunisia, and about 700,000 tons of low grade phosphate in Israel.

To improve transport, the Jordan and West German governments have been discussing a £14 million project for a special railway linking the Al Hasa mines with Aqaba. The railway, connecting also with the main railway system in Jordan, would take three years to build and would be able to carry three to four million tons a year. Aqaba port can already cope with that amount.

The last instalment of the KD 2.99 million Kuwait Fund loan was due to be repaid at the end of March 1972. But the Fund agreed to re-lend this last instalment of KD 230,000 to expand the beneficiation plant at Al Hasa. The company is looking altogether for £3 to £4 million to expand production. While the Kuwait Fund helps finance the first phase, British Government development aid of up to £1 million may be available for the second and third phases of the expansion programme. But obviously the economic prospects will depend a great deal on whether the Suez Canal is open or remains closed.

Another economic casualty of war, which could be revived by the return of peace is the exploitation of potash on the Jordan shores of the Dead Sea. Just before the 1967 war, the Jordan Government was about to reach agreement with the Kuwait Fund, the World Bank and US AID on the establishment of a potash company and a plant with a capacity of 1.25 million tons a year. The company was to have 25 per cent equity and 75 per cent loan capital, and the Kuwait Fund was to have put up 30 million dollars (£12.5 m.) But a proviso of the Fund and of the World Bank was that the company should have a foreign industrial partner. Because of the war and the consequent military and political uncertainty in the area, it proved impossible to attract such a partner. So the project remained in cold storage.

The Kuwait Fund and the World Bank also worked closely together, as well as with other potential aid donors, in considering aid for Jordan's new national electrification plan. This would centralise power generation for central and northern Jordan at a central thermal station at Zerqa. The Zerqa station with two units of 33 megawatts each would feed a high tension grid system linking Jordan's main towns. The total cost of the scheme is estimated at 15 million dollars (£6.25 m) of which 12 million (£5 m) would be in foreign exchange.

Jordan hopes for a loan from the Kuwait Fund of six million dollars (£2.5 m) for the power station, together with loans from the World Bank and the US AID programme. The high tension lines may be financed from British development aid.

The amount of the Kuwait Fund's loans to Jordan over the first eleven years of the Fund's operations—KD 10.2 million (£11.28m)—may perhaps appear relatively small compared with Jordan's great needs, and compared with aid from other sources or with amounts lent by the Fund to other Arab countries in less desperate straits. But it has also to be remembered that between 1967 and 1971 the Kuwait Government itself was contributing £15 million a year to the Jordan exchequer as an outright gift. When this aid was suspended in the summer of 1971 as a protest in support of the Palestinian guerrillas, the Kuwait Fund continued its operations in Jordan unaffected—striking evidence of the Fund's success in keeping its operations free from political influences.

But, apart from the misfortunes of war, nowhere has the Fund better demonstrated than in Jordan its ability to make a disproportionate contribution to development by the well-chosen application of its loans to key projects and by its ability thereby to act as a catalyst for help and so also to attract help from other international aid agencies such as the World Bank.

And certainly nowhere more than in Jordan, still the main haven of the displaced Palestinians, could Kuwait's aid be applied to a better or more urgent human purpose or one more necessary for the future political and economic development of Arab Asia, indeed of the Arab world as a whole.