

**Finance Minister Reads 1989 Budget Statement**  
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["Text" of budget statement for fiscal year 1989 read by Finance Minister Dr Hanna 'Awdah in Amman on 31 December—recorded]

[Text] In the name of God, the merciful, the compassionate.

Brother compatriots: While extending to you the best of greetings, it pleases me to talk to you in order to place before you the dimensions of the general budget law for fiscal year 1989 after a royal decree was issued ratifying it. I would like to point out all facts and data according to which the government prepared the general budget and to explain the economic and financial trends expressed by this law.

It honors me to convey to His Majesty King Husayn the most solemn assurances of love and loyalty, thus expressing the true loyalty of all members of his one large family and their great adherence to his genuine historic mission and matchless wise leadership which is leading us always to coasts of safety, positions of might, and sources of light. It is a pledge we make to the leader of the march and the vanguard of its progress that we all will remain faithful soldiers rallying around the fluttering Hashemite banner so that Jordan will remain strong and powerful.

Brother compatriots, recent years have witnessed successive economic and financial developments in the international and Arab arenas. These developments have naturally had various negative extensions and reflections on our national economy. The stands of the industrialized and developing countries—and even those within the industrialized group itself—differ on the practical formulas and appropriate arrangements to resolve the problem of foreign debts from which the developing countries are suffering these days. The continued exacerbation of the debts crisis led to further pressures and disorders which echoed negatively on the developing countries' balances of payments, the directions of their foreign trade, and the evenness of their interests under the current world economic order.

This affected their overall economic performance, growth ratios, and ability to fulfill their commitments with their own resources. The Arab arena was not isolated from these events, because it is part of the developing world. A state of economic relaxation afflicted the Arab region in the past few years, represented by a drop in the volume of trade exchanged among Arab states and by a drop in the demand for labor forces and the disruption of joint Arab action. This requires a serious pause at the concept of Arab economic

integration at a time when the European group is moving toward the formation of a unified market at the outset of the 1990's and at a time when blocs in several parts of the world are getting more cohesive.

Brother compatriots, we in Jordan have lived a year abounding with events as a result of economic and financial developments on both the international and Arab levels. They were also a natural result of the rectification and adaptation measures we began so that the national economy will conform with foreign developments and future aspirations. In the past years, and as part of well-studied plans and programs, Jordan achieved tremendous accomplishments in all economic and social sectors, particularly in building its infrastructure, whose economic dimension is today constituting the main bases of investment and diversified production. Its social dimension brought about a qualitative change and a better life for citizens.

At a time when the government has undertaken to execute all of the national networks of key services, given their high precedence, it has pursued policies and introduced measures to enable productive sectors and activities to play their effective role in the national economy. It set about addressing the affairs of big companies that have been experiencing financial, administrative, and technical problems and helped them weather their difficulties. It has also worked to support farmers and relieve their debt burdens. The government further solidified the finances of local councils and strengthened their bureaucratic efficiency. It has placed special emphasis on administrative and financial development in the state bureaucracy and continued to complete the public services and upgrade the legislation pertinent to investment. It was natural that all this should lead to increased public spending.

If this spending underlies the positive rates of development in the national economy after the volume of the investment by the private sector receded, reflecting a region-wide economic slowdown, in the meantime, it mirrors the high price of development, all the burdens of which must be borne by us. The government, has, for its part, continued to honor its internal and external financial obligations without compromising the requirements of defense and public security, sectoral and regional development, and sharing out its gains among the various strata of the citizens in all parts of the Kingdom.

Accordingly, two key factors have come to the fore that need to be stated:

First: Our economy is built on solid foundations and backed by all its built-in strong points, foremost of which is its wise, enlightened leadership and the flexibility and openness of its system of government, its society's stability and security, its people's maturity and sense of belonging, and the sufficiency and effectiveness of its infrastructure.

Second: Our economy is still experiencing structural imbalances manifested as follows:

1. Lack of balance among economic sectors: The services sector has expanded relative to the commodity production sector.
2. The general state budget deficit that has risen in proportion to the domestic production due to declining public revenues as a result of erratic Arab financial aid decreed by the Baghdad summit, with the exception of aid from the sisterly Kingdom of Saudi Arabia. As the bulk of our foreign financial obligations were based on this aid, we have had to draw on our own resources to honor them. This is in addition to persistent high government spending in order to maintain the growth of the national economy.
3. The balance of payments deficit stemming from the Kingdom's expenses outstripping its foreign currency earnings due to a mounting state budget deficit and servicing foreign debts, bloated imports brought about by prevailing patterns of consumerism, and a retreating competitiveness of Jordanian exports.
4. Unemployment in the job market which is essentially attributed to a structural nature strengthened by the total of the economic circumstances. As a matter of fact, this phenomenon emanates from a conspicuous disparity between the supply of the work force and the demand for it. It also reflects a certain social attitude toward the concept of work.

