

JORDAN

## AL-RIFA'I ATTEMPTS TO DEAL WITH ECONOMIC DOWNTURN

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[Article by E. J.: "The Liberalism of 'Rifa'i's Boys'"]

[Text] In addition to foreign policy considerations, the appointment of Mr Zayd al-Rifa'i to the position of Prime Minister last 4 April 1985, replacing Mr Ahmad 'Obeidat, was with the specific purpose of re-energizing the economy, stimulating the private sector and encouraging foreign investments in Jordan. Briefly, the purpose was to help the kingdom come out of the recession into which it had been sinking for several years. Furthermore, many Jordanian observers saw in this ministerial reshuffling a return to the economic liberalism which had marked the previous Rifa'i government in 1975-1976. During the months preceding 'Obeidat's resignation the grumbling of Jordanian business circles had risen to an unprecedented level. The Cabinet had been accused of practicing a "planned economy," "statism" and even, worst of all, "socialism." Merchants and industrialists blamed 'Obeidat, as, in fact, they had blamed his predecessor Mudar Badran, for what they considered an excessive interference of the state to the detriment of the private sector. The state monopoly of apple imports had thus become a symbol of an increasingly vilified policy....

The contrasting of 'Obeidat's "planned economy" against Rifa'i's "liberalism" was largely exaggerated. Actually, Jordan had never stopped being a country with a liberal economy. To be sure, those in charge of Jordan's economy under 'Obeidat and Badran were essentially technocrats, whereas "Rifa'i's boys" quite frequently come from business circles, as is the case, actually, with Rifa'i himself. In reality, however, what the former were accused of mainly was to have been unable to resolve the economic difficulties which have afflicted Jordan starting with the 1980's.

## Considerable Investments

Badran's accession to power in 1976 coincided with a growing influx of petrodollars from the Gulf countries. This relative abundance of means had to be managed and channeled into sectors which had been given priority at that time, which was done. Jordan acquired a heavy industry based on natural resources, phosphates, potash, fertilizers, cement and glass. At the same time, substantial funds were invested into the development of the Jordan River

Valley (the richest agricultural area of the country), the road infrastructure, the port of Aqaba and others. The Hashemite kingdom also acquired an ultramodern telecommunications system, which was supplied and installed by a consortium of French enterprises (CIT-Alcatel TRT and Cables de Lyon) within the framework of a financial protocol signed with Paris.

Finally, the Badran and 'Obeidat governments tried as best they could to repair the nefarious effects of this inflow of petrodollars, particularly the widening gap between the richest classes and the rest of the population, by establishing a retirement fund and a social security system and subsidizing government-owned stores and a certain number of consumer goods. But then came the Iraq-Iran war, the oil crisis and... the end of the economic boom.

Will Rifa'i be able to do better than his predecessors? What is certain is that he will be confronted by the same restraints. Jordan is a small country with limited natural resources: quite promising results have been achieved in recent years in petroleum surveys but the possibility of producing black gold in commercial quantities is still distant. This is a country more than 80 percent of which is a desert and which is greatly dependent on foreign aid and regional and international circumstances. Loyal to his reputation, the prime minister took quite rapidly a number of steps in favor of the private sector. Specifically, he lifted price controls (with the exception of prime necessity goods) and abolished a law which called for the "Jordanizing" of foreign banks in the kingdom. He also called for the study of a project for denationalization of the Jordanian Telecommunications Company, which was the most profitable of the country's publicly owned enterprises.

#### Protection of Agriculture

However, his policies did not exclude a certain dose of "planning." Thus, his government banned imports of some 30 items and levied taxes on other imported goods. The purpose was to protect domestic agriculture and industry.

One of the main targets of the next 5-years (1986-1990) is to develop the productive sector by encouraging the establishment of private industrial enterprises oriented as much as possible towards exports. The Jordanian authorities would thus like to emphasize the development of agriculture in the plateaus (grain, livestock feeds, orchards), which have been neglected so far. Wherever the ground has water reserves, in the southern part of the country in particular, the government has decided to lease or even grant miri (state) land to private companies and entrepreneurs. This would resolve the double problem of reducing the commercial deficit and food dependency (in 1984 Jordanian food imports reached 184 million dinars) and create jobs.

#### The Unemployment Challenge

Unemployment was virtually unknown in Jordan in the 1970s and until the beginning of the 1980s. Today its rate is becoming alarming: 6.5 percent according to the Ministry of Planning. Cohesion and family, not to mention tribal, relations, which are still very strong in Jordan, are for the moment at least, a substitute for unemployment insurance. However, the Jordanian leadership is quite anxious to curtail this phenomenon which appears to

present the major challenge for the years to come. The active Jordanian population, 595,000--strong today, will increase by at least 40,000 job seekers between now and 1990. An even greater concern is the possibility of a massive return of Jordanian expatriates<sup>1</sup>, caused by the economic difficulties experienced by the Gulf Arab countries. Jordanian experts estimate that 5 years from now the unemployment rate would reach 7-8 percent, even with the ideal hypothesis according to which the plan for the growth of the GNP--6 percent annually in real figures--would be implemented.

"In order to solve the unemployment problem satisfactorily, a higher growth rate would be necessary, which would force us to make investments higher than those we could afford," commented an aide to the minister of the plan. This is one of the dilemmas of the Jordanian leaders, who would like to maintain an economic growth which would at least equal the population's natural growth (3.9 percent) and also to keep Jordan's foreign debt within reasonable limits.

The investments planned for the next 5 years--3.5 billion dinars--will have to be partially procured through loans assessed at 1.2 billion dinars. The Jordanian civilian foreign debt is relatively modest--978 million dinars last June. However, to this we must add the military debt which is at least double that.

#### FOOTNOTE

1. Currently 800,000 Jordanians live outside their country, 325,000 of whom are employed; 85 percent of the latter work in the Gulf countries.

5157  
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