FOREIGN TRADE OF JORDAN

BASIC TRENDS AND POLICY

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P R E F A C E

The present study has two objectives. First, it analyzes the patterns and structure of Jordan's foreign trade, mainly during the period 1954-55 and 1958-62. Second, it surveys the major aspects and facets of Jordan's foreign trade policy and provides a brief assessment of its past performance and prospective role, with special reference to the protective policy.

The first chapter of the study is wholly devoted to the analysis of basic trend movements in foreign trade. Imports and Exports are analyzed by their major commodity components, major economic uses and geographic distribution. An attempt is made at introducing the principal determinants of the patterns of foreign trade and, to the extent possible, at demonstrating their implications on the levels and composition of imports and/or exports.

The last three chapters deal with foreign trade policy and regulations. The restrictive system and the export policy are discussed in the second chapter; while trade agreements and transit trade are considered in the third chapter. Some remarks have been made about the effectiveness of trade agreements as instruments of trade expansion. The final chapter provides a brief evaluation of the past record of foreign trade policy and an exploration of some of the possible ways through which it can play an effective role in the future. Special treatment has been accorded to the balance of payments and the role of import policy in industrialization, in chapters II and IV.

The major difficulty that has been faced in this study is statistical. Thus the preparation and compilation of statistical data about foreign trade has been time-consuming. Besides, there is a lack of relevant statistical information on such topics like the terms of trade, cost of living, wage indices and the distribution of income. Moreover, the classification of imports in published statistics is often inadequate, since a relatively high per centage of imports (ten per cent or more) is not classified as to commodity components and countries of origin. Under such circumstances, some of the prepared tables may not be very concise.

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A B S T R A C T

Jordan's imports disclose a trend in favour of capital goods and raw materials, in consistency with a parallel trend in favour of industrial markets to which accessibility has been facilitated mainly as a result of the inflow of aid in the form of hard currency earnings. Within a context of scarcity of resources, the tendency in favour of Producers' goods is a replica of the development stage undergone by the economy, along with a notable drive towards urbanization. The growth of the urban sectors is as well due to a substantial improvement in the level of aggregate income which has been inequitably distributed in favour of the urban segment of the population. The bewilderingly low average productivity of labor in the farming community, a manifestation of the prevalence of disguised unemployment, has played a major role in encouraging urbanization. The widening import balance is but an indication of an almost equally growing disparity between aggregate demand and aggregate supply; which balance is mainly financed through the inflow of grants-in-aid and compensatory financing. Expectedly, the balance of payments disequilibria has been perpetuated because heavy dependance on foreign aid, after all, is a symptom of structural maladjustment.

Jordan's restrictive system is generally liberal and non-discriminatory. Heavy reliance on quantitative restrictions (mainly import licensing and prohibition of imports) rather than on exchange control and tariffs,has been associated with the development of a conflict between the two facets of policy, namely,

revenue and protection. In the next development stage, however, there will be an immense need to economize on the available exchanges essentially since foreign aid may abruptly decline. In this respect, it has been recommended that the Government introduces an exchange quota system on the basis of pre-determined requirements, and in conjunction with the imposition of a policy of restraints on imports, notably by raising tariff ceilings on luxurious goods and applying selective tariff rates for the protection of economically feasible industries which tend to substitute imports or promote exports. This prescription, desirable from a balance of payments standpoint, will not only improve the effectiveness of the protective policy, but as well may repeal the inefficiencies of the administrative machinery which is constantly subject to corruption and demoralization under the pressures of vested interests. In order to maintain stability in the economy, there will be a need for well-coordinated and well-managed fiscal and monetary policies for the country.

The conclusion of trade agreements is the most important landmark in Jordan's export policy. Trade agreements with the Arab countries have played a somewhat satisfactory role in the period preceding 1958, but without adding any particular 'blessings' in the period thereafter. The superior preferential treatment accorded on industrial products has been one-sided, since Jordan lags behind most of the Arab trading partners in its stage of industrialization. An adherent to Arab multilateral cooperation, Jordan is a party to the Arab Economic Union and the Arab Common Market which is expected to lead to the 'creation' and 'diversion' of trade in favour of the constituent members, in addition to providing the base which is a wide market essential for the acceleration of the pace of industrial development in the whole region. Meanwhile, Jordan ought to raise the level of competitiveness of its exports, particularly phosphates, to non-Arab countries, essentially to reduce the unfavourable repercussions of reciprocal balancing requirements and thereby acquire convertible currencies which can be used for the purchase of the urgently-needed development goods. But the agreements with India and Yugoslavia must be maintained since, under favourable terms, Jordan can influence the directional inflow of its imports to conform with the directional outflows of its exports. Trade agreements with Iran and Ethopia are the least effective since there is no stipulation as to minimum floor amounts to guarrantee minimum values of exports. Above all, Jordan can foster its trade agreements as instruments of strategy in its foreign trade policy particularly because the country is a net importer on almost all major commodity components, including the agricultural products which are normally of meagre importance in a predominantly agricultural country.

TABLE OF CONTENTS

Page

Page

LIST OF TABLES

Page

CHAPTER I

THE PATTERNS OF JORDAN'S FOREIGN TRADE

In the first two parts of this Chapter, Jordan's imports and exports are analyzed by major commodity components, regions and principal countries of origin or destination and major economic uses. The analyses cover essentially the period 1954-62. The third part of the Chapter deals with the principal factors that influence the levels and composition of foreign trade merchandise. Finally, some concluding remarks are being reported.

A. Analysis of Imports:

1. Imports by Major Commodity Components:

Since its establishment, Jordan has been heavily dependant on importation for the satisfaction of local demand, and has continued to do so. Predominantly an agricultural country, Jordan is poorly endowed with natural resources and the productive capacity of the economy is far from adequate to cope with the increasing requirements of society. During the period 1954-62, the value of imports rose from (JD. mns.) 19.8 to 45.6, an increase of almost 130 %. (See Table 1 and Appendix A, Table 1).

In general, the value of Jordan's imports of agricultural products (including food) ranged between 40.1 % of total imports in 1954 to only 33.3 % in 1962. Likewise, the value of non-agricultural products amounted to 59.9 % of total imports in 1954 and to 66.7 % in 1962. Between the two years, it is noticed that while agricultural imports (including food) increased by 91 %, non-agricultural

TABLE 1

JORDAN'S IMPORTS IN 1954-55 AND 1958-62 BY MAJOR COMMODITY COMPONENTS
(Percentages)

Commodity Components	Per Cent of Total Imports							Per Cent Increase	Per Cent of Total Increase
	1954	1955	1958	1959	1960	1961	1962	1954-62	1954-62
Agriculture (Including Foodstuffs)	40.1	38.6	38.8	35.8	36.7	37.7	33.3	90.7	28.0
Live Animals & Animal Products	7.0	4.0	4.9	5.2	4.9	5.7	6.9	126.0	6.8
Cereals	10.2	14.9	15.1	14.4	15.0	15.2	9.6	117.0	9.2
Vegetables	1.6	1.0	1.3	1.0	1.5	1.3	1.4	96.3	1.2
Fruits	3.9	3.4	3.2	3.0	3.2	3.2	4.0	141.8	4.2
Coffee, Tea & Spices	3.6	3.3	2.4	2.3	2.0	2.7	2.7	70.7	1.9
Sugar, Sugar Confectionary and Cocoa	6.4	5.0	5.5	3.8	3.5	3.4	3.4	18.9	1.0
Miscellaneous	7.4	7.0	6.4	6.1	6.6	6.2	5.3	65.8	3.7
Non-agriculture	59.9	61.4	61.2	64.2	63.3	62.3	66.7	156.3	72.0
Mineral Products	9.0	7.6	9.4	9.0	9.0	6.6	6.7	70.8	4.9
Chemicals & Pharmaceuticals	3.6	3.6	4.0	3.6	4.2	5.1	5.1	225.9	6.3
Rubber, Plastics & Articles thereof	1.3	1.6	2.6	2.2	2.6	2.7	2.6	344.8	3.5
Printing Material etc.	2.2	1.7	2.7	1.4	1.6	1.9	2.0	115.0	1.9
Textiles, Clothing & Footwear	21.6	16.0	15.8	15.9	12.9	14.4	14.8	56.5	9.3
Base-Metals & Articles thereof	6.0	6.9	6.9	9.8	10.0	8.1	9.1	247.9	11.5

TABLE 1 (Con'd)

Commodity Components	Per Cent of Total Imports							Per Cent Increase	Per Cent of Total Increase
	1954	1955	1958	1959	1960	1961	1962	1954-62	1954-62
Boilers, Machinery & Mechanical Appliances & Parts thereof	4.0	5.2	5.1	5.5	6.6	5.8	6.4	269.7	8.3
Electrical Machinery & Equipment and Parts thereof	1.5	2.1	4.2	3.9	4.3	3.6	4.0	525.0	6.0
Vehicles & Parts thereof	5.9	8.3	7.0	8.5	5.2	6.6	7.8	209.4	9.5
Miscellaneous	4.8	81.4	3.5	4.4	6.9	7.5	8.2	293.7	10.8
Grand Total:-	100.00	100.0	100.0	100.0	100.0	100.0	100.0	130.0	100.0

Source: Appendix A, Table 1.

imports increased by 156 %. But while the total value of imports increased by (JD. mns.) 25.8 during the period 1954-62, 72 % of this increase was contributed by the non-agricultural imports and only 28 % by the agricultural products (including food).

While the agricultural base of the Jordanian economy is basically inadequate to meet domestic demand, this situation is aggravated by the instability of the home produce due to heavy dependance on rain-fed land. Leading among the commodity components of Jordan's imports, therefore, are cereals and live animals and animal products. The value of the former has been trebled during the period 1954-61 (from JD. mns. 2.0 to 6.3), while the value of the latter has been more than doubled during the same period. The substantial increase in the importation of these two commodity groups is mainly attributable to the succession of droughts in the period following 1954. But one should not under-estimate the significance of the growth of population and the improvement in the aggregate level of income in increasing the demand for basic food needs like cereal products and meat. The increase in the value of imports of these two commodity groups during the period 1954-62 accounts for 16 % of the total increase in imports and somewhat about 60 % of the registered contribution by the agricultural products (including food).

Jordan, in 1962, paid the equivalent of (JD. mns.) 2.5 for the purchase of vegetables and fruits and 2.7 for a number of other commodities including sugar, cocoa, coffee, tea and spices, and, finally, 2.4 for all other imports of agricultural products (including food). Despite the fact that Jordan is an exporter of vegetables and fruits, its imports of these two groups have increased during the period 1954-62 by 96 % for the former and 141 % for the latter. The major part of this increase is accounted for by the growth of demand for certain commodities (mainly apples and oranges) which are principally supplied by Lebanon. As regards the other imports like sugar, coffee, etc., it is noticed that the value of imports has been constantly rising since Jordan is heavily, if not wholly, dependant on importation in this respect.

Considering non-agricultural imports, it is indicated that Jordan is basically dependant on foreign markets for meeting domestic demand. Among the principal commodity components in 1962 were base metals, amounting to (JD. mns.) 3.6; vehicles, 3.6; boilers and mechanical appliances, 2.9; and electrical machinery, 1.8 (the values of related parts and articles, etc., are included in the individual categories). Most noticeable about these components is that while they, jointly, constituted only 17.3 % of the country's total imports in 1954 and less than 30 % of the share of the non-agricultural products, their value amounted to 27.3 % of total imports in 1962 and over 40 % of the non-agricultural imports. During the eight years following 1954, there was a tendency in these commodity groups to gratify their respective paces of growth relatively and in absolute terms. The significance of this phenomenon is that it reflects that concentration of imports in few commodity components has been considerably reduced.

Thus out of the total increase in imports during 1954-62, 11.5 % was recorded by base metals, 9.5 % by vehicles, 8.3 % by boilers and mechanical appliances, and 6.0 % by electrical machinery. All in all, their contribution amounted to one-half the increase in non-agricultural imports and to 35.6 % of the increase in total imports. During the period under consideration, electrical machinery imports alone increased by 525 %, while the respective individual values of the other three commodity groups more than doubled. This strong trend towards the importation of the aforementioned commodities is not surprising, if one considers the multitudinous economic needs of the country, particularly in its early stage of capital formation and in the development period afterwards. For one thing, Jordan has had to build itself from scratch; within a context of scarcity of resources and huge dependance on foreign sources of supply for the purchase of capital goods necessary for expanding the development pace of the constituent sectors of the economy.

So far the first rank among all commodity components of imports is occupied by textiles, clothing and footwear. Although it has retained this rank all through the period 1954-62, its position, nevertheless, has deteriorated in relative significance. Thus while Jordan paid the amount of (JD. mns.) 7.0 in 1962 for the purchase of textile and clothing, this amount contributed only 14.8 % of total imports in that year, and almost one-fourth of non-agricultural imports. On the other hand, Jordan paid for the purchase of this group in 1954 only (JD. mns.) 4.7, which amounted to 21.6 % of total imports and to more than one-third of non-agricultural imports. Although the increase in the importation of textile and clothing may seem material, it still remains relatively low in comparison with the progress attained by other commodity components. To a considerable extent, this is a reflection of the fact that some substitution has been taking place, particularly as a result of the development of Jordan's textile industry which, in turn, has come to satisfy the demand of a segment of local market. However, this industry faces a basic challenge since Syria and U.A.R. have a comparative advantage over Jordan in this respect.

Jordan, in 1962, paid (JD. mns.) 3.0 for the purchase of mineral products. However, the increase registered in the value of this category of imports during the period 1954-62 is only 71 %, which is by far the least jump that has been achieved among all the major components of imports. The relative contraction in the value of mineral products is especially indicative of import-substitution that has been taking place in the Jordanian economy. For one thing, the establishment of the Jordan Petroleum Refinery has saved the country the costs of processing crude petroleum into its finalized derivatives, which would have to be paid in foreign exchange.

Among the rest of Jordan's imports, chemicals and pharmaceuticals, printing materials and rubber and plastics are the most important. Their respective values in 1962 were (JD. mns.) 3.0, 0.9 and 1.2. During the period 1954-62, the values of the first two groups increased by 226 % and 115 % respectively, thereby indicating considerable progress in the importation of social overhead commodities necessary to improve the standard of health and education. Meanwhile, imports of rubber and plastics increased by 344 %, thereby reflecting the excessively increasing demand. Jordan has to substitute imports by domestic products whenever practicable, for otherwise it cannot maintain so high a level of imports with its present resources unless it is guaranteed that foreign aid will continue to be provided satisfactorily.

2. Imports By Major Economic Uses:

In the previous section, some facts have been reported about the levels and composition of Jordan's imports. Few additional remarks are worth mentioning and these may be cited here. On the basis of the classification of imports by major economic uses, two principal categories have been made, comprising; consumers' goods and producers' goods, with the latter, in turn, divided into capital goods and raw materials. (See Tables 2 and 3 and Appendix A, Table 2).

Jordan, in 1952, imported the equivalent of (JD. mns.) 17.3 worth of goods, of which 74.8 % was consumers' goods, 17.6 % raw materials used in industry and the balance, capital goods mainly utilized in the industrial sector. In 1961, however, the country's imports totalled (JD. mns.) 41.9, of which consumers' goods constituted 58.6 %, raw materials, 30.3 % and capital goods, 11.1 %.