For all this, we had to reformulate the concept of development according to a new national perspective based on building the self-potentials through the exploitation of our national resources and our renewed capabilities and also through strengthening the ties of cooperation and dealing with foreign countries.

Brother compatriots, His Majesty King Husayn consented to patronize the comprehensive development conference which was held on 28-29 November 1988. At that conference, his majesty the king delivered a wide-ranging orientation speech that was actually a national development charter for a new phase extending to the end of this century. His majesty the king, may God protect him, stressed to us the importance of using the positive things we have as a springboard for confronting the challenges posed by the decade of the nineties.

The great wealth brought about by the comprehensive development during the past years, our educated and enlightened people, our regionally and internationally unblemished reputation, our economic system based on economic freedom linked to social justice, our political climate based on centrism and moderation, and the bright Jordanian history replete with struggle and firmness in the face of all circumstances—all of these realities are our most important positive traits which will enable

us, God willing, to crystallize economic plans and their programs in order to implement the new approach which is based on the attainment of the following principles and objectives:

1. To build the productive economy which falls in harmony with our ethics and traditions regarding the abandonment of all forms of wasteful spending and the pursuit of moderate spending and feasible saving and investment to reduce imports, increase self-reliance and exports, and properly and soundly manage financial resources on the levels of the institution, the family, and the individual.
2. To achieve an equilibrium between the population and the resources to ensure the best possible distribution of the fruits of development among urban, rural, and desert areas.
3. To take interest in the land, natural resources, water, energy, the environment, and touristic sites, and to focus on agriculture as a basic pivot for the economic process and as a developed human and social activity.
4. To build defense capabilities to preserve security and stability and to give our Armed Forces the full opportunity to continue to perform their national duty.
5. To focus on the self-management capabilities and to give attention to scientific research, science, and technology; to provide the atmosphere for creativity; and to unleash the unused energies and exploit them to serve the needs of the homeland and of the citizens within a homogeneous and coordinated framework.
6. To rearrange the roles of both the public and private sectors and to enhance the private sector's role in launching initiatives and in production.
7. To continue work to achieve an inter-Arab economic integration to make it serve as a mainstay for the comprehensive Arab order.

These principles and objectives and the great meanings and the clearly obvious bases entailed in them will, with God's help, be our beacon in any economic and social development endeavor within a framework in which a balance will be struck between the ambitions and abilities and within a framework that would place our expenditure in its proper channels, that would place our investments in their feasible marches, and that would use our self-potentials in the best possible manner.

Brother compatriots, in this regard, I am pleased to extend greetings of pride to His Highness Prince Hasan, the regent, for the great efforts exerted by his highness during the development meetings in the Kingdom's regions with the participation of all the functionaries concerned with the development process.



These meetings were concluded by the comprehensive development conference, where standard recommendations were drawn up in the fields of management of resources, land, water, and manpower; financial policies and finance; institutional and administrative reform; the supporting services; the infrastructure; and legislation and procedures.

The government is studying these standard recommendations with an examining eye in order to take the executive resolutions on the recommendations related to them which are compatible with the main principles of the comprehensive national development charter. The government calls on the private sector to follow the same orientation about the recommendations related to it so that links will become complete within the planned frames for the coming stage.

Brother compatriots, the state of economic recession witnessed by the region is a reality which imposes challenges and calls for adopting a multifaceted, multi-dimensional development course. Dealing with this reality transcends the short time interval and adjusting to it is a national aspiration which calls for following a behavioral trend in performance, work, production, and consumption. All hands that are working to improve production levels, increase the acceleration of export growth, and curtail luxury consumption and ostentation must implement this aspiration and lay its foundations.

For the Jordanian economy to be able to head toward its objectives within the basics of its order and principles, the government has taken a series of economic, financial, and monetary measures to deepen the concept of savings, improve the investment atmosphere, increase the dependence on market parameters, and restore liveliness and equilibrium to the national economy and place it on the course of progress and growth.

