

## JORDAN BUSINESS FEATURE

(\$182 million). Internal government debt has also risen from JD 198 million (\$514 million) in 1980 to JD 343 million (\$890 million) at the start of this year.

The rising public debt burden has, in the past, been cushioned by the high inflow of aid and private remittances, but it cannot be assumed that these will remain stable in the future. The government's domestic revenues, though increasing, are still modest compared to total expenditures and the national debt. Last year, domestic revenues were JD 437 million (\$1,134 million) of which only JD 64 million (\$166 million) came from direct taxes, while expenditures were JD 746 million (\$1,936 million).

A heartening trend to the contrary is the ability of the domestic banking system to shoulder more of the burden of financing industry and the growing services sector. In the past five years, the banks and finance companies have put together a total of JD 134 million (\$348 million) in locally syndicated loans, and have underwritten JD 80 million (\$208 million) worth of corporate bonds.

With aid inflows slowing down and remittances levelling off, the government expects the private sector to reassert its investment role, which has flattened out in the past three years. After growing from JD 295 million (\$766 million) in 1979 to JD 565 million (\$1,466 million) in 1981, gross fixed capital formation has only increased to JD 591 million (\$1,534 million) in the past two years.

In the longer run, Jordan must generate new jobs for the tens of thousands of graduates from high schools, vocational training centres, community colleges and universities who enter the workforce every year. Traditionally, Jordan has exported surplus labour to the Gulf, but this outlet has narrowed with the economic slowdown in the oil-producing states.

Another long-term challenge is maintaining the delicate balance of Jordan's water resources, vital to the growth of both industry and agriculture. The country now consumes over 520 million cubic metres a year of water, and before the end of the decade is likely to reach the point where it consumes more than its available supplies of naturally replaceable groundwater. However, using dams to collect surface runoff, and recycling industrial and domestic water for agriculture should put off the day of reckoning for perhaps another 10 years, by which time Jordan should have addressed the problems of water supply far more rigorously than it has to date.

RAMI G KHOURI

## Hussain beckons US along the path to peace

FOR two countries that profess to have much in common, Jordan and the US have a somewhat uneasy relationship. The US believes Jordan needs to take the initiative on the Arab side if a Middle East peace settlement is to be achieved; Jordan knows there is no point in taking any drastic action unless the US proves its willingness to put real muscle into its peacemaking efforts.

Then there is the gross imbalance in the US' treatment of Jordan and Israel. Jordan has a population of some 3 million, and US aid amounts to \$115 million a year. Yet Israel, with a population of about 4.6 million, is receiving \$4,110 million in US aid in 1985, and has been promised at least \$3,000 million in 1986.

Jordan's leaders are pragmatists. They are aware of the power of the Israeli lobby in Washington. They have seen it push aid levels to Israel to astronomical heights while ensuring strict limits on aid to Arab countries — with the exception of Egypt, whose aid levels are loosely connected to

those of Israel. At the same time, they feel the US risks losing its advantageous — at least in superpower terms — position in the Middle East simply because of the reluctance of successive administrations to stand up to the lobby.

Since the beginning of 1985, the US and Jordan have been working to heal the rift caused by the former's failure to act on the September 1982 Reagan initiative. The result of this inaction was that in early 1984 King Hussain, in a series of interviews with the American media, bluntly declared that there was no longer any point in pursuing bilateral negotiations.

The Jordanian position was expressed succinctly by Crown Prince Hassan, when he noted that: "An outstanding feature of American diplomacy in the Middle East has been its lack of consistency." While declaring that the Carter presidency had "raised hopes for a more comprehensive settlement," he noted also that: "The Camp David accords [arranged by Carter between the US, Egypt and Israel] signified the gravitation of the US to piecemeal tactics and separatist agreements, alienating not only the Soviet Union but the other main actors in the conflict."

While Jordan reacted positively to the Reagan initiative, Prince Hassan bemoaned the fact that "no positive measures were

*On an official visit to Washington in May, Hussain looks to the US to put some real muscle into its peacemaking efforts, and outlines an approach to towards direct Arab-Israeli negotiations*



Ret Features

## JORDAN BUSINESS FEATURE

forthcoming [from the US] to rectify an increasingly menacing situation [in 1983]." In short, he added, "the Reagan plan lacked the determination to which President Reagan had alluded [in declaring the initiative]."

No moves were made on the American side to dispel such scepticism. So when King Hussain and PLO Chairman Yasser Arafat finally reached agreement on a joint approach towards Middle East peace negotiations on 11 February 1985, Hussain can have been under few illusions that the US would rush to help him use his accord to get Arab-Israeli negotiations under way.

### Broad support

Jordan was, therefore, careful to win broad Arab support for its controversial moves before entering into summit talks with the US. In February, Saudi Arabia's King Fahd put the Arab moderates' case to Reagan – and, perhaps more important, to the troika of senior officials around the president: Secretary of State George Shultz, Secretary of Defence Caspar Weinberger and National Security Adviser Robert McFarlane. In March, President Mubarak of Egypt did likewise, followed in April by Algeria's President Chadli. Each had their own bilateral matters to discuss, yet on the central issue of Middle East peace, all three stressed the importance of US government recognition that the 11 February agreement was indeed a breakthrough.

By the end of April, the US was starting to talk positively – although still with caution – about the accord. A private visit by Hussain to the US was rapidly upgraded to include a three-day official visit. Serious peace moves were again under way.

The king's visit was a success. US officials acknowledged the value of Hussain's three-year effort to convince the PLO of the need for formal recognition of UN Security Council resolutions 242 and 338. The king outlined the framework of a step-by-step process, which he believed would culminate in direct negotiations between Israel and the Arabs – notably a joint Jordanian-PLO delegation. In a comment echoed by US officials, Hussain said he found himself hard pressed to note any difference between the Reagan initiative's plan for a West Bank in association with Jordan, and the Jordanian-PLO proposal for a confederation between the West Bank and Jordan.

The US had certainly started shifting its position in a manner that gave hope to Arab moderates. But what remained unclear was whether the US, in a post-election year and with a president ineligible for re-election,

would show the determination vigorously to pursue the peace process. In an address in Washington, Hussain referred to "the ideals we share with you, the principles, the hopes you have...." These, he affirmed, strengthened the moderate Arabs' wish "for you to be our partners and support our efforts to achieve a just, lasting and comprehensive peace."

As the king left Washington, immense pressure was being brought to bear on the Reagan administration to go no further along the road indicated by Hussain. Despite the latter's clear commitment to peace – a commitment publicly accepted by the US government – Israel was at pains to remind its powerful allies in Washington that Jordan and Israel were still technically at war.

In addition, plans were disclosed for revival of a weapons sale to Jordan, first proposed in 1981. US officials claimed this was necessary to ensure Jordanian security would not be threatened – implicitly, by Syria – as a result of the king's flexibility on peace negotiations. Jordan wants contemporary interceptor aircraft, a mobile ground-to-air missile system to counter enemy air attack, and hand-held Stinger missiles to protect ground troops from air strikes. The powerful America-Israel policy affairs committee has so far secured firm congressional opposition to such a sale, valued at \$300 million-500 million.

### Many pitfalls

In the months to come, one sign of the Reagan administration's determination to back its friends in the region with deeds as well as words would be formal notification of its intention to sell defence equipment to Jordan. It would also be a strong measure of the state of US-Jordanian relations: for the peace process is so delicate, that while Hussain's visit to Washington and his painstaking diplomacy in recent years have raised hopes of a breakthrough to peace, many pitfalls remain.

US-Jordanian relations are so bound up in the peace process, that if the latest moves broke down, or became stalled, the relationship would suffer grievously. Hussain's biographers say he has received firm promises from every US president concerning US action to bring about either improved relations with Israel or an end to Israeli occupation of the West Bank. After 33 years on the throne, he is still waiting, perhaps more hopefully than for some years, for the US to deliver.

JOHN ROBERTS  
in Washington

## State industry urged to rethink objectives

AFTER years of commitment to industrial development, the Jordanian government is looking increasingly to the private sector to help shoulder the burden. Current enthusiasm for privatisation may be fired in part by recent criticism of several state-owned ventures which have been making a loss.

Arab Potash Company's (APC's) Dead Sea extraction plant, for example, has experienced technical and administrative setbacks which have prevented it from reaching its 1.2-million-tonne-a-year capacity since it came into operation in 1983. First-year production was only 284,000 tonnes and the company lost JD 13.4 million (\$34.8 million). However, things began to look up in 1984, when many of the problems were ironed out, and output rose to 450,000 tonnes. The projected figure for 1985 is 800,000 tonnes.

The newly opened South Cement Company (SCC) in southern Jordan has been facing difficulties, largely because of high prices. But after weeks of hard bargaining, it finally clinched a sale of around 1 million tonnes to Egypt in April 1985. The Supplies, Trade & Industry Ministry is encouraging a merger between SCC and the profitable Jordan Cement Factories Company (JCFC) in the hope that co-ordinated production will help bring down prices. The two are also being urged to diversify their output to enable them to take a greater share of the home market.

Jordan Glass Industry Company's (JGIC's) plant at Maan is having similar problems with pricing. In a move to create domestic openings for the company, the government has banned the importation of plate glass. It is also encouraging JGIC to diversify its range and cut costs.

The problems of the \$450 million Jordan Fertiliser Industry Company (JFIC) plant at Aqaba will be less easy to solve. The plant sustained a loss of \$32 million in 1984 and has found itself caught between rising costs for imported raw materials and a sharp drop in world fertiliser prices. While it cannot greatly influence international pricing levels, it could study the possibility of