Among other considerations, the most remarkable change in the patterns of Jordan's imports during the period 1952-61 is the attainment of a record increase in the respective values of capital

TABLE 2

JORDAN'S IMPORTS IN SELECTED YEARS
1952-61 BY MAJOR ECONOMIC USES
(Percentages)

Type of Products	1952	1955	1958	1959	1961
Producers' Goods	25.2	31.8	35.0	37.7	41.4
Used in Agriculture	.9	1.4	1.4	1.5	1.2
Used in Industry	24.3	30.4	33.6	36.2	40.2
Capital Goods	6.7	11.4	11.8	12.0	9.9
Raw Materials	17.6	19.0	21.8	24.2	30.3
Consumers' Goods	74.8	68.2	65.0	62.3	58.6
Products of Agriculture	36.2	29.6	31.7	28.8	N.A.
Manufactured Products	38.6	38.6	33.3	33.5	N.A.
Grand Total:-	100.0	100.0	100.0	100.0	100.0

Source: Appendix A, Table 2.

Note: N.A. means "Not available".

goods and raw materials. Thus, despite the bulky value of imports of consumers' goods, its relative significance has nevertheless been decreasing, a situation that shows that some substitution has taken place in the process of satisfying local demand for consumption goods. This tendency towards substitution has introduced a dilemma to economic planners, since after all, it is not mainly the outcome of exploiting the available raw materials of the economy (since they are scarce), but rather the result of a rapid increase in imports of these raw materials which are then finalized by the 'infant' industries to become ready for sale in the market.

The relative slackening in the pace of growth of consumers' goods has coincided with almost corresponding improvements in the share of raw materials used in industry. This indicates that there has been no basic reshufflement in the composition of imports since the major change that has occurred is only in the degree of finalization of the consumption goods imported. The rapid growth in imports of raw materials reflects, among other things, that the development of the industrial sector of the economy has been tied up with heavy dependance on foreign sources of supply in this respect. While this tendency towards importation of raw materials discloses the basic handicap that challenges the local industry and the economy at large, it reflects, as well, the scarceness of raw materials in supply in the market. In 1961 alone, Jordan's manufacturing industry absorbed the equivalent of (JD. mns.) 7.5 of imported raw materials, of which 2.5 was consumed by food manufacturing, 1.1 by textiles and clothing and 1.4 by the Jordan Petroleum Refinery.[1]

Despite the relative contraction of the value of imports

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[1]See: R.5 Porter, "Allocation of Imports By Industrial Use - A statistical Appendix". Mimeographed (Beirut: Middle East Development Division; 1964), pp.1-4.

TABLE 3

INCREASE IN JORDAN'S IMPORTS IN 1952-58 AND 1958-61
BY MAJOR ECONOMIC USES

(In Percentages, values in JD's 000)

Type of Product.	1952 - 1958			1958 - 1961		
	Per Cent Increase	Amount of Increase	Per Cent of total Increase	Per Cent Increase	Amount of Increase	Per Cent of total Increase
Producers' Goods	172.5	7541.7	45.2	45.7	5446.4	69.1
Used in Agriculture	186.1	299.6	1.8	27.0	55.0	.7
Used in Industry	172.0	7242.1	43.4	47.1	5391.4	68.4
Capital Goods	244.8	2846.6	17.1	.4	149.7	1.9
Raw Materials	144.3	4395.5	26.3	70.4	5241.7	66.5
Consumers' Goods	70.6	9152.5	54.8	11.0	2434.9	30.9
Grand Total:-	96.3	16694.2	100.0	23.2	7881.3	100.0

Source: Appendix A, Table 2.

of consumers' goods, their value is still substantial and, as it may be indicated, changes in their level are generally associated with changes in the aggregate level of imports. During the period 1952-58, the value of consumers' goods increased by 71 %, total imports by 96 %; while in the period 1958-61, the former rose by 11 % and the latter by 23 %. Consequently, the proportionate decline in the value of consumers' goods has been more marked in the period 1958-61 than in the period 1952-58, with the result that the increase in total imports has been less marked in the latter, than in the former, period. However, producers' goods have contributed to the improvement in the level of imports more proportionately in the period 1958-61 than in the period 1952-58. Thus while during the early period the increase in producers' goods was 173 % (capital goods, 245 %; raw materials, 144 %), it is noticed that it amounted to 46 % in the following period (raw materials, 470 %; capital goods, negligible). While capital goods have increased at a somewhat higher rate than raw materials in the period 1952-1958, this situation had been markedly reversed in the period 1958-61 in favour of the latter over the former.

3. Imports By Regions And Principal Countries of Origin:

There are few facts which may be introduced with respect to the directional inflow of Jordan's imports during the period 1954-62. Jordan's clients have been categorized into two major ones, comprising: the Industrial Markets (U.S.A., Japan, the European Economic Community and the European Free Trade Area) and Rest of the World (the Socialist countries and all other countries). This classification is meant only for observance of the major changes in the individual positions of the constituent sources of supply. (See Table 4 and Appendix A, Table 3).

It is noticed that during the period 1954-62 there has been a noteworthy change in the sources of supply of Jordan's imports in favour of the Industrial Markets over Rest of the World. Thus while the value of imports in 1954 has been fairly equally divided between both, only 36.8 % of the value of imports in 1962 has been supplied by Rest of the World, which, again, has contributed only 31.4 % of the total increase in imports during the eight years following 1954. On the other hand, the Industrial Markets reached in 1962 a position whereby they received almost two of every three dinars which Jordan paid to foreign suppliers. They also received somewhat over two out of every three dinars of the (JD. mns.) 25.8 representing the increase in imports during the period 1954-62.

Among the Industrial Markets which sell to Jordan, the European Economic Community and the European Free Trade Area share almost fairly equally two thirds of the share of these markets in Jordan's imports all through the period under consideration. However, while Jordan's imports to the latter (E.F.T.A.) are heavily supplied by the United Kingdom (usually more than 80 % of the area's share), it is to be noticed that, with the exception of Luxembourg, the former area's (E.E.C's) members stand among Jordan's best clients (West Germany, however, retains the first rank among the E.E.C.'s members). During the period 1954-62, Jordan's imports from these two regions increased by 157 % each, respectively. Among individual countries, the per cent increases that were most ambitious; for Western Germany, 264 %; Netherlands, 220 %; and U.K., 183 %. The latter country is

TABLE 4

JORDAN'S IMPORTS IN 1954-55 AND 1958-62 BY REGIONS AND PRINCIPAL COUNTRIES OF ORIGIN
(Percentages)

Regions	Per Cent of Total Amount							Per Cent Increase	Per Cent of Total Increase
	1954	1955	1958	1959	1960	1961	1962	1954-62	1954-62
Arab Countries	23.6	19.7	21.2	17.2	20.0	17.1	17.0	75.7	11.9
Syria	11.1	6.7	7.0	7.3	6.6	5.0	5.1	6.2	.5
Lebanon	4.3	3.4	3.0	4.3	5.2	4.4	4.7	149.9	4.9
Saudi Arabia	2.3	2.7	2.2	1.3	5.2	3.0	2.9	190.4	3.3
Iraq	3.4	3.8	3.7	.5	.1	1.1	1.7	13.0	.3
U.A.R.	2.5	2.8	3.1	1.8	1.9	2.2	1.8	59.8	1.2
E.E.C.	19.1	20.7	23.6	27.7	25.4	19.8	21.4	156.9	23.1
Germany, Federal Republic	5.6	8.6	11.0	12.1	10.1	9.0	8.8	263.6	11.3
Italy	4.4	1.9	4.1	8.2	7.2	3.0	4.6	138.4	4.7
France	5.2	6.1	2.2	1.9	2.1	1.8	2.5	12.4	.5
Netherlands	1.8	1.9	3.5	3.2	3.4	2.8	2.5	219.7	3.0
Belgium	2.1	-	-	-	-	-	-	-	-
E.F.T.A.	18.6	22.8	17.1	15.6	18.0	20.2	20.9	157.2	22.6
U.K.	15.4	19.3	12.7	11.9	14.1	15.8	16.8	183.1	21.7
Other Western Europe	1.2	1.0	1.9	2.8	2.2	4.4	4.7	689.5	7.5
Turkey	.2	.1	1.1	1.9	1.4	2.9	2.8	2535.0	4.8

TABLE 4 (Con'd)

Regions	Per Cent of Total Amount							Per Cent Increase	Per Cent of Total Increase
	1954	1955	1958	1959	1960	1961	1962	1954-62	1954-62
Socialist Countries	4.9	4.0	7.7	6.7	5.6	6.1	6.0	182.1	6.8
U.S.A.	9.7	10.4	8.6	9.3	11.8	16.7	14.4	216.4	16.1
Japan	2.2	3.1	4.0	4.3	3.6	4.1	6.5	338.4	6.7
All Other	20.7	18.3	15.9	16.4	13.4	11.6	9.1	33.3	5.3
Grand Total:-	100.0	100.0	100.0	100.0	100.0	100.0	100.0	130.0	100.0
Industrial Markets	50.1	57.0	53.3	56.9	58.8	60.8	63.2	178.0	68.6
Rest of the World	49.9	43.0	46.7	43.1	41.2	39.2	36.8	81.8	31.4

Source: Appendix A, Table 3.
Note: Industrial Markets as used here refer to the U.S.A., Japan, E.F.T.A. and to E.E.C.

Jordan's first client in the world.

Japan and the U.S.A. are the other two Industrial markets which sell to Jordan. Together, their sales in 1962 amounted to one-third the share of the Industrial Markets. Although Jordan purchased 9.7 % of its imports in 1954 from the U.S.A. and 2.2 % from Japan, the shares of these two countries in Jordan's imports in 1962 amounted to 14.4 % and 6.5 % respectively. The increase in Jordan's imports from the U.S.A. has been most rapid after the year 1960 as a result of the issuance by the state of a Defense Regulation thereby restricting the importation of certain commodities from the United States.[1]

The tendency in imports in favour of the Industrial Markets is a replica of a parallel tendency in imports in favour of capital goods and raw materials. The increasing reliance on these markets is mainly due to their advancement in technology and their ability to provide the Jordanian tradesman with equipments and machinery which cannot be obtained easily and / or favourably from other sources of supply. For the importation of industrial products, luxurious or otherwise, these markets provide the first choice for a merchant.

In this respect, it may be emphasized that the accessibility of Jordan to the industrial markets is facilitated, among other considerations, by the strong links established between the dinar and the pound sterling. Thus Jordan has been continuously providing hard currency in the form of sterling or dollars for the payment of the value of imports from these markets. As a member of the sterling

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[1]Jordan's imports from the U.S.A. increased rapidly after 1960 as a result of a Defense Regulation that had restricted the importation of certain commodities from this country. These commodities include wheat and wheat flour, passenger cars and trucks, radios, recorders and gramophones, sulphur, lubricating oils, refrigerators, air conditioners, cheese, space heaters, butane gas, cookers, toilet soap and firearm, including hunting guns. See: I.M.F., Twelvieth Report on Exchange Restrictions (Washington, D.C., 1962), p. 218.

area, Jordan's trade with the U.K. is strengthened. Most of Jordan banks foreign assets are held in sterling and employed in the London Money Market.

Considering the position of Rest of the World in the Jordanian market, it is observed that while the relative share of the Arab countries has been deteriorating, the corresponding shares of the Socialist countries and Other Western Europe have recorded substantial improvements. Thus while the Arab countries sold Jordan the equivalent of 23.6 % of its imports in 1954, the other two groups sold 4.9 % and 1.2 % respectively. However, the per cent increases in the value of imports during the period 1954-62 were, 76 % for the Arab countries, 182 % for the Socialist countries and 690 % for other countries of Western Europe. The substantial increase in imports from the last group is particularly due to a remarkable rise in the purchase of cattle from Turkey in the period following 1960. As regards the Socialist countries, Jordan desires to maintain these markets in order to sell phosphates in exchange. (Jordan has a trade agreement with Yugoslavia, which will be discussed in Chapter III).

Although the Arab countries occupied the first rank among all regions selling to Jordan in 1954, their rank turned third in 1962, with the European Economic Community and the European Free Trade Area holding the first and second ranks respectively. The Arab countries exported to Jordan, on the average, one-fifth of its total imports. But the increase in their sales to Jordan during the period 1954-62 amounted to only 11.9 % of the total increase in aggregate imports. This deterioration in significance was most marked in the case of Syria, still holding the dominant share among the Arab countries, but equally important was the spectacular shrinkage experienced in the shares of Iraq and Egypt (the U.A.R.). Imports from the last two countries declined most rapidly in the period 1958-60; while afterwards, they had been steadily rising, particularly in the case of Iraq. Imports from these countries were abruptly influenced mainly as a result of political instability in the Middle East Area in the period 1958-60. However, imports from Lebanon and Saudi Arabia maintained consistently their relative significance, for despite observable contraction in the middle fifties, gradual revival had been sustained in the period following 1959. (Trade relations with these countries will be discussed at length in Chapter III).

B. Analysis of Exports:

Jordan's exports are comprised of domestic exports and re-exports, the former by far the most important. This part is devoted to the analysis of Jordan's domestic exports.

1. Exports by Major Commodity Components:

With the exception of phosphates, Jordan's exports are predominantly agricultural. Thus almost nine-tenths of the exports in 1954 were of agricultural origin, and more than three-quarters of them were contributed by cereals, olives and vegetables. However, it is to be noticed that the relative share of agriculture followed a declining pattern in the period 1955-1960, notably as a result of the substantial rise in the exports of phosphates and its coincidence with bad agricultural crops experienced in the period under review. (See Table 5 and Appendix A, Table 4).

The most unstable agricultural commodity components are cereals and olives. The exports of the former contracted by almost

TABLE 5

JORDAN'S DOMESTIC EXPORTS IN 1954-1955 AND 1958-1962
BY MAJOR COMMODITY COMPONENTS
(Percentages)

Type of Product	Per Cent of Total							Per Cent Increase	Per Cent of Total Increase
	1954	1955	1958	1959	1960	1961	1962	1958-62	1958-62
Agriculture	87.8	66.5	64.8	63.3	57.8	57.0	65.6	59.1	67.2
Live animals & products thereof	1.5	.8	.8	.9	1.2	1.2	1.4	170.7	2.5
Cereals	25.3	6.0	6.7	6.2	5.4	11.3	12.7	201.0	23.4
Vegetables	27.3	29.5	39.6	37.1	34.6	31.4	33.9	34.3	23.7
Fruits	5.1	9.2	8.5	8.3	9.5	6.0	7.2	34.1	5.1
Olives & Olive oil	22.7	13.5	2.5	1.8	1.6	3.0	2.5	57.2	2.5
Miscellaneous	5.9	7.5	6.7	9.0	5.5	4.1	7.9	84.2	10.0
Non-agriculture	12.2	33.5	35.2	36.7	42.2	43.0	34.4	53.2	32.8
Phosphates	2.1	23.1	31.2	33.2	37.5	36.5	29.5	48.8	26.7
Others	10.1	10.4	4.0	3.5	4.7	6.5	4.9	86.9	6.1
Grand Total:-	100.0	100.0	100.0	100.0	100.0	100.0	100.0	57.0	100.0

Source: Appendix A, Table 4.

three-quarters between 1954-55. On the other hand, the value of the latter was almost seven times in 1954 as it became in 1958. The proceeds incoming from these two commodity groups were the most responsive to changes in their production base as a result of unfavourable rainfall conditions.

Jordan, in 1962, sold the equivalent of (JD. mns.) 1.69 of vegetables, the amount representing 33.9 % of total exports. In fact, vegetables and fruits are the most stable agricultural exports, the former by far the least unstable among all commodity groups. During the period 1954-58, the exports of vegetables were almost doubled, and in the period 1958-62 they increased by almost one-third. However, vegetable exports are concentrated in few commodities including tomatoes, water melons, fresh beans and broad beans, cocumbers, gherkins and marrows. Almost 47 % of the (JD. mns.) 1.67 representing the value of exports of vegetables in 1962 was contributed by tomatoes, and 17 % by water melons. All in all, the value of vegetables in 1962 amounted to almost one-half the agricultural exports.