For this purpose, the government has worked in many fields. These are:

I. The field of economic measures, which includes the following:

1. Cancellation of the conditions of advanced licensing for investments in agriculture and industry, acceleration of the registration procedures for these investments, and the formation of a specialized unit in the Ministry of Industry and Trade to follow up the procedures related to investments on behalf of the investor and in order to guide him.

2. Providing protective customs for locally-produced industrial commodities after the cancellation of closed protectionism.

3. Amending the law of encouraging investment, standardizing tax exemptions for all development regions and restricting them to 5 years, and following the principle of transferring losses until after the end of the

exemption period. A special fund will be established to support investment by providing easy loans to investors in the development regions outside main cities.

4. Charging working teams with studying the best methods to encourage exports and improve tools of investment and its new channels. These teams have completed their studies and the necessary resolutions in this regard will be issued soon. II. The field of monetary measures; it includes the following:

1. The adoption of the flotation method to fix the Jordanian dinar's exchange rate in a manner that secures a balance between the Kingdom's foreign currency revenues and its usage of these revenues, and, consequently, to keep it around its real market value in order to encourage exports, tourism, saving, and investment.

2. Floating the interest rates of current credit accounts and various types of deposits, and floating the commission rates of direct loans while fixing their interest rates with the aim of increasing competition among the commercial banks and financial companies in order to attract residing and nonresiding deposits and to finance investment.

3. Organizing the exchange market and confining the work of moneychangers to buying and selling foreign banknotes and coins as well as buying foreign currency travelers and bank checks.

4. Organizing transaction in banknotes and credit facilities and reconsidering the ratio of the commercial banks' legal reserves at the Central Bank.

III. The field of financial measures; this includes the following:

1. Adopting the policy of checking and rationalizing public expenditure, increasing the public institutions' dependence on their own resources, reconsidering the priorities of new projects according to their nature and their economic and financial returns, and avoiding borrowing except for productive projects.

2. Amending customs duties in a manner that bolsters the competitive capability of local production.

3. Exempting all capital production commodities and a number of raw materials and goods from custom duties and other duties and taxes in order to encourage investment and production and to reduce their cost.

4. Subjecting products similar to local products to customs duties in order to support local industries and increase their competitive capability.

5. Banning the importation of a number of luxuries worth about \$200 million until the end of 1989 and raising the customs duties on another number of luxury commodities with the aim of curbing their importation.

Aware of what is entailed by the above measures, the government followed up the initial results of these measures, particularly their influence on prices and the cost of living, and put things in their normal and logical positions within the unified and intensive national efforts. Within this context, the government did the following:

1. It explained the new measures and their dimensions very clearly and frankly through all available channels so that there would be no ambiguity about them.
2. It opened dialogue with the industrial and commercial key figures in order to fix the prices of foodstuffs and medicines and the requirements of agricultural production and construction.
3. It continued to subsidize basic foodstuffs and to maintain their prices despite the increased value of government subsidy.
4. It reduced the electricity and water consumption tariff for citizens, particularly limited-income ones.
5. It set up an office at the Interior Ministry to receive the citizens' complaints in order to deter all practices aimed at exploitation. A committee was formed from the general secretaries in charge of following up and coordinating issues related to these measures, averting the implementation gaps, and making sure that they progress in the desired way.

Brother compatriots, the government is continuing its intensive efforts to fight the phenomenon of unemployment through activating the investments of the domestic and private sectors to create new job opportunities, preserve the current markets of the Jordanian work force, organize the job market in a manner in which the work force supply will match the demand for it, continue to open new markets for it abroad, and utilize the Technical Assistance Fund for this purpose.

Despite all economic circumstances and developments, the government has continued to pursue an approach based on enhancement of the productive base, deepening of the concept of saving, encouragement of investment, and attraction of Arab capital. The government has also followed up the results of the Jordanian investment seminars held in Japan and the United States under the patronage of His Royal Highness Crown Prince Hasan to acquaint the investor in these two countries with investment opportunities in the Kingdom and to explain the regional economic role played by Jordan.

These seminars yielded great positive results, foremost among which was the signing of the long-term \$300 million Japanese loan with easy terms. Furthermore, investors from friendly states paid various trips to the Kingdom to launch productive projects in cooperation with the Jordanian private sector. Moreover, the government has decided to implement the 5-year plan for the

wire and radio communications to redouble the benefit from the investments made in the national and international communications network. It has also reinforced the financial resources of the specialized lending corporations which are interested in providing suitable financing for special investments in the fields of agriculture, tourism, and medium-sized and small industries.

Measures are being taken to prepare economic and technical studies for some basic industrial and chemical projects. Phosphates will begin to be produced with increasing commercial quantities from the Al-Shidiyah mine. Also, various touristic agreements have been signed with international firms. National programs for prospecting for oil and gas are proceeding in an intensive manner. The 'Arishah electricity station will be operated during January 1989 using the natural gas discovered in that area.

The government is working to implement an ambitious program to develop the private sector's services in the fields of accounting, marketing, and computer services. It has also supported the domestic sector through supporting the municipalities and village councils to alleviate their financial burdens and enable them to perform their tasks in serving local communities in the best possible manner.

The government has approved the companies law and is about to draw up the legislative framework for unifying the sources of agricultural lending, cooperative action, and agricultural unions. It has also approved the recommendations submitted by the Royal Commission for Administrative Development and which pertain to the links binding ministries to departments with the aim of affirming the principle of the unity of supervision and responsibility and ensuring coordination among the various activities at public institutions. Work will continue to study the reorganization of the public administration bodies, draw up the bases and criteria for measuring performance and improving the efficiency of workers, and bring about the best use of the available resources.

Brother compatriots, the general budget for 1989 originates from the spirit of the comprehensive national development charter and reflects the economic, financial, and monetary policies, which aim to put the development efforts on their right course and increase dependence on local financial resources. Allow me to present the main items included in the 1989 general budget law:

I. Chapter One:

A. Revenues:

1. Local revenues: 547.5 million Jordanian dinars [JD].
2. Financial aid: 225 million JD.
3. Installments of retrieved loans: 37.6 million JD.

The sum of revenues in chapter one: 810.1 million JD.

B. Expenditure:

1. Current expenditure, including the interest on general domestic and foreign debt: 688.9 million JD.
2. Capital expenditure: 243.5 million JD.

The sum of expenditure in chapter one: 932.4 million JD.

C. Deficit: 122.3 million JD.

II. Chapter Two: Development projects financed by loans and aid: 103 million JD.

Therefore, the total size of the budget for 1989 is 1,035,400,000 JD.

These figures in the general budget display the government measures to restrict current expenditure despite the increase in the service of the general debt. They also display the continued spending on the projects under implementation and rationalizing expenditure on new productive projects in order to to preserve economic activity in the Kingdom. They also display the increase in local revenues despite the measures taken to rationalize imports and consumption.

Therefore, the deficit estimated for 1989 will drop to 122.3 million JD—that is a drop of about 45 percent from the 1988 deficit. Hence, its ratio to the gross national product will drop from 13 percent in 1988 to around 7 percent expected for 1989.

While the government is stressing full adherence to the figures of this deficit, the stopping of spending on new projects of services and infrastructure, and abstention from borrowing for nonproductive projects, it aims to direct the general expenditure to increase demand on national products and decrease deficit in the general

budget and its percentage to the gross national product until we reach an equilibrium in the national economy and rectify the balance of payments.

Brother compatriots, the adjusting processes of the national economy sectors and correcting their courses to correspond with the demands of the development stage and its future aspirations depends on the effectiveness of and the extent of harmony among the economic, financial, and monetary policies, and on the extent of the response by economic functionaries and citizens with these policies.

Thanks be to God, we have transcended the stage of waiting and anxiety in record time. We began to feel the good omens of the positive effects of the economic, financial, and monetary measures, particularly on exports, encouragement of investment, and hampering consumption. This will increase demand for local products and national exports, rationalize imports, and increase the Kingdom's foreign currency reserves.

Brother compatriots, with the help of God and thanks to its matchless Hashemite leadership and the unity of its citizens' efforts, Jordan succeeded in enhancing international and regional confidence in its national economy. The Arab brothers' support for and realization of Jordan's pioneering role in the Arab arena had their clear effect on what we achieved. I would like to seize this opportunity to express our thanks to them.

We also thank the governments of the friendly states and those responsible for Arab funds and both regional and international institutions for their continued response to our development requirements, thus proceeding from their confidence in the soundness of Jordan's economic trends.

Brother compatriots, we greatly hope that the one Jordanian family will quickly adapt to the new developments of this stage and that the Jordanian citizen will respond to the new trends and prop them up with the means of success and perpetuation under His Majesty King Husayn, the leader of our march and builder of the homeland

Thank you, and God's peace and blessings be upon you.