With the exception of bananas, the proceeds incoming from fruits are spread among a relatively large number of items including oranges, apples, grapes, lemons, figs, almonds,pears, apricots, etc. On the whole, fruits have been less stable than vegetables, but disclosed rather a more consistent trend than cereals and olives. During the period 1958-62, the value of fruits increased by 34.1 % and contributed 5.2 % of the total increase in Jordan's exports.

Considering the composition of non-agricultural exports, it is to be noticed that phosphates accounted for almost four-fifths of them in 1962, and at the same time, for about 30 % of total exports.

(Other major non-agricultural exports included cement, marble and worked mother of pearl products). During the period 1954-60, the value of exports of phosphates followed a consistently rising pattern and, while it constituted only 2.1% of Jordan's exports in 1954, it amounted to 37.5 % of the 1962 exports. In the following two years (1961-62) the relative share of phosphates declined notably as a result of a substantial improvement in agricultural exports. (1961 was a comparatively good year for agriculture). Besides, the exportation of phosphates has been increasingly facing marketing difficulties particularly in Yugoslavia which has been by far Jordan's best customer in this respect. (This point will be further explored in Chapter III).

In general, the bulk of Jordan's exports are comprised of food and raw materials (mainly phosphates). On the other hand, manufactured exports constitute a very small portion of total exports. (See Table 6).

2. Exports By Regions And Principal Countries of Destination:

The most important observation about Jordan's exports is the evidence of an association between their composition and directional outflows. With the exception of phosphates, Jordan's exports are principally agricultural products which are almost wholly restricted to the neighbouring Arab countries. With the substantial improvement in the exports of phosphates, the share of the Arab countries dropped from 95.7 % in 1954 to only 60.8 % in 1962, with the result that the share of both Eastern Europe and India (both are buyers of phosphates) rose from less than one per cent to 36.3 % in the two years respectively.

TABLE 6

JORDAN'S DOMESTIC EXPORTS BY MAJOR
TYPES OF COMMODITIES, 1954-62
(IN J.D'S 000)

Year	Food, Beverages and Tobacco	Manufactured Articles	Raw Materials	Total
1954	1353	184	897	2434
1955	1197	238	1184	2619
1956	2483	65	1754	4302
1957	2483	65	1754	4302
1958	1801	98	1240	3139
1959	1716	96	1285	3097
1960	1786	142	1553	3481
1961	2041	259	1952	4252
1962	2770	242	1917	4929

Source, U.N., Yearbooks of International Trade Statistics for the years 1958, 1961, 1962 (U.N.: Department of Social and Economic Affairs).

Meanwhile, it is to be noticed during the period 1958-62, that while the purchases of the Arab countries from Jordan increased by 61.5 %, the sales to Eastern Europe declined by 23.4 % (mainly as a result of a substantial fall in the exports to Poland and Czechoslovakia in 1962). The major factor explaining this tendency is the coincidence of an improvement in the value of agricultural exports with a deterioration in the relative and absolute values of phosphate exports.

With the exception of Kuwait and Saudia Arabia, the Arab countries' imports from Jordan do not disclose individually consistent patterns. This situation is especially evidenced in the case of Lebanon, Iraq and Syria. Thus the relative share of Lebanon in Jordan's exports fell from 49.4 % in 1954 to 27.4 % in 1955 and again to 10.4 % in 1958. During the period 1959-62, however, the pattern of exports to Lebanon conformed to an upward trend, until, in 1962, Lebanon became Jordan's second customer in the world (Syria retained the first rank). As regards Jordan's exports to Syria, their pattern was generally more consistent than in the case of Lebanon, but the rate of growth was far less marked. Thus while the value of exports to Syria dropped by 11.8 % during the period 1958-62, the Lebanese increased their imports from Jordan by 157.5 %. In the case of Iraq, exports contracted in the period 1959-60 due to political relations. The pattern of exports to Kuwait had been the most ambitious and by far the most consistent. Exports to this country rose from (JD. mns.) 175,000 in 1954 to 762,600 in 1962. As a result, Kuwait's relative share in exports improved from less than one per cent in 1954 to 15.5 % in 1962. During the period 1958-62, Kuwait absorbed 27.9 % of the total increase in Jordan's exports.

TABLE 7

JORDAN'S DOMESTIC EXPORTS IN 1954-1955 AND 1958-1962
BY REGIONS & PRINCIPAL COUNTRIES OF DESTINATION

(Percentages)

Regions	Per Cent of Total							Per Cent Increase	Per Cent of Total Increase
	1954	1955	1958	1959	1960	1961	1962	1958-62	1958-62
Arab Countries	95.7	75.2	67.8	65.6	60.8	61.7	69.8	61.5	73.1
Syria	28.8	26.9	30.9	23.2	18.6	19.2	17.4	-11.8	- 6.4
Lebanon	49.4	27.4	10.4	12.4	15.0	12.9	17.3	157.5	28.7
Saudi Arabia	3.0	1.9	8.2	11.2	9.2	9.1	8.9	72.0	10.3
Iraq	13.8	16.7	9.7	5.8	4.2	8.3	10.2	65.4	11.2
Kuwait	.7	1.7	8.4	12.8	13.2	11.8	15.5	189.8	27.9
Eastern Europe	-	8.4	24.1	31.1	28.0	25.8	11.7	-23.4	- 9.9
Yugoslavia		-	13.5	20.2	17.2	18.3	10.9	26.5	6.3
Poland	..	.4	1.6	4.2	4.8	1.0	.8	-17.1	- .1
Czechoslovakia		8.0	9.0	6.7	6.0	6.5	-	-100.0	-16.1
India	.5	2.9	6.3	2.0	8.3	9.1	10.4	159.8	17.7
All Others	3.8	13.5	1.8	1.3	2.9	3.4	8.1	689.1	19.1
Grand Total:-	100.0	100.0	100.0	100.0	100.0	100.0	100.0	57.0	100.0

Source: Appendix A, Table 5.

Exports to India and to other countries had been generally consistently rising specially in the last three years (1960-62). Thus while their share in Jordan's exports in 1954 was 3.8 %, it amounted to 8.1 % in 1962. (Trade relations with India, Yugoslavia and the Arab countries are further discussed in Chapter III).

C. <u>Determinants of the Patterns of Foreign Trade:</u>

In the two preceding parts of this Chapter, Jordan's imports and exports were analyzed by their major commodity components, major economic uses and directional flows. The purpose behind this part is to throw the light on the major factors that govern the patterns of foreign trade. Since the isolation of the effects of these factors on foreign trade is expectedly difficult, this part provides only an attempt at introducing those factors and, to the extent possible, at demonstrating their implications on the levels and composition of imports and/or exports. Foreign Trade policy and trade agreements are of primary influence on the patterns of foreign trade, but they will not be discussed here, since to every one of them a complete chapter is being devoted. (See Tables 8-11 and Appendix A Tables 6-9).

Perhaps the most important group of factors that influence the patterns and composition of foreign trade pertains to the structural characteristics of the Jordanian economy. Among all other things, the productive capacity of the economy is inadequate to meet the already high level of demand requirements, both aggregately and on major commodity components. The country suffers from the lack of satisfactory natural resources and, while basically agricultural, the agricultural sector suffers from the pressure of population and the

TABLE 8

INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT, 1954-62
(J.D. Millions at Current Factor Cost)

Industrial Origin	1954	1955	1956	1957	1958	1959	1960	1961	1962
Agriculture & Forestry	14.2	6.2	19.0	12.8	12.9	10.5	13.0	23.1	18.4
Industry (Including Mining, Manufacturing & Electricity)	4.2	5.2	6.3	6.8	7.6	7.9	9.1	11.7	11.3
Construction	1.2	1.5	1.7	1.9	2.4	3.7	3.0	3.4	4.3
Transport	4.4	5.5	6.8	8.3	9.0	9.7	11.3	12.8	12.9
Trade & Banking	9.3	9.3	10.5	12.0	14.4	16.2	18.0	22.7	24.5
Ownership of Dwellings	2.3	2.3	2.9	3.1	3.3	4.2	6.1	7.1	7.3
Public Administration & Defence	9.1	9.7	11.5	13.3	15.6	16.1	17.6	17.8	17.2
Services	3.0	3.3	2.7	3.7	3.9	6.0	8.1	8.9	10.6
Grand Total:-	47.7	43.0	61.4	61.9	69.1	74.3	86.2	107.5	106.4

Sources: R.S. Porter, "Economic Trends In Jordan, 1954-1959", (Mimeographed (Beirut: British Embassy, Middle East Development Division, 1961), p. 1 (for the period 1954-59).

Jordan's Statistics Department, The National Accounts, 1959-1961, (Amman, 1962) p. 2 (for the period 1960-61).

Jordan's Statistics Department, The National Accounts: 1959-1962, (Amman, 1964), p. 3 (for the year 1962).

weakness and instability of its base. Besides all these considerations, Jordan has come to face challenging economic difficulties as a result of the Palestinian crisis. With the amalgamation of Trans-Jordan and Arab Palestine on the West Bank of the River Jordan in 1948, the population of the country increased by almost three folds with a parellel increase of only one-third in arable land.[1] Due to these circumstances, Jordan is oriented towards importation, for it is evidenced that domestic output is lagging behind demand, a situation which cannot be otherwise met if a reasonable standard of living is to be achieved except through dependance upon foreign sources of supply. Almost one-third of the total goods available in the country are imported from abroad.

Without foreign assistance, Jordan would not have been in a position to maintain the value of its imports at such a comparatively high level. For one thing, Government revenues are mainly accruable from official transfer from abroad, particularly from U.S.A. Thus while Government income amounted to (JD. mns.) 31.2 in the fiscal year of 1960-61, only 13.1 came from local sources and the balance (18.1) from foreign countries in the form of aid. At the same time, the U.S.A. assists Jordan by giving surplus agricultural commodities, particularly wheat, to be distributed in depressed areas. In 1961, this form of assistance amounted to (JD. mns.) 1.79. Foreign aid played a significant role ever since the establishment of Jordan, for the satisfaction of the basic demands of major segments of the population (mainly refugees and inhabitants of depressed rural areas) came to constitute a challenging problem "for the Jordan Government

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[1] Jordan Development Board, Five Year Program For Economic Development 1962-67 (Amman: Jordan Development Board, 1961), P.1.

was not in a position to undertake large-scale relief operations, and had foreign aid not been forthcoming, the standard of living of one-third to one-fourth of the population would have fallen below subsistence level".[1]

Not only has foreign aid enabled the country to buy essential goods necessary for consumption and thereby for the maintenance of the basic (food) requirements of a major part of the lower income groups, but, as well, it has facilitated the purchase of capital goods and equipments necessary for the development of the economy and thereby the expansion of output. Thus foreign aid receipts in the form of sterling or dollars (both convertible currencies) have given Jordan accessibility to the industrial markets which are the major suppliers of development goods, with the result that Jordan has been able to provide hard currency which would not have been otherwise available for the importation of these goods. Not only that, but the continuous incoming of official assistance to Jordan has made it possible to maintain generally a liberal foreign exchange control policy. Few restrictions are imposed now on the freedom of importation, and one would imagine how restrictive foreign exchange control would be had there been no foreign aid at such a level. Besides, foreign assistance has been the major factor behind the achievement of internal price stability in the country for so long a time, for otherwise, the financing of the bulk of imports would not have been possible. In this respect, foreign aid has contributed significantly to the achievement of price stability in the country since otherwise the

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[1] I.B.R.D., The Economic Development of Jordan (Baltimore: John Hopkins Press, 1957), p.4.

abridgement of the gap between the demand for goods and the domestic output of these goods would not have been conceivable.

One of the most important groups of factors that has influenced the patterns and the structure of Jordan's foreign trade pertains to the aggregate level of national income, its components and changes therein. During the period 1954-62, gross domestic product (at factor cost) rose from (JD. mns.) 47.7 to 106.4, the difference representing an increase of 119 %. During the same period, imports, on the one hand, and expenditure on consumption and gross capital formation, on the other, increased at almost the same rate of growth, in the case of the former by 130 %, and the latter, by 128 %. On the average, the value of imports amounted to one-third the expenditure on consumption and gross capital formation. This relationship has been generally maintained all through the period under consideration, thereby indicating, affirmatively, the existence of a comparatively high propensity to import. However, the tendency in the allocation of expenditure has been gradually gowing in favour of capital formation over consumption, the increase attained by each being 294 % and only 113 % respectively. This tendency has been equally marked in the structure of imports. During the period 1952-58, the value of capital goods imported increased by 245 % as against a corresponding increase of only 71 % in the value of consumers' goods.

Among the components of aggregate output, agriculture and forestry sector has been the most unstable, and by large, the most influential on the patterns and the composition of imports and exports. Thus the output accorded by this sector ranged between (JD. mns.) 6.2

TABLE 9

JORDAN'S AGRICULTURAL PRODUCTION IN 1954-55 AND 1958-62 BY MAJOR GROUPS
(Percentages)

Year	Per cent total	Per cent of Total		
		Cereals	Vegetables	Fruits
1954	100.0	50.6	30.1	19.3
1955	100.0	37.0	42.0	21.0
1958	100.0	21.5	50.0	28.5
1959	100.0	25.0	56.6	18.4
1960	100.0	12.1	70.0	17.9
1961	100.0	22.3	52.0	25.7
1962	100.0	21.7	58.4	19.9

Source: Appendix A, Table 9.

in 1955 and 2.31 in 1961 (the former year was an exceptionally bad one for agriculture, the latter, an exceptionally good one). Wide variances in year to year agricultural production of the country are mainly a result of considerable fluctuations in rainfall and dependance on non-irrigated land. (The average seasonal rainfall amounted to 252.8 milimeters in 1955 and to 364 milimeters in 1961). As a result, the mean yield per dunum cultivated with agricultural products (particularly cereals) showed substantial variances; for wheat alone it declined by two-thirds between 1954-55. At the same time, the output of cereal products dropped from (000 tons) 409.4 in 1954 to only 130.0 in 1955. Between these two years, Jordan's disbursements for the importation of cereals rose from (JD. mns.) 2.0 to 4.0, while the proceeds incoming from the sale of cereals to foreign markets dropped from (000, J.D.) 614.6 to only 156.3.

Considering the non-agricultural components of gross domestic product, it is noticed that they generally contribute 70% - 80% of the total output in the country. Gross domestic product originating in the non-agricultural sector, increased from (JD. mns.) 33.5 in 1954 to 88.0 in 1962, the difference representing an increase of 136 % (with a corresponding increase in the output originating in the agricultural sector by only 30 %). Even in years of bad agricultural seasons, the output generated by non-agriculture continued to rise as though emphasis were placed upon its activities to compensate for the decline in agricultural output. Thus it is to be noticed that while agricultural output declined by 57.7 % between 1954-55, non-agricultural output increased by 10.4 %. During the period 1954-62, the output originating in industry increased by 169 %, construction, by 258 % and transport, by 193 %. (Industry includes mining, manufacturing and electricity). The progress attained by these sectors has been associated,to a considerable extent, with a strong trend towards the importation of capital goods and raw materials. To indicate this association, the value of imports of base metals increased during the period 1954-62 by 248 %; boilers, machinery and mechanical appliances, by 270 %; electrical machinery, by 525 %, and vehicles and parts thereof, by 294 %.

Despite the above considerations, the levels and composition of Jordan's imports and exports have not been influenced only by the structural characteristics of the economy; the aggregate level of income, components thereof and changes therein; but, as well, by the disparities existing in the distribution of income among the major segments of the Jordanian population. Thus although the mainly rural population counted 56.1 % of Jordan's 1.7 million persons in 1961, the output originating in the agricultural sector amounted to only 21.5 % of the (JD. mns.) 107.5 representing the total output in that year. Meanwhile, 35 % of the 390,000 actively employed persons in whole economy (in 1961) were working in the agricultural sector. Considering the ratio of active persons in each sector to its characteristic segment of population, then it gives a further indication of the inequitability of income distribution. While this ratio is only 14.4 % for the agricultural (rural) sector, it amounts to 33.8 % for the non-agricultural (urban) sector,[1] a situation that becomes of special significance if one considers the prevalence of disguised unemployment among the farming community. (See tables 10 and 11). At the same time, while the average net output per active person in the whole economy is JD. 275.7, it amounts to JD.334.7 in the urban (non-agricultural) sector and only JD. 167.7 in the

[1] This does not mean that 33.8 % of the urban population are actively employed. Actually it gives a strong evidence of population movement from the rural areas to the urban areas.

TABLE 10

THE DISTRIBUTION OF NET OUTPUT IN 1961 BETWEEN THE RURAL AND URBAN SECTORS

Sector	Net Output (In J.D. Millions) (1)	Active Population (In 000's) (2)	Average Net Output per Active Person (In J.D's.) (3)
All Sectors	107.5	390.0	275.7
Agriculture, Forestry and Fishing	23.1	137.8	167.6
Non-agricultural Sectors	84.4	252.2	334.7
Industry (including Mining, Manufacturing and Electricity)	11.7	43.5	269.0
Other non-agriculture	72.7	208.7	348.4

Sources: Table 8 (for Row 1).

Jordan's Department of Statistics, First Census of Population and Housing, 1961 (Volume No. II, Amman: Department of Statistics, 1964), p. 10 (for Rows 1 and 2).

TABLE 11

THE DISTRIBUTION OF POPULATION IN 1952 AND 1961
BY GEOGRAPHIC LOCATION
(In 000's)

Geographic Location	Total Population		Increase in Population	Per Cent of Total		Per Cent Increase
	1952	1961	1952-1961	1952	1961	1952-61
Fully Urban	482	748	266	36.3	43.9	55.2
Mainly Rural	847	958	111	63.7	56.1	13.1
	1329	1706	377	100.0	100.0	28.4

Source: Jordan's Department of Statistics, First Census of Population and Housing 1961 (Vol. I, Amman: Department of Statistics, 1964), p. 29.

agricultural sector (It should be re-called again that the year 1961 was an exceptionally good one for agriculture). All the aforementioned considerations give a strong evidence of the inequitabilities existing in the distribution of income between the constituent segments of society. Some of their implications on the levels and composition of foreign trade may be summed up in the following points:

(1) The value of imports of agricultural products (including food) has been maintained relatively substantial, not only because of the inadequacy of the agricultural base, the instability of the home produce or both, but, as well, due to the unfavourable distribution of income between the rural and the urban population. For one thing, the per capita income of the farmer is appreciably depressed and unstable, and thereby, upon the achievement of a slight improvement in his personal income, he tends to satisfy his basic (food) requirements. However, while the income of some cultivators (specially those who plant vegetables and fruits) might have somewhat improved, this has to compensate for losses that have been incurred on other products (particularly cereals) with the result that their (cultivators) sources of income continued to vary in their fund-generating capacity. Upon the improvement in personal income, the farmers' per capita consumption tends to rise and, as a result, his exports may be reduced. On the other hand, the upper income-brackets are the main buyers of luxury goods which are essentially imported from outside. High income groups in Jordan generally prefer importable commodities to local ones in view of the social prestige involved in this respect. As an evidence, the value of agricultural products which are considered to be luxurious

increased from (JD. mns.) .6 in 1952 to 1.3 in 1959 (the principal commodities including citrus fruits, tobacco, butter and cheese, sesame, lebanon gum, walnuts).[1]

(2) The tendendy towards urbanization in Jordan has been associated with a population movement from the rural to the urban areas. Thus it is noticed during the period 1952-61 that the mainly rural population increased by only 13.1 % with a corresponding increase of 55.2 % in the urban population. While it is generally believed that the natural rate of growth is higher in the rural than in the urban areas, this situation gives a strong evidence of population movement from the former to the latter. (At the same time, the natural rate of population growth is strikingly high in Jordan, generally assumed to be 3 % or more). The significance of population shifts, among other things, is that it leads to the increase in demand for certain commodities which have to be imported from outside. As a result, there is more demand on means of transport, construction materials, electrical goods and so on. The strikingly 'construction boom' experienced in the Capital City of Amman in the last ten years is but an example of this situation. All in all, the demand for imports is accentuated.

(3) The substantial growth achieved by the Jordanian economy during the last ten years is mainly due to the urban segment of the population. In addition to the availability of capital and skills, the tendency in the upper income brackets is to have a comparatively high marginal propensity to save. It is for these considerations that

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1 A. Theodorides, Jordan's Foreign Trade 1952-1959 (Amman: USOM/J, January, 1960),P.33.

industrial expansion has been made possible in Jordan since, among other things, industrialization requires the importation of capital goods from outside.

Jordan has been undergoing a development stage characteristically associated with a considerable improvement in development expenditure. Thus the value of gross fixed capital formation has risen from (JD. mns.) 4.8 in 1954 to 19.9 in 1962. The Government budgeted expenditure is divided into two main types : ordinary and extra-ordinary. Preference has been given in the allocation of funds to such schemes like the East Ghor Canal Project, Public Works and telecommunications. For this reason, the tendency towards importation of capital goods has been activated.

The increase in development expenditure in Jordan has influenced the pattern of imports not only by favouring producers' goods, but also by improving the purchasing power of the community through the implementation of import-reducing and export-creating projects. Exemplifying this postulate is the establishment of the Jordan Petroleum Refinery and the finalization of the Second Stage of the East Ghor Canal Project. In both cases, the ability of the community to command imported goods is increased either by the saving of foreign exchange which can be utilized for the satisfaction of other demands, or through promoting the capacity to import as a result of the improvement in the export earnings.

The purchasing power effect of the development expenditure depends upon the recipients of the fund, and if they are living within the country, upon their uses of the funds. The disbursements made in the local market have been most likely used in furthering consumers' imports to raise the already depressed standards of living. However, the improvement in the purchasing power of the low income-brackets implies that a new demand has been created for locally manufactured goods. This tendency, in turn, has led to the encouragement of importing raw materials and capital goods in order to satisfy the new demands of the community.[1] Above all, the principle of multiplier in economic development finds its way to functioning; and, as a result, a small increase in one of the sectors of production leads to a larger increase in another sector and ultimately in making both expand at an increasingly progressing rate.[2]

D. Concluding Remarks:

Only very few remarks may be introduced as a summary for this chapter.

(1) The patterns of Jordan's imports have been characterized by: (a) A trend for imports of agricultural products (including food) to have a comparatively high level (almost one-third of total imports) and its ability to maintain relative significance all through the period 1954-62, (b) A trend for imports of non-agricultural products to increase at a rate relatively higher than the rate of growth of agricultural imports (including food), (c) A tendency in imports in favour of raw materials and capital goods used in industry, (d) A trend in imports in favour of the Industrial Markets in association with (c) above, (e) A trend in the value of imports to rise at a

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1 Also "In the early stages of industrialization, the establishment of every new factory automatically generates demand for raw materials which have to be imported". See: U.N., World Economic Survey 1962, The Developing Countries in World Trade (U.N.: Department of Economic and Social Affairs, 1963), pp. 45-6.

2 See: M.Falaki, Economic Development and its Basic Rules in the Developing Countries (Cairo: Al-nahda Library, 1959) pp. 36-7. In Arabic.

level higher than the expenditure on consumption and gross capital formation; hence evidencing a comparatively high propensity to demand imports.

(2) The pattern of Jordan's exports is characterized by: (a) A generally noticeable rate of growth, (b) An evident association between the composition of exports and their regional direction, since agricultural products are mainly purchased by the Arab countries and non-agricultural products (mainly phosphates) are sold in the non-Arab countries particularly India and Eastern Europe, (c) Inconsistency of the patterns of exports with Lebanon and Iraq, (d) Considerable variances in the export of certain commodities, notably cereals and olives, and (e) Concentration of exports in few commodities comprising phosphates, tomatoes and water melons.

(3) The patterns of Jordan's foreign trade have been influenced by the following factors (other than foreign trade policy and trade agreements): (a) The structural characteristics of the economy, (b) Foreign aid, (c) The aggregate level of income, components thereof and changes therein, (d) The distribution of income between the major segments of the population, and (e) The development stage of the economy.

CHAPTER II

JORDAN'S FOREIGN TRADE POLICY AND REGULATIONS

A. Foreign Exchange Policy and Regulations:

Before October 1, 1964, Jordan's foreign exchange control was administered by the Currency Control Department of the Ministry of Finance under the direction of a Controller of Currency. With the amalgamation of the said Department in the newly established Central Bank of Jordan, the formulation and the execution of the foreign exchange policy and regulations have become the responsibility of the Board of Directors of the Bank. A Control of Foreign Exchange Law was established in 1959, giving the Central Bank the powers necessary for the enforcement of the exchange restrictions specified therein.

The First section provides a brief summary of the principal foreign exchange regulations adopted in Jordan. A detailed analysis of Jordan's foreign exchange policy and its determinants is presented in the second section. Special emphases are being placed on the balance of payments position and its components.

1. Exchange Restrictions on Foreign Trade:

Some of the salient features of exchange restrictions on foreign trade may be briefly outlined here.[1]

(1) The approval of the Currency Controller is necessary for the transfer from a resident to a non-resident account, from a sterling to a non-sterling account and for the re-designation of residence of these accounts.

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[1] I.M.F., Annual Report on Exchange Restrictions, 1961 (Washington, D.C., 1962). pp. 224-7.

(2) On the whole, imports subject to import licensing are also subject to the exchange control requirements; exchange permits are normally issued to supplement import licenses.

(3) All payments for invisibles are subject to exchange control, and a fee of half of one-per-cent is levied on all exchange permits issued for this purpose (with few exceptions, like expenses on education).

(4) Invisible receipts in hard currency, including sterling, must be surrendered to an authorized bank. Travellers coming to Jordan are allowed to bring in a maximum of JD. 100 in local notes and any amount of foreign exchange.

(5) Export proceeds in excess of JD. 20 must be surrendered. However, the receipts from the exports of vegetables, fruits and other commodities to the Arab countries are exempted from the surrender requirement.

(6) There are no restrictions on the importation of capital, but its exportation requires prior approval. Profits accruing to non-residents may be transferred abroad, but if the original amount of investment is to be liquidated, then transfer is permitted in four annual instalments in the original currency of the investment, provided one year has elapsed upon the import of the capital.

(7) Subject to the exemptions made by the Currency Controller, no person is allowed to bring in or take out of the country by whatever means any currency notes or coins or any foreign exchanges. Meanwhile, banks in Jordan are allowed to receive Jordan currency notes sent by their correspondents abroad, provided that prior approval of the Currency Controller is taken and that not more than JD. 25 is being

bought by the correspondent bank from any one individual.[1] (In the case of transfers from Syria and Lebanon, the maximum amount is JD. 100).

2. Foreign Exchange Policy:

Jordan was a member of the Sterling Area as a part of the Mandated Territory of Palestine. In 1948, as the Palestinian currency, then in force in Transjordan, was separated from sterling, Jordan lost its membership; but restored it again in 1951. Jordan adopted a foreign exchange system in conformity with the Area's established regulations.[2] With the outbreak of the Second World War in 1939, exchange restrictions were introduced to the whole area with the members undertaking not only to restrict the foreign exchange transactions of their nationals and keep exchange dealings among themselves free of restrictions, but also to deposit their hard currency earnings in the Central Pool in London and allocate foreign exchange available for external disbursements by setting priorities, whilst taking continuous regard of the demand of the other constituent members of the area.[3]

While the early exchange restrictions enforceable by the Sterling Area may seem relatively akin to restrictiveness, the tendency has been towards gradual liberalization in their application. With respect to Jordan, exchange restrictions are now imposed on transactions with all countries, whether members of the Sterling Area

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[1]See Currency Control Department, "Exchange Control in Jordan". Unpublished Material (Amman: Currency Control Dept., 1961).

[2]For information on the Sterling Area see: A.C. Day, _The Future of Sterling_ (London: Geoffrey Cumberlege, 1954). See also A.R. Conanun, _The Sterling Area_ (London: Macmillan & Co., 1961).

[3]See: Norman Crump, _The ABC of the Foreign Exchanges_ (London: Macmillan & Co., 1962), pp. 225-6.

or not.

Prior to January, 1952, importers in Jordan were classified into grades and classes, and foreign exchange allocations were divided between them on the basis of their records in a certain base year. This method, however, did not survive long, since it proved to be both inefficient and discriminatory. As a result, imports were categorized into two lists comprising primary and secondary commodities; with foreign exchange quotas then allocated in hard and soft currencies to each commodity group on the basis of the Government import program. Under the last method, exchanges were disbursed to importers in semi-annual allotments. A system of fines had been imposed on non-essential imports, with the proportion of such a fine as of the value of imports ranging between 15 % for a soft currency allocation and 25 % for hard currency.[1] Although some partial amendments were introduced in the procedures of allocations and fines, the tendency towards simplification of the foreign exchange system continued. The transfers from the non-essential list to the primary list and thereby from the soft currency program to the hard currency program persisted on a continuous basis all through the period 1952-1958. The period afterwards was characterized by a generally liberal and non-discriminatory foreign exchange policy.

One of the factors that influenced Jordan's foreign exchange policy was the desire to organize foreign exchange transactions primarily to discard multiple exchange practices in the free market and thereby maintain the stability of the dinar. Thus the par value

[1] See: I.M.F., Annual Reports on Exchange Restrictions, 1954-1958 (Washington, D.C.). See Chapters written about foreign exchange restrictions in Jordan.

of the Jordanian dinar was established in 1953 (one JD. equals $2.80) and the official rate became applicable in the domain of foreign exchange transactions in non-Arab League currencies. Prior to 1955, there was no officially recognized free market, but transactions continued to take place in the non-official market at multitudinous rates. A significant portion of the transactions were effected in the neighbouring Arab countries, particularly in the Beirut free market.[1] According to A.K. Salehdar, the purpose behind the organization of the free market in Syrian and Lebanese Pounds in 1955 was not "to simplify the exchange system by reducing the number of rates applicable to imports, but also to reduce the spread between the free market rate and the official rate, and to differentiate sharply between the transactions in the two markets".[2]

As noticed in Table 12, the exchange rates of the dinar in Beirut in terms of Sterling or the dollar showed considerable progress towards narrowing the disparities existing therein. The dinar maintained its relative stability abroad, movements up and down were generally within a narrow range, being sensitive to the seasonal patterns of demand and supply, and generally showing an inclination to associate with corresponding movements in the exchange rates of Sterling. (It should be re-called that the free exchange rates in Arab League currencies were abolished in 1961 and 1962; payments are settled now primarily in sterling, at the official market rate).

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[1]Capital is attracted to Lebanon for several reasons. According to Dr. Salim Hoss, foreign capital is attracted to Lebanon, in view of the comparatively favourable investment opportunities, political stability and a long record of appreciation in the value of the Lebanese Pound, a situation that created unquestionable confidence in the Lebanese currency. See Salim Hoss, "Capital Movements and the Balance of Payments of Lebanon", The Arab Economic Report (Union of the Arab Chambers, Dec. 1959), pp. 62-75. In Arabic.

[2]A.K. Salahdar Quoted by K. Madadha, op.cit, pp.37-8.

TABLE 12

SUMMARY OF EXCHANGE RATES, 1955-1962
(dollars for one Jordan dinar)

Year.	Rates quoted in Beirut.	Rates quoted in Amman.	
		Arab League Rate.	Official Rate.
1955	2.58	2.58	2.80
1956	2.58	2.59	2.80
1957	2.54	2.55	2.80
1958	2.64	2.63	2.80
1959	2.69	2.78	2.80
1960	2.77	2.77	2.80
1961	2.80	-	2.80
1962	2.79	-	2.80

Sources:

Khalid Madadha,"The Monetary Policy of Jordan", (A.U.B., M.A. Thesis, 1964), p.39 (for column No.1).

I.M.F., International Financial Statistics (Supplementary issue 1963), p. 138 (For columns 2 and 3).

The maintenance by Jordan of a distinstively rising level of foreign exchange reserves is the most important factor which by far explains the tendency towards the gradual easing of the restrictiveness of the foreign exchange control.[1] The improvements registered in the foreign assets of the country have been made possible primarily as a result of the continuous inflows of grants from the donor countries (mainly from the U.S.A.). For one thing, the level of Jordan's foreign reserves is barely sufficient to finance a ten-months value of imports, and without the guaranteed proceeds from foreign assistance, it will be pulled down to the point of exhaustation under the compelling requests of the importers. During the period 1954-1960, the merchandise trade gap increased from (JD. mns) 15.54 to 37.48, the advance representing almost 140 %. Official transfers, on the other hand, rose from (JD. mns) 12.62 to 25.49, the difference amounting to almost the original value. Besides, a considerable portion of merchandise imports is comprised of U.N.R.W.A.'s, other chartible goods and U.S. aid commodities. The last sources contributed the equivalent of (JD. mns.) 4.91 in 1960, the amount comprising more than 12 % of the merchandise trade deficit incurred in that year. (See Tables 13 and 14).

The continuity of the inflow of foreign aid to Jordan has made it possible not only to liberalize the restrictions imposed on imports, but also to abridge a substantial segment of the widening trade deficit and, as a result, to reduce the expanding lag between the local demand for goods and the capacity of the production base of the economy to supply these demanded products. The equation of demand with supply is of paramount significance not only because it

[1]See: K. Madadha, op.cit., pp.35-38.

TABLE 13

SUMMARY OF JORDAN'S BALANCE OF PAYMENTS IN 1954-55 AND 1958-62
(In millions of dinars)

	1954	1955	1958	1959	1960	1961	1962
Current Account:							
A. Debits - Total	20.03	27.06	36.78	42.82	45.85	46.08	50.75
1. Goods - Total	18.59	25.26	33.97	39.39	41.43	40.93	43.51
a. Commercial imports	15.38	21.72	30.23	34.90	36.52	36.43	40.35
b. U.N.R.W.A. and Charitable imports	3.02	2.99	2.67	3.10	2.93	2.71	2.71
c. U.S.A. aid goods	0.19	0.55	0.98	1.39	1.98	1.79	0.45
2. Travel	0.92	1.13	1.61	1.98	2.22	2.44	3.42
3. Insurance & freight	0.04	0.07	0.12	0.13	0.49	0.58	1.08
4. Investment Income	0.15	0.25	0.12	0.18	0.10	0.20	0.30
5. Government Expenditure	0.21	0.30	0.27	0.82	1.05	0.91	1.39
6. Miscellaneous	0.12	0.5	0.69	0.37	0.56	0.94	1.05
B. Credits - Total	6.74	8.03	11.92	9.95	11.09	15.30	21.37
7. Goods	3.05	3.57	3.53	3.41	3.95	5.27	5.92
8. Travel	2.21	2.45	1.22	2.85	3.30	4.34	5.05
9. Insurance	-	-	-	0.11	0.04	0.86	5.13
10. Investment Income	0.15	0.31	0.73	0.67	0.62	1.19	1.37
11. Government Expenditure	0.71	0.86	2.89	1.56	1.65	1.06	1.30
12. Miscellaneous	0.62	0.84	3.55	1.35	1.53	2.58	2.60
Balance on A & B	-13.29	-19.03	-24.86	-32.87	-34.76	-30.78	-29.38
C. International transfers Total	14.99	18.80	27.13	30.92	32.76	31.53	30.18
13. Private remittances	2.37	3.37	3.22	5.78	7.27	6.97	7.94
14. Official transfers	12.62	15.43	23.91	25.14	25.49	24.56	22.24
Balance on Current Account	+1.76	-0.23	+2.27	-1.95	-2.00	+0.75	+0.80

TABLE 13 (Cont'd)

	1954	1955	1958	1959	1960	1961	1962
Capital Account							
15. Private Capital	-	-	0.58	0.11	0.42	0.46	1.27
16. Official Loans	1.30	1.29	1.13	0.50	1.50	0.97	1.79
17. Other Official Capital	1.14	1.18	0.13	-	-	-	-
18. Changes in foreign exchange reserves	-3.99	-2.35	-3.85	+0.47	-2.05	-1.45	-3.43
19. Total Capital (15-17)	-1.55	0.12	-2.27	+1.08	-0.13	-0.03	-0.37
20. Errors & Omissions	- .15	+ .11	-	+.87	+2.13	+.71	+ 2.26
21. Total Capital Account	-1.70	+ .23	-2.27	+1.95	+ 2.00	+.68	+2.26

Source: Jordan's Statistics Department, Annual Statistical Yearbooks.

Notes: The value of imports does not include imports of concessionaries.

With respect to foreign exchange reserves, a minus sign implies an increase therein, while a plus sign means a decrease.

It is noticed that the credit value of Insurance has risen from (JD. mns.) 0.86 in 1961 to 5.13 in 1962. However, it is doubtful whether this improvement is actual.

TABLE 14

FINANCING JORDAN'S MERCHANDISE TRADE GAP DURING 1954-55 and 1958-62
(In Millions of J.D's.)

Sr. No.	End of Year	1954	1955	1958	1959	1960	1961	1962
1	Merchandise Trade Gap.	-15.54	-21.69	-30.44	-35.98	-37.48	-35.66	-37.59
2	Surplus on Invisibles.	2.25	2.66	5.58	3.11	2.72	4.88	8.21
3	Balance of Trade	-13.29	-19.03	-24.86	-32.87	-34.76	-30.78	-29.38
4	Official transfers	12.62	15.43	23.91	25.14	25.49	24.56	22.24
5	Private remittances	2.37	3.37	3.22	5.78	7.27	6.97	7.94
6	Balance on Current Account.	+1.70	-0.23	+2.27	-1.95	-2.0	+0.75	+ 0.80
7	Change in Foreign Exchange Reserves	-3.99	-2.35	-3.85	+0.47	-2.05	-1.46	- 3.43

Source: Table 13.

constitutes a fundamental pre-requisite for the achievement of domestic price stability, but also in view of its consequent implications on the relative affixation of the purchasing power of the dinar internally and externally. Foreign aid receipts, it may be emphasized, have indirectly contributed to the attainment of a persisting stability in the country, for otherwise the financing of the chronic trade gaps would not have been conceivable and, expectedly, the general price level would have been strikingly rising in an up-ward evolving pattern.

It may be emphasized at this stage, that the avoidance of disturbances in the exchange rates of the dinar has been considered as a basic guide-line in Jordan's foreign exchange policy. The retention of stability has been accorded a somewhat unparallelled preference not only in view of its compatibility with the desirable objective of balances development, but also because the preservation of stable rates of exchange is in itself significant from the standpoint of a country which is a member of the International Monetary Fund. Notwithstanding the fact that Jordan is as well a member of the Sterling Area, and that it is committed to maintain the par value of its dinar in line with the Pound Sterling.

Aside from the above considerations, the role of foreign exchange control in national planning has not been accorded due importance. The reason behind this may be conceived in the lack of developed monetary and fiscal policies for the economy, and consequently in the absence of coordination between both. Admittedly, therefore, the initial restrictions imposed in the form of exchange quotas have not been desirable mainly for the sake of controlling imports, but, above any other consideration, they have been necessitated by the inadequacy of the then available reserves to satisfy the variety of pressing demands. With the improvement in foreign aid, the staisfaction of the once-unsatisfied demands became possible, with the result that restrictions were gradually liberalized. Thus the systems of exchange quotas and the classification of importers were abolished, and the inflow of foreign aid in the form of hard currency receipts gave the Jordanian tradesman accessibility to the principal industrial markets. (See Table 15).

Despite the dominating importance of foreign assistance, it could not, and cannot, alone, lead to the abridgement of the deficits incurred on the country's merchandise balance of trade. Thus Jordan experienced almost all through the period under review a surplus position on its balance of payments. Generally, merchandise exports grew at relatively remarkable rates, but in absolute terms they constituted only a small portion of merchandise imports. However, the balance of trade on invisibles continued to show a favourable position and, during the period 1954-62, it rose from (JD. mns.) 2.25 to 8.21, the difference representing an increase of 350 % and somewhat over 27 % of the increase in the merchandise trade gap. Gross tourist receipts alone amounted to (JD. mns.) 5.92 in 1962, the amount abridging almost 16 % of the merchandise gap incurred in that year. Private remittances from abroad constituted the second source of exchange after grants. During the period under consideration their value rose from (JD. mns.) 2.37 to 7.94, the advance amounting to 235 %. As a result of these improvements, Jordan was enabled not only to finance its merchandise deficit, but even to accumulate additional exchanges to its foreign

TABLE 15

JORDAN'S FOREIGN ASSETS, 1958-1963
(In Millions of U.S. Dollars)

	1958	1959	1960	1961	1962	1963
1. Held by Jordan Currency *Board: Currency in circulation.	16.33	15.98	16.40	17.97	20.23	21.76
2, Commercial Banks.	14.40	14.28	14.27	16.08	20.31	12.04
3. Total Foreign Assets (including net I.M.F. Position).	30.77	30.30	30.84	34.38	41.02	34.42

Source: I.M.F., International Financial Statistics, Vol. XVII, No.4 (April, 1964), p. 176.

Note: *Now the Central Bank of Jordan.

reserves and thereby to simplify the foreign exchange restrictions in force. (See Table 14).

Jordan falls under Article XIV of the Articles of Agreement of the International Monetary Fund (I.M.F.). Accordingly, it is allowed to impose restrictions on transfers and payments for international transactions provided due consideration is accorded to the provisions of the Agreement in formulating and implementing the foreign exchange system of the country. In this respect, the Fund requires every member to do its best to develop commercial and financial arrangements with other members in order to facilitate the achievement of multilateral monetary stability. Thus Article I of the Articles of Agreement specifies that the major tasks of the Fund pertain to the promotion of international monetary cooperation and exchange stability as a basis of balanced growth.[1]

With respect to drawing on the Fund, this provision has not been so far utilized by Jordan, but it may turn to be of ultimate benefits in the future in case there are temporary restraints on the balance of payments. This right will give a guarantee, at least for short periods of time, should there be a sudden change in confidence in the Jordan dinar or even in the Pound Sterling with which the dinar is linked. The rights of drawing on the Funds resources may become of special significance in influencing Jordan's foreign trade policy in the future, particularly if foreign aid receipts are reduced. Noticeable in this respect is that "the expansion of trade and greater freedom of International payments,

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[1] See: I.M.F., Articles of Agreement of the International Monetary Fund (Washington, D.C., 1963). pp. 1-2.

including capital movements, tend to increase the problem that may arise if there shall be a sudden change in confidence in any major currency."[1] "Countries must therefore be alert to the increased risks to which their reserves may be exposed as a result of the operation of leads and lags in payments and other movements of Funds".[2]

The conditions governing drawing rights of Jordan or any member country from the Fund depend upon a number of considerations. (1) Every I.M.F. member is entitled to draw almost automatically up to the limits of its gold tranche position (the member's quota minus the holdings by the Fund of the member's currency). Jordan's tranche position amounted to $1.8 million, as at the end of the year 1963. (2) "Without a waiver, drawings are limited to amounts that will not cause the Fund's holdings of the member's currency to increase by more than 12 months period nor to exceed 200 % of its quota".[3] Jordan's quota as at the end of 1963 was $9.6 millions. (3) By obtaining a waiver, an I.M.F. member is entitled to get further assistance from the Fund provided there are exceptional requirements warranting such a situation. Thus the Fund is ready to waive the 200 % of quota limit in the case of members "encountering payments difficulties produced by temporary export shortfalls."[4] beyond its

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[1] I.M.F., Report of the Executive Directors of the Board of Governors on Enlargement of Fund Resources through Increases in Quota (U.N. 1958), p.11.

[2] Ibid.

[3] I.M.F., International Financial Statistics, Vol. XVIII (April, 1964), p.8. However, this clause seems of no practical importance for Jordan at present particularly since it has not fully paid its obligations in gold and/or U.S. dollars. Under Article III, Section (3) of the Articles of Agreement, every member must pay 25 % of its quota in gold or 10 % of its net official holdings of gold and U.S. dollars, whichever is less. See: I.M.F., Articles of Agreement of the I.M.F., op.cit. pp. 3-4.

[4] I.M.F., Report By the I.M.F. on Compensatory Financing of Export Fluctuations (Washington, D.C., 1963), pp. 24-5.

TABLE 16

JORDAN'S I.M.F. POSITION IN 1958 AND 1963
(In thousands of U.S. dollars)

	1958	1962
I.M.F. Gold Tranche Position(1)	100	1800
Quota	3000	9600
Total Tranche Position(2)	3100	11400

Source: I.M.F., International Financial Statistics, Vol. XVII (April, 1964), p. 176.

Notes: (1) Equals quota minus the holdings of the Fund of Jordan's Currency.

(2) Equals, I.M.F. Gold Tranche Position plus Quota.

control, and if that member cooperates with the Fund in solving its balance of payments problems. This clause may prove to the advantage of Jordan in view of the considerable changes experienced in the production base of its economy and their impact on export proceeds.

As a member of the Sterling Area[1], Jordan is accessible to the Central Pool in London, a provision that has not been so far utilized. However, it is more likely that these rights bestowed at Jordan's disposal may be fostered to its benefit in the future to come particularly in view of the expected increase in development expenditure and its accompaniement with a deteriorating level of foreign aid. As noticed in Table 15, the foreign assets of the country (including net I.M.F. position) have been generally rising

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[1]As a large payments union, the sterling area accords its members a variety of advantages. Special benefits may accrue to underdeveloped countries from joining any payments union in view of their rudimentary banking systems,primitive money markets, limited acceptance of their national currencies in world markets and ultimately their inability to afford the expenses of holding working balances in many foreign currencies. See: A.C. Day, op.cit. p.59. However, the major advantages accruing to Jordan from its membership in the sterling area are evidenced in (a) having accessibility to world centres of commerce and (b) giving the dinar relatively more stability in view of the invoicing of trade bills in sterling. See: David Noursi, "Jordan and the Sterling Area" (A.U.B.: M.A. Thesis, 1960), p.143. The dinar is linked with the Pound Sterling and thereby it is influenced by changes in the latter. The U.K. Exchange Equalisation Account undertakes the responsibility of intervening in the foreign exchange market to stabilize the rate between Sterling and the dollar. U.K. is a member of the European Monetary Agreement (previously the European Payments Union) and thus in case there is fear that the value of sterling may unfavourably change, then other members to the Agreement may resort to measures that contribute to the stabilization of the external value of sterling. Thus when U.K. experienced an unfavourable balance of payments in 1961, other members of the E.M.A. came to its aid by holding their sterling receipts and not exchanging them with dollars, a situation that gave sterling considerable stability. See: Norman Crump, op.cit. pp. 380-4.

all through the period 1958-62. However, a turning-down swing is to be noticed in the year 1963 as evidenced in the voluminous contraction in reserves. Thus the privileges of drawing on the Central Pool or on the I.M.F. develop a sense of assurance of the availability of assistance should there be a considerable contraction in the foreign exchange reserves of the country.

At this stage of the discussion, the reader may come to the conclusion that Jordan adopts a restrictive policy that is comparatively free of restrictions. This statement may be quite true with respect to the foreign exchange system in force; but it must be emphasized that the other constituents of Jordan's restrictive policy show the least drive to move in this same direction. Thus whenever there was a gradual easing of foreign exchange restrictions, there was also a correspondingly increasing reliance on quantitative restrictions like import licensing and prohibitions, in addition to tariffs and other supplementary duties on imports. As a result of this shift in policy emphasis, the role of foreign exchange system in controlling imports declined to a somewhat secondary grade, the major core of influence being transferred to other import policy components. The rest of this chapter is devoted to the discussion of those other restrictions.

B. Import Policy:

1. Import Licensing:

Import licenses are issued freely by the Import and Supply Department of the Ministry of Finance. Importation is open to all Jordanians holding work permits and to all Arab nationals and foreigners who have been engaged in this activity prior to 1956. Almost all imports are subject to licensing requirements (excepting commodities exempted by trade agreements with other countries and with respect to few other commodities). The validity of a license extends to four months for imports from the Arab countries and to six months for imports originating in non-Arab countries. The fees for obtaining the licenses are 4 % of the amount specified therein (However they are only .5 % for some imports from the Arab countries, for which exchange is not provided by the official market).

There are three alternative procedures that may be adopted by the importer in the process of finalizing documentation and shipping of goods to Jordan.[1] (a) He may open an irrevocable documentary credit with his bank after obtaining the approval of the Currency Control Department (now the Central Bank of Jordan) and then finish the process of importation within the validity period of the license. (b) The importer may get the approval of the said Department after receiving the goods in Amman. (c) The importer may clear the goods upon arrival in Amman by presenting the import license and then arrange with his bank to submit the customs declaration to the Controller of Currency.

The I.B.R.D. Mission to Jordan criticized the import licensing procedures on the following basis:[2] (a) They do not restrict the level of imports and their retention is fundamentally for the purpose of facilitating the foreign exchange control, (b) The limitations imposed on the period of validity of the license and on their renewal constitute a hindrance to importation, and (c) The practice of taxing import

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[1] I.M.F., Annual Report on Exchange Restrictions, 1954 (U.N.,1955), pp.223-4.

[2] I.B.R.D., op. cit., pp. 380-1.

licenses without refunding the importer in case he decides not to import is unduly harmful, since it adds to the cost of goods and restricts the liberty of choice.

2. Tariff Policy:

There are some general observations that may be indicated with respect to Jordan's tariffs: their classification, system and types.[1]

(a) Jordan's tariff schedules have been classified on the basis of the U.N. Nomenclature prior to 1958 and on the Brussels classification afterwards. The tariff schedules include two types of commodities, dutiable and customs-free.

(b) With respect to the tariff system applied, the schedules as published are of a single-column type and thus they may indicate that the system is autonomous. However, Jordan is a party to a number of bilateral agreements with some Arab countries, and accordingly, it accords exemptions from customs tariff to some importable commodities and reduced tariff rates on others. From this point the tariff system of Jordan has two forms, a general one embracing the rates as published in the original text and a conventional form that includes the aforementioned exemptions and reduced tariff levels. Besides, Jordan is a member to the Convention on the Facilitation of Trade Exchange Between States of the Arab League. Thereupon it offers and equally receives some exemptions from customs on specified products, and reduced tariff rates on others. In this final respect, Jordan's tariff system may be considered as a maximum-minimum form since reciprocity is guarranteed by all contracting parties and any departure from the

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[1]For theoratical background on these topics, See: Ronald Kramee and others, International Trade: Theory, Policy, Practice (New York: South-Western Publishing Co., 1959).

application of the agreed-upon rates of tariffs leads ultimately to retaliation and thereupon to pushing tariffs from their minimum to the upper ceiling limits established in the customs schedules. In general, therefore, the tariff system of Jordan is characterized by a multiplicity of rates and levels.

(c) With respect to the type of customs duties applicable, there are two such kinds, specific and ad valorem, the latter by far the most important. Specific duties are applied on few commodities which are more or less standardized, like liquors, tea and tobacco. No compound duties (i.e. mixed rates involving both types mentioned) are employed in the tariff schedules.

The tariff policy of Jordan is influenced mainly by two considerations, namely, revenue and protection. As regards the first objective, it may be emphasized that customs duties constitute the principal source of domestic revenue to the State. The role of major importance attached to tariffs is partly due to orientation towards imports and partly because other domestic sources of Budget Revenues have been unstable as a result of fluctuations in agricultural production. Thus in the 1958-59 Budget, the income from tariffs and excises constituted (JD. mns.) four millions,[1] the amount comprising somewhat over 44 % of the total revenues from domestic sources.

The protective role of Jordan's tariff policy may be envisaged by considering the wide range of exemptions from customs duties which

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[1] Ministry of Finance of Jordan, The Government Budget: 1958-59 Amman 1959), P.5. In Arabic.

are accorded on almost all raw materials used in industry and on capital goods. The imports that are accorded such exemptions may be classified under four principal categories.[1]

(a) Imports which are considered as necessary for the development of the agricultural sector of the economy, and commodities essential for the maintenance of the standard of living of the rural community. Examples of the first type include: Instruments and tools used in agriculture, pumps, tractors, ploughs including parts and accessories, horticultural machinery, harvesting and thrashing machinery, breed-improving animals including poultry, fertilizers, disinfectants, insecticides, fugicides and so on. Examples of the second type include: Wheat, barley and maize. (If the agricultural crop is good then the importation of the last commodities may be prohibited or subjected to import licensing requirements).

(b) Imports of certain commodities that are considered essential for the accumulation of social overhead investment in the economy, like printed materials (i.e. publications, books, etc.) and certain classes of pharmaceuticals.

(c) Imports of capital goods and other machineries (whether heavy or small) which are considered necessary for the development of the industrial sector of the economy, like mechanical appliances; excavating, loading and extracting machines, other machineries used in food manufacturing, wineries and soft drinks; electrical machinery as generators, motors, furnace boilers, copper wires and compressed gas cylinders.

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[1] The author has adapted these groupings from the tariff schedules. See: Ministry of Finance of Jordan, Jordan's Tariff Schedules (Amman, 1962). In Arabic.

(d) Imports of raw materials which are used in feeding infant industries like crude petroleum, natural rubber, plastics, sheets and stripes for tyre retreading, wool and cotton not prepared for retail sale, dried and unsweetened milk used by the chocolate industry, unroasted coffee and so on.

Until recently, the imposition of tariffs has been the least important instrument of policy in so far as the protection of local industry may be concerned. Emphasis has been placed more on the application of quantitative restrictions like import licensing and prohibitions than on tariffs. Usually a prohibited list of imports is issued mainly to guarrantee protection to infant industries which are expected to adequately cope with the local demand requirements at a relatively competitive level. The time such an industry stands on its feet and becomes in a position to compete with foreign products, then the importation of similar products is allowed and protection is limited to the imposition of tariffs. This shift in policy stands as a check on the adequacy of the performance of the domestic industry and its acquirement of competitiveness in the local market.

Aside from the above considerations, recent indications show that the tendency is towards increasing reliance on tariff policy rather than on quantitative restrictions. This change is being supported not only in view of the need to simplify the complex administrative procedures applied now, but also to repeal the inefficiencies of the latter, particularly since its scope of effective control over imports has become limited to a few restricted or prohibited number of commodities. Since 1963, tariff rates have been gradually raised, specially on non-essential commodities.

"In addition to an across-the-board increase of 3 percentage points, customs duties on luxuries had been increased, and in some cases were doubled and are now close to 75 per cent of the c.i.f. value of imports"[1].

3. Other Import Restrictions:

Other import restrictions include (a) Supplementary taxes and duties, (b) list of prohibited imports and, (c) quotas.

(a) Supplementary or additional import fees and duties have amounted to almost double the import duties levied on the acquirement of an import license. Thus while the latter constitutes only 4 % of the value of imports, the former has risen to as high as 7.5 % (of the value of imports). There is a multiple variety of such fees, like inspection fees, al-Hussain Sports City tax, municipality fees, social welfare tax, the Jordan University tax and so on. The possible considerations explaining the imposition of this wide range of fees and taxes on imports include (1) the need of Government for revenue, (2) the difficulty of levying duties on other taxable sources of income in contrast with the relative ease of collecting such duties, (3) the guarranteeing of a permanent source of income to such independent authorities or concerns like the municipalities, the Jordan University etc., and (4) the low tariff rates normally applicable in Jordan in comparison with similar rates prevailing in the neighbouring Arab countries. The I.B.R.D. Mission to Jordan recommended the incorporation of all such additional fees and duties in the general customs tariff since they "tend to add disproportionately to the burden on imports given favourable treatment in the basic tariff schedules"[2].

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[1] I.M.F., "Consultations with the I.M.F. In 1964" (Unpublished material, 1964), P.10. Few other remarks about protection to local industry are reported in the third section of this part and in chapter IV.

[2] I.B.R.D., op. cit., p.379.

(b) As regards prohibitions, a list is usually issued to include those commodities whose importation is forbidden. This list is modified from time to time depending on changes in the demand and supply conditions in the country. Generally, however, the goods whose importation is prohibited are those which are normally produced by a local industry with a potential capacity which is adequate to satisfy the domestic demand needs at a competitive level. At one time, this list included such commodities like cement other than white cement, carbonic gas, cigarettes, soft drinks and machines and engines for the establishment of a new factory if the approval of the Ministry of National Economy was not taken in advance.

(c) At present there are no restrictions on the amounts of imports by each commodity group. Exchange quotas were applied prior to 1959; but this procedure and the system of alloting exchanges on the basis of the records of importers were abolished. However, the Import Committee is empowered by Law to resort to the imposition of quotas by determining exchange allotments to each commodity group; provided there are conditions warranting such a step. This instrument is specially important in case the foreign exchange reserves of the country are endangered by exhaustion.

4. Import Policy and Industrialization: Some Divergent Views.

This section is primarily devoted to a presentation of what seems to the author as a controversy between the State and the industrialists on the role of import policy in industrializing the country. The former's point of view is taken from Laws and regulations, as well as the last Five Year Program for Economic Development, 1962-67, which has been prepared by the Jordan Development Board (which is a Government institution).

On the other hand, the opinion of the industrialists is expressed in releases and issues circularized by the Amman Chamber of Industry whose Secretary has generously given the author the chance of interviewing with him to reveal some of their arguments.[1]

The Government policy with respect to the role of import policy in industrialization may be summarized briefly in the following points:

(1) Two laws have been established by Government in 1955, one pertaining to the encouragement and guidance of industries and the other to the encouragement of foreign capital investment in the country. The first law grants exemptions and privileges to a number of industries listed in the Law.[2] The major benefits accruable to them include (a) The exemption from customs duties and other import taxes and fees of all materials and equipment that a factory may need to import upon establishment, provided that the approval of the Ministry of National Economy is secured before hand, and (b) other exemptions, including, exemption from the income tax and the Social Welfare tax on profits for the first three years of operation, in addition to an exemption of land and buildings used for the purposes of the industry from land and buildings tax (also for three years starting with the commencement of production).

The Encouragement of Foreign Capital Investment Law provides for some facilities to be rendered to foreign investors to attract capital

[1] The interview with Mr. Ali Dajani, Secretary of the Amman Chamber of Industry took place on 19.4.1964 in Amman at his office.

[2] These industries include: Chemical fertilizers, Spinning and Weaving, Vegetable oils, sugar extraction, tanning and leather manufacturing, Potash extraction, canning industry and ceramics and pottery industry. Source: Ministry of National Economy, "Encouragement and Guidance of Industries Law", (Mimeographed; the Economic Planning Division, 1955),P.2-4.

to the country. Thus all exemptions and privileges granted to local capital are as well accorded to foreign capital provided it also complies with the provisions therein.[1]

(b) Government experience indicates that protection may prove costly since it might strengthen monopolistic tendencies and weaken competition standards in production and may thus lead to higher prices unduly charged to the consumer.

(c) Official attitude is influenced by the failures of certain industries which have been accorded protection (like the Tanning Industry).

(d) Government attitude towards protection has become rather cautious. Government wants to ensure that the industries being protected are moving ahead towards the achievement of a competitive level, and thus relying less on official support. As a result, emphasis is increasingly placed now on the encouragement of industries which are based on feasibility studies, by the provision of training and through liberalizing credit facilities by the establishment of industrial development corporation,[2] etc.

(e) Revenue has been foregone by the Budget as a result of the exemptions granted to industries in their infancy. Besides, many of these industries have become wholly dependent on importation of raw materials, a situation that poses economic difficulties and accentuates the pressure on the balance of payments. (However, the lack of raw materials in the country does not constitute a strong argument against protection).

(f) The result of this change in the official policy is best

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[1] See: Ministry of National Economy, "Encouragement of Foreign Capital Investment Law" (Mimeographed, the Economic Planning Division, 1955). In Arabic.

[2] Jordan Development Board, op. cit., pp.140-2.

evidenced in the abolishment of the 1955 'Encouragement and Guidance of Industries Law' and replacing it by a provisional law in 1963 (same title). This law specifies that raw materials for use in production are not exempted from customs duties and other supplementary fees unless such an exemption is basically provided in the customs schedules. It is also asserted that Government may prevent the importation of foreign products which are competitive with local products provided the latter complies with the standard and specifications determined by the Ministry of National Economy. (This law, however, was not ratified by the Parliament and recourse was made to the original law of 1955).

(g) Government issued in 1963 a provisional law for Excise Duties on Local Products, under which all consumption goods and raw materials wholly or partly produced or manufactured in the country would be subject to excise fees determinable by specific regulations to be issued by the Council of Ministers.

The Jordanian Industrialists have opposed the last law on the following basis[1]:

(a) The fees imposed by the law on local industry are not paid by any factory elsewhere, and as a result, they do not serve the industry, the Budget or the consumer.

(b) Some foreign suppliers who sell in the Jordanian market receive from their respective governments subsidies which amount sometimes to as high as 40% of the cost of production of the commodity

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[1]These views were expressed by the Amman Chamber of Industry in a memorandum that was raised to the Parliament. See: Amman Chamber of Industry, "Text of the Memorandum that was Raised to the Members of the Parliament", Ar-Risala No.15 (Amman Chamber of Industry, April, 1964), P.13.

concerned. Consequently, the competitiveness of the local industry will be weakened.

(c) This law encourages monopolistic tendencies since the major part of the injury will be shouldered by the small firms, the big ones being sole producers in the market.

(d) There is no draw-back clause to guarrantee the refunding of fees levied on production in case the commodity produced is exported. On the whole, the industrialists believe that this law stands as a hindrance to industrialization and private initiative.

While industrialists disagree with Government on the role of import policy in industrialization, they realize that there are basic problems challenging the desire for industrialization. On the whole, they admit that there are many factories working under full capacity as evidenced by the keen competition existing among these factories and the relatively high prices they charge for their products. The primary reason behind this condition lies in the duplication of factories, a situation for which the authorities are responsible since, from the start, no measures have been appropriately taken to limit the expansion of homogeneous undertakings. In the mean time, domestic industries suffer from the lack of raw materials in the country, and the relatively high unit-cost of electricity, water and fuels.

To solve some of the problems of local industry, the industrialists have certain proposals, some of which are briefly pointed here:

(a) They propose the establishment of a Permanent Council of Industry to shoulder the responsibility of coordinating among industries.

(b) The protection offered to local industry should be based on three dimensions. If the industry concerned uses raw materials that is wholly supplied by the local market, then the importation of similar products must be prohibited. If 75 % of the raw materials used is obtained from domestic sources then a high customs tariff is required. However, if this ratio is only 40 % - 50 %, then a reasonable customs tariff must be applied.

(c) Duplication of factories should be prevented due to the narrowness of the domestic market.

(d) All possible means must be explored to reduce the cost of power and fuels.

(e) Government will help industry better if it gives preferential treatment to domestic products in its procurement program.

(f) Government participation in industry is to be based on three considerations. Thus participation is basic in the case of big industries like cement and phosphates. Intermediate industries (like textiles) should be left to private initiative, but Government must give them protection as specified in (b). Small industries should also be left to the private sector and encouragement should be offered by the provision of training, etc.

(g) Due consideration must be given to the problem of integration among the Arab economies on the establishment of any large industry in the future. Thus the Amman Chamber of Industry has objected to the establishment of a big textile industry in Jordan mainly because Egypt and Syria have a comparative advantage in this respect.

C. <u>Export Policy:</u>

Until recently, the conclusion of trade agreements with other countries has been the only landmark in Jordan's export policy. Thus, Jordan entered into bilateral trade agreements with the neighbouring Arab countries to promote the exportation of agricultural products which are almost wholly sold in their markets. Bilateral trade and payments agreements were also concluded with India and Yugoslavia primarily to guarrantee adequate demand for phosphate products which constitute the major non-agricultural commodity group in Jordan's exports.

In 1962, a regulation was passed to define the powers and functions of the newly established Agricultural Marketing Bureau. Previously, there was no official body devoted to the administration of export policy; while, on the other hand, the formulation of import policy was delegated to an Import Committee whose recommendations would be subject to the approval of the Council of Ministers. The Agricultural Marketing Bureau had been vested with powers and prerogatives pertaining to the organization of marketing operations of agricultural products inside the country and abroad. (see Appendix B).

The marketing system in Jordan suffers from a number of limitations, including the lack of grading and standardization, the inadequacy of handling and transportation methods, the inappropriateness of the wholesale market to the needs of exports, the shortage in cold storage facilities and the inadequacy of the available managerial and technical skills. There is a wide spread between the prices charged by the producer and those paid by the consumer, a situation that indicates the oligopolistic position of the commission agents to whom the farmers are indebted, and the association of risk and loss with the wholesale and retail trade in perishables.[1]

Marketing in Jordan faces other major problems stemming from the relative weakening of the agricultural base of the economy, the substantial year-to-year fluctuations in the volume of the principal agricultural commodities and, above all, the relatively high internal prices prevailing in the domestic market. However, flexibility in cropping patterns may be attained through expanding the irrigated area and determining on what products are most likely to maximize the income of the farmer.[2]

One step had been taken in 1963, by the establishment of the Council of Imports and Exports of Vegetables and Fruits, which would be connected with the Agricultural Marketing Bureau. The Council assumed responsibility for the formulation of import and export policies with respect to local vegetables and fruits. Thus it was given the right to recommend on whether the importation of these products would be allowed or not. In order to promote exports, the Council would prepare a list of local vegetables and fruits with reasonable prices and quality standards at a competitive level. The Council is nominated by the Advisory Committee of the Agricultural Marketing Bureau; and it must include representatives of importers and exporters of vegetables and fruits, farmers and agricultural marketing cooperatives.

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[1] Hisham Rifa'i, "Agricultural Marketing Problems and Programs in Jordan", A series of Seminars On Jordan Agriculture (Jordan Development Board, 1962) pp. 40-2.

[2] See Richard Ward, "Marketing and Irrigated Agriculture", Ibid, pp. 50-7.

D. Concluding Remarks:

The major points that have been considered in this chapter may be briefly enumerated:

(1) Jordan adopts a relatively liberal foreign exchange policy. The major factors explaining this tendency are the following: (a) The rising level of the foreign exchange reserves of the country, (b) Due to the inadequacy of the production base of the economy, there is a basic need to facilitate importation primarily to stabilize prices and maintain the purchasing power of the dinar, (c) The rising level of foreign assistance primarily from the U.S.A., (d) The improvement in the external receipts of other balance of payments components, (e) Jordan's commitments as a member of the Sterling Area and the International Monetary Fund, and (f) Increasing reliance on other restrictions including import licensing, prohibitions, tariffs and other supplementary regulations, and, (g) Lack of well-defined monetary and fiscal policies for the country, and the absence of coordination between both.

(2) The most recent tendency is towards relying more on the imposition of tariffs and less on the application of quantitative restrictions like prohibitions and import licensing. The possible explanation behind this tendency are the following: (a) The desire to simplify the complexities of administrative procedures associated with the employment of quantitative restrictions, (b) The desire to incorporate all additional duties in the structure of the customs schedules, (c) These restrictions obstruct trade and add disproportionately to the cost of importation, (d) Change in the official attitude towards the role of import policy in industrialization due to the inability of many of the infant industries to attain a competitive

stand in the market, a situation that has proved injurious to the Budget, and to the consumer who pays unduly the price of the inefficiencies of the local industry (e) Tariffs are easy to apply and less costly with respect to their effect on the prices charged on the imported commodities, and (f) The Jordanian industrialists consent to the imposition of a high customs tariff in case of industries which import only 25 % of the raw materials from outside, to a reasonable customs tariff in the case of industries which import 40 % - 50 % of their raw materials, and they require absolute prohibition of imports only in case of those industries which depend only on the local market in obtaining their raw materials.

(3) While Jordan's import policy is formulated by an Import Committee, there has not been, until recently, any official institution specializing in any facets of export policy. However, with the establishment of the Agricultural Marketing Bureau, the scope of improvement in this direction is feasible. In addition to the promotion of exports through the media of expanding and continuously improving marketing facilities, Jordan depends considerably on a number of trade agreements concluded with the Arab and non-Arab countries for the promotion of its exports. The discussion of these agreements will be the main subject of the next chapter.

CHAPTER III

TRADE AGREEMENTS AND TRANSIT TRADE

A. Trade Agreements With the Arab Countries:

1. Salient Features:

a. Multilateral Trade and Payments Agreements

The first multilateral trade agreement concluded between the Arab countries is the Convention for Facilitating Trade Exchange and Regulating Transit Trade between States of the Arab League on the 12th of December, 1953. This agreement was ratified by the Governments of Jordan, Syria, U.A.R., Iraq, Lebanon, Saudia Arabia and Yemen.

The agreement exempts agricultural products, livestock and natural resources originating in the countries of the contracting parties from customs and import duties (these goods are appended to the agreement in schedule A). Manufactured products originating in any of the member countries are accorded preferential treatment on customs and import duties by exempting commodities listed in schedules B, C and D from 25 %, 50 % and 20 % respectively of customs tariff applicable by each country.[1] Meanwhile, no party shall impose excise duties on imports in excess of those imposed on similar local products. However, it is stipulated that the provisions of this agreement shall not affect whatever privileges or preferences that are accorded by bilateral agreements concluded between Arab States.

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[1] Schedules C and D were introduced to the Agreement in December 1954 and January 1956 respectively.

The second multilateral agreement concluded by the above Arab League countries pertains to the settlement of current transactions and the transfer of capital among the contracting parties. The agreement provides for the facilitation of transfer of payments arising from current transactions (visibles and invisibles) subject to existing foreign exchange restrictions. However, in case exchange control regulations in one country prevent such a transfer to another, then the debtor country may allow the use of blocked balances by the residents of the creditor country to import from the debtor country, transfer part or all of these balances to the residents of any of the contracting parties, and to pay for goods bought in the debtor country for exportation to other countries. Transfer of capital is allowed freely only if it is expected to participate in development projects undertaken by the other contracting parties.

The period starting June 6, 1962 noticed the laying down of the first steps towards strengthening inter-Arab economic cooperation. Six Arab States, Jordan among them (others are: Iraq, Syria, U.A.R., Maghreb and Kuwait) signed the Convention for Economic Union among Arab States. All, except Maghreb, have ratified this Convention which aims at the attainment of a complete economic unity among the Arab countries. It therefore, among other things, aims at the achievement of freedom with respect to the movement of capital and persons, the exchange of commodities and products and, above all, the maintenance of transport and transit free of restrictions. In order to achieve economic union, the members agree to form one customs area; to unify their policies with regard to imports, exports, transit and transport; and at the same time, to coordinate their economic policies, legislation (particularly with respect to taxation) and monetary and fiscal policies.

Since the achievement of full economic union is expectedly a formidable task, it has been proposed that this objective can be attained gradually. Thus the Convention has provided for the setting-up of a Council for Economic Union to initiate a workable plan thereby stipulating the stages that may be passed and the steps that can be implemented in each stage. The purpose behind this scheme of action is that "the objectives which can be achieved without great difficulties and without dislocating the economic structure existent in each of the contracting countries should be realised first".[1] The most important performance in this respect is the agreement by the constituent members on the establishment of an Arab Common Market that has become operative since the first of January, 1965.

The major features of the Arab Common Market, as it is applicable now, are the following:[2]

(1) The agreement extends full exemption from customs and all other duties and taxes on agricultural products, livestock and natural resources originating in the countries of the contracting parties (goods listed in schedule A appended to the 1953 multilateral agreement as amended). As regards all other products belonging to this category (not listed in schedule A), the agreement provides for an annual decrease in all duties and taxes applicable by twenty per cent points so that full exemption is achieved within a period of five years starting

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[1] Aref Zaher, The Economic Activities of the League of Arab States (Cairo: the Arab League, n.d.), P.15.

[2] See: Union of Arab Chambers, "The Arab Common Market", Arab Economic Report (December, 1964), pp. 73-82.

January 1, 1965. Every contracting party undertakes to remove administrative regulations every year to the extent of twenty per cent of the products classified under this category until all products exchanged are free of these regulations in a period of five years commencing January, 1965.

(2) Exemptions from customs and all other duties on industrial products (appended in schedule B attached to the 1953 multilateral agreement as amended) will be raised by ten per cent points every year, starting from January 1965; so that full exemption is accorded at the beginning of July 1971. Likewise, exemptions from customs and all other duties on industrial products (appended in schedule C attached to the aforementioned agreement) will be raised by ten per cent points every year so that full exemption is achieved at the beginning of 1969. Parties to the Common Market accept also to remove all administrative regulations every year to the extent of ten percent of all the industrial products exchanged so that in a period of ten years (starting January, 1965) these products are no more subject to any restrictions. All industrial goods not mentioned in schedules B and C are accorded exemptions from customs and all other duties by ten per cent points every year so that after a period of ten years (starting January 1965) no duties will be levied on them. Industrial products will be considered as originating in a contracting party only if, at least, 40 % of their cost of production originates from Arab domestic sources[1] (including local raw materials).

(3) The settlement of payments arising between pairs of members as a result of the Common Market is to be effected in conformance with the payments agreements concluded between the countries concerned. But

[1]'Arab' refers to the Arab countries which are members of the Arab Economic Union.

if there is no agreement to this effect, payments then must be made in Sterling, U.S. dollar or any convertible currency agreed upon between the parties concerned.

(4) Customs legislation and regulations in force in the member countries will be unified in a period of five years starting 1965. Customs tariff and other duties applied in member countries will be gradually unified with respect to non-member countries in a period of five years starting 1970.

(5) The exemptions indicated are temporary since the Council for Economic Union will set up a technical Committee to prepare schedules wherein the commodities listed are accorded higher preferential treatment than they are given now.

(6) The contracting parties undertake not to impose internal duties and taxes on products exchanged between them in excess of local duties and taxes on similar domestic products or raw materials.[1]

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[1]The Union of Arab Chambers has proposed an agreement on the Arab Common Market. The major characteristics of this agreement are the following: (1) It is emphasized that any practical step towards the creation of an Arab Common Market must be started from the commercial sector, not only because it is difficult to unify major economic policies (because of the differences among the Arab countries in their economic systems), but also because joint Arab efforts are incapable of affording to set-up and adequate machinery responsible for administering effectively economic union, (2) The agreement provides for a ten per cent annual reduction on customs tariff applicable on any commodity, and (3) It provides for the establishment of an Arab Payment Fund thereby enabling a member not to resort to the imposition of administrative regulations except when it incurs a deficit on its balance of trade with all other members in excess of a minimal amount. See Union of Arab Chambers, Arab Economic Report (June, 1964), pp. 58-72.

b. Bilateral Agreements

Jordan concluded bilateral agreements with five Arab countries[1]: Lebanon, Syria, Iraq, U.A.R. and Saudia Arabia. With the exception of the Jordan-Egyptian agreement, the other agreements provide for preferential treatment with respect to customs tariff and import licensing. The major features of these agreements are the following:

(1) Agricultural products, livestock and products of the animal kingdom are generally exempted from import licensing and customs duties. (In the case of Jordan's agreements with Syria and Lebanon, restrictions may be imposed on imports and exports provided prior notice is secured by the party imposing the restrictions).

(2) As regards the exemptions provided on manufactured products, the agreements differ somewhat in their approach and, in the case of the Jordanian-Syrian Agreement, in the extent of reciprocity.

(a) The Jordan-Syrian agreement exempts Syrian manufactured products listed in schedules I and II from 100 % and 66 % of customs tariff respectively. On the other hand, Jordan's manufactured products listed in schedules III and IV are exempted from 100% and 33 % of customs duties respectively. Each country exempts the commodities imported from the other from import licensing.

(b) The Jordanian-Lebanease agreement stipulates that lebanease goods listed in schedule III and Jordanian goods listed in schedule VI are exempted from customs duties and import licensing. Lebanease industrial goods listed in schedule IV and Jordanian

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[1]The dates of these agreements are as follows: Egypt (August 1951), Lebanon (August 1952), Syria (February 1953), Iraq (September 1953), Saudia Arabia (1958 renewed in August 1962).

industrial goods other than those listed in schedule III are exempted from import licensing and two-thirds of the normal tariff applicable in each country - Lebanease goods listed in schedule V and Jordanian goods in schedule VII are subject to import licensing and full customs tariff.

(c) With respect to the Jordanian-Iraqi agreement, it is noticed that the industrial goods that can be exchanged between the two countries are drawn in two indicative lists and are exempted from import licensing and full customs tariff.

(d) The 1958 Jordanian-Saudi agreement exempts Saudi products listed in schedule V and Jordanian products listed in schedule IV from two-thirds of the normal tariff. The 1962 agreement accords manufactured products originating in each country (listed in schedule I) the exemption from import licensing and full customs tariff.

(3) The agreements concluded with Iraq, Syria, Lebanon and the 1958 agreement with Saudia Arabia consider manufactured products as originating in a contracting party if the cost of local raw materials and local labor constitute not less than 50 % of the total production costs of the commodity concerned. However, the 1962 agreement with Saudia Arabia requires that the above costs comprise not less than 40 % of the cost of production.

(4) The agreements concluded with Syria and Lebanon specify that a contracting party shall not impose excise duties on its imports from the other in excess of similar duties imposed on similar domestic products. This requirement covers all traded commodities between Jordan and Lebanon (with few exceptions) and livestock and manufactured products exchanged between Jordan and Syria. However, the latter country

is allowed to impose additional duties on its imports from Jordan not exceeding 1 % and 5 % respectively on fully exempted and other Jordan products provided such duties are not in excess of similar ones applicable to the products of a third country. On the other hand, Jordan is allowed to impose on its imports from Syria internal duties amounting to 5 % on fully exempted products and 9.5 % on all other products.

(5) The Jordanian-Egyptian agreement is the least liberal among Jordan's agreements. It only provides for the application of the most-favoured nation treatment. Two indicative lists of goods are drawn, specifying those commodities whose exportation will be encouraged. No exemptions from import licensing or customs tariff are accorded. Payments for commodities imported under the provisions of this agreement are to be settled in accordance with the laws and regulations governing exchange control in each country. The duration of the agreement is one year, but it is automatically renewable unless a notice is delivered by one contracting party to the other, expressing his desire to withdraw, at least two months before the expiry of the agreement. (This last provision is stipulated in other bilateral agreements, with the exception of the date of delivering the notice, which is three months before the expiry of the agreement in all other agreements).

(6) Jordan's agreements with the Arab countries do not tend to establish or achieve a quantitative relationship between imports and exports for any party. According to Dr. Diab[1], such agreements establish free trade as a matter of general principle although qualitative or

[1] Dr. Muhammed Diab is at present a Professor of Economics at the American University of Beirut.

quantitative restrictions may be imposed on specific commodities.[1] The 1962 Jordan-Saudi agreement stipulates that the settlement of transactions between the two countries will be effected in sterling, the American dollar or any convertible currency to be agreed upon. There is nothing mentioned in all other agreements about the method or currency of payment for transaction occuring between these countries and Jordan.

2. The Effectiveness of the Agreements and the Rationale behind them:

First, a few observations about the composition and patterns of Jordan's trade with the Arab trading partners are emphasized,essentially to arrive at some conclusions that may be at use in estimating the effectiveness of Jordan's trade agreements as instruments of foreign trade policy. The analyses cover the period 1952-1960, which in turn, is divided into three equal stages; the first, 1952-54; the second, 1955-57; and the third, 1958-60. Next, there is an attempt at visualizing the factors that bear on the effectiveness of these agreements. Some remarks are observed with respect to the importance of the agreements and the considerations that encourage Jordan to conclude them with the Arab countries.[2] (See table 17)

The crucial test on the effectiveness of Jordan's trade agreements depends mainly on their suitability to the needs of the domestic economy. This, however, may be judged by considering the significance of the 'push' which has been forwarded to exports and imports, the resulting impetus to efficiency and specialization and,

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[1] M. Diab, Inter-Arab Economic Cooperation (Beirut:Eastern and Publishing Agency, 1964), p.10.

[2] This discussion does not apply to the Arab Economic Union and the Arab Common Market which, in turn, are referred to at the end of this section.

TABLE 17

ANALYSIS OF JORDAN'S TRADE WITH ARAB COUNTRIES, WITH WHICH BILATERAL TRADE AGREEMENTS ARE CONCLUDED, BY MAJOR COMMODITY GROUPS DURING 1952-60

(Figures reported are three-years annual averages, in J.D's 000)

Period	Exports			Imports			Balance of Trade		
	52-4	55-7	58-60	52-4	55-7	58-60	52-4	55-7	58-60
Syria	646	1016	782	2252	1807	2873	-1606	-791	-2091
I	8	4	2	37	157	644	- 29	-153	-642
II	366	736	667	660	247	345	- 294	+489	+322
III	171	176	32	14	75	176	+ 157	+ 101	-144
V	1	2	2	217	35	297	- 216	-33	-295
VII	44	35	53	20	4	17	+ 24	+ 31	+ 36
XI	29	59	12	1102	833	855	-1093	-774	-843
XX	8	3	13	29	341	644	- 21	-338	-367
Lebanon	874	1161	411	810	1230	1712	+ 64	- 69	-1301
I	9	8	3	-	11	-	+ 9	- 3	+ 3
II	468	647	286	201	701	897	+ 257	- 54	-611
III	280	319	4	10	16	-	+ 270	+ 303	+ 4
V	1	8	3	127	6	174	- 126	+ 2	-171
VII	16	54	62	141	172	221	- 125	-118	-159
XI	67	110	15	132	39	26	- 56	+ 71	- 11
XX	6	3	14	20	237	253	- 14	-234	-239
Egypt	5	5	2	255	948	862	- 250	-943	-860
II	1	2	-	182	691	621	- 181	-689	-621
XX	-	-	-	3	99	89	- 3	- 99	- 89
Iraq	176	449	211	697	851	386	- 521	-402	-175
I	-	-	-	421	547	122	- 421	-547	-122
II	153	407	189	246	243	249	- 93	146	- 60
Saudi Arabia	73	184	308	1	3	17	+ 72	+ 181	+ 291
II	48	125	239	-	-	-	+ 48	+125	+239

TABLE 17 (Cont'd)

Period	Exports			Imports			Balance of Trade		
	52-4	55-7	58-60	52-4	55-7	58-60	52-4	55-7	58-60
All Trade - All Countries	1873	3766	3236	18542	28156	39142	-16669	-24390	-35906
I	22	25	29	981	1160	1565	- 959	- 1135	- 1536
II	1043	1983	1643	4143	5002	7841	- 5100	- 3019	- 6198
III	462	560	61	435	505	927	+ 27	+ 55	- 866
V	13	46	37	1924	2138	3555	- 1911	- 1992	- 3518
VII	60	291	117	203	230	288	- 143	+ 61	- 171
XI	113	180	30	3727	4395	5283	- 3614	- 4215	- 5253
XX	56	34	102	635	3326	2796	- 57 9	- 3292	- 2694

Source: M. Diab, op.cit., pp. 216-37.

Notes: (1) The Roman numbers symbolize tariff sections based on the tariff nomenclature of the League of United Nations. The Sections given with respect to any country are only the principal ones under which the bulk of imports and exports of the trade exchanged is classified. These include:

I Living Animals and Animal Products.

II Products of the Vegetable Kingdom.

III Animal and Vegetable Fatty Substances, Greases, Oils and Waxes, and Ailmentary Products.

V Mineral Products.

VII Skins, Hides, Leather, Furs, and Articles thereof.

IX Wood, Cork, Articles thereof and Articles made of Plastic Material.

XI Textiles and Textile Clothing.

XX Miscellaneous Manufactured Articles.

(2) Imports of Petroleum and Petroleum Products from Iraq and Saudi Arabia are not classified under imports from these countries; and thus the balance of trade with these countries is exclusive of the value of these imports.

above all, the degree of flexibility in these agreements and their adaptability to the economic requirements of the country. Keeping these criteria as a basis, two different conclusions are arrived at in the second and third stages respectively. Thus it has been found out that these agreements (with the exception of the Jordan-Saudi agreements) have played a satisfactory role in the promotion of trade with the Arab countries in the period preceding 1958, but without adding any particular contribution afterwards. Prior to 1958, these agreements have constituted a landmark in the country's export policy particularly since, though there was a continual trade gap with almost every country, the tendency had been towards minimizing it, or holding it at a standstill point. Lack of instrumentality in these agreements is evidenced in the deterioration of exports after 1957, the widening of the trade gaps with these countries and above all, the limitedness of the scope of exports in comparison with the expansion and diversification of imports (particularly from Syria and Lebanon).

The above result, however, may be put into further detail. In the first instance, imports from and exports to the Arab countries have continued to rise in the period 1955-57 (excluding Jordan's imports from Syria and exports to Egypt). In the period 1958-60, however, three divergent patterns evolve.

(1) Imports from Syria and Lebanon continue to rise, while exports to them, attaining their level of saturation in the period 1955-57, deteriorate appreciably in the period 1958-60. The tendency of Jordan's individual import balances with these countries in the

period 1955-57 has been towards the abridgement of the gap of holding it at a minimal level, both on totals and on principal commodity components. However, the trade gaps, which have once narrowed, expand markedly in the period 1958-60; and Jordan loses its once favourable balance of trade on commodity groups, II with Lebanon, and III with Syria. The widening of the trade deficits has been mainly due to a noticeable improvement in the imports of non-agricultural commodities. At the same time, while the structure of imports from and exports to these countries indicates heavy concentration in some commodity groups, the tendency has been growing towards diversification in imports rather than in exports. This characteristic is mainly due to the differentials existing between these two countries on the one hand, and Jordan on the other, in their stages of industrialization.

(2) The second observation is that imports from and exports to U.A.R. and Iraq decline in the period 1958-60. The trade gap with Iraq continues to narrow all through the period 1952-60. On the other hand, the trade gap with Egypt rises in the period 1955-57 and then narrows.

(3) Last, imports from and exports to Saudia Arabia continue to rise all through the period 1952-1960. In general, Jordan's balance of trade with Saudia Arabia has been always favourable. (It should be re-called that imports of petroleum products are not included in the figure for imports).

With respect to Jordan, the 1953 multilateral trade and payments agreements seem more satisfactory than the bilateral agreements (excluding the agreement with Saudia Arabia). In the first instance, Jordan's exports to the Arab countries are agricultural products (basically concentrated in few commodities) which are exempted from customs tariff by both the multilateral and the bilateral agreements. (Even in the second case the exemptions accorded are restrained in some cases, which may amount to their nullification). Moreover, Jordan's bilateral agreements have accorded exemptions to industrial goods at a range that is generally wide and ambitious in comparison with the preferential treatment granted under the provisions of the multilateral agreement. For this reason, the bilateral agreements are characterized by one-sidedness from the point of view of Jordan, particularly since its industrial exports to the Arab countries, in comparison with its industrial imports from them are of meagre importance. Notwithstanding the conclusion that the generally superior exemption accorded by the bilateral agreements with Syria and Lebanon on industrial products have been accruable mainly to the interest of these two countries rather than to Jordan's.

However, it may be stressed that the bilateral agreements concluded with the Arab countries have been resorted to as 'practical' instruments of trade expansion in the short-run. For one thing, the pattern of inter-Arab economic cooperation has been evolving in a 'vicious' individualistic cycle as evidenced in the heavy dependance on bilateralism. The Arab multilateral agreements as well as Jordan's bilateral agreements have failed to retain their vitality and flexibility not only in view of their inherent rigidities but also because their workability has been continuously subject to the external repercussions of uncontrollable factors pressing on inter-Arab economic relations at large.[1] The major factors may be briefly considered here.

(1) The Arab countries are all underdeveloped and their exports are composed of primary commodities which are generally concentrated in few articles. As a result, the pattern of the geographic distribution of their foreign trade is most likely multilateral in character, a situation that deters any attempt at establishing parity in trade among the individual Arab countries. Accordingly, "the countries whose exports are highly concentrated on one or a few commodities are not likely to require, and do not require, the particular products of other countries in exactly the same proportion in which these countries require their products".[2] This conclusion is especially applicable to Jordan's unbalanced trade with these countries, since Jordan is a net importer on almost all major commodity components and its exports, particularly of non-agricultural commodities, are concentrated in a few commodities.

(2) Since the Arab countries are underdeveloped, they share similarities in their developmental requirements; with the result that any attempt at setting priorities in imports will require the curtailment of the easily-replaceable agricultural commodities which are normally importable from the other Arab trading partners. Since these countries are predominantly agricultural, the most expected approach towards the speeding-up of economic development is through

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[1] Prof. Burhan Dajani asserted, long before, that Arab multilateral economic cooperation had reached its peak ever since 1958. Accordingly, this agreement was based on the circumstances prevailing prior to 1954. See Burhan Dajani, Analysis of some Aspects of Inter-Arab Economic Relations (Cairo: the Arab League, 1962), pp.54-58. This book is perhaps the most authoritative in this subject.

[2] Michael Michaely, "Multilateral Balancing In International Trade", American Economic Review Vol. LII, No.4 (Sept.1962), pp.698-9.

the strengthening by each of the agricultural base of its economy, not only to inject the infant manufacturing industry with its intakes but also to reduce the imports of foodstuffs, essentially to conserve the foreign exchange reserves of the country for the purchase of the urgently-needed economic development goods. Consequently, the trend will be towards hampering the importation of the non-essential commodities, leading thereby to the application of administrative regulations, with the most injurious results then burdened by the other Arab countries. Although the tendency in Jordan's imports has been in favour of capital goods which are mainly supplied by the industrial markets, it may be emphasized that the rationale behind this has not been a deliberate scheme for the curtailment of agricultural imports particularly since the agricultural sector has proved by far inadequate to cope with the increasing demand requirements. This situation, however, is perhaps evidenced in the case of Syria; notwithstanding the fact that Jordan may follow in line in the future specially if the agricultural base of the economy reaches a position whereby it can satisfy domestic needs.

(3) Another factor that bears on the effectiveness of Jordan's agreements lies in the differentials existing among the Arab countries in their stages of industrialization. For Jordan, however, the main disadvantage lies in lagging behind Syria and Lebanon in this respect, a situation which made the exemptions accorded on manufactured products rather one-sided, since Jordan had a few industrial goods to offer in the markets of these countries.

(4) There is no coordination among the Arab countries in their economic policies, specially with respect to considerations that bear

on their cooperation. There is as well a growing difference among these countries on the framework of economic planning and the role of the state in the economic sphere. Besides, there is lack of coordination among the Arab countries in their economic relations with non-Arab countries particularly with respect to customs tariff applicable on non-Arab countries. Thus if the tariff rates applicable are originally low, then the preferences accorded by the agreements are as well low.[1] All in all, lack of compatibility in approach leads to a wasteful distribution of the factors of production at the expense of efficiency and specialization.

(5) One of the most challenging and by far insolvable problems in inter-Arab trade pertains to convertibility and exchange control. This situation is particularly attributable to the lack of a workable payments mechanism and the existence of basic differences among the monetary policies of these countries specially since some of them are connected with foreign monetary areas. The restrictiveness of exchange control has increased considerably in some Arab countries (Syria and Egypt) with the result that the national currencies of these countries are over-valued at one time or the other in view of the disparities developing between the official rates applicable for such currencies and their corresponding free market rates. On the other hand, the Jordan dinar has retained considerable stability specially in view of its strong links with sterling. In 1955, Jordan developed a free exchange market primarily to deal with transactions involving Arab League Currencies essentially to conserve the hard

[1] Burhan Dajani, _op. cit._, p.118.

currency allotments to pay for imports from hard currency areas. The free market rates, however, were abolished in 1961; and payments are made now at the official rate, primarily in sterling. While this situation may create an impetus towards furthering imports from the Arab countries, it does not guarantee that exports to them will rise, essentially since these countries have interest in trading with Jordan because they can acquire sterling, a hard currency that can be used in the settlement of their commitments to other markets which are normally paid in convertible currencies. With the exception of the agreement with Saudia Arabia in 1962, there is nothing stipulated about the form and currency of payments in the rest of the bilateral agreements concluded with the Arab countries.[1]

(6) The period following the year 1957 is characterized by the prevalence of political instability in the Middle East, a situation that has proved detrimental to Jordan's trade with Syria, Iraq and Egypt. Saudia Arabia looks at its trade agreements with the Arab countries from a political standpoint essentially because it can import from any market in the world, but as well in view of the prevailing attitude that the engagement in these agreements is 'a sacrifice' due to the loss of revenue which would otherwise be collectible.[2] Saudi interest in these agreements is limited since it has very little to offer to the Arab markets. Finally, it has decided not to renew its bilateral agreements and to consent with the 1953 multilateral agreement.

[1]The Lebanease industrialists complained in 1958 that they were not paid in sterling, a situation which made their exports to Jordan incapable of competing with foreign products (which were paid for in sterling). It is believed that there is a differntial in exchange rates that accrues to recipients in sterling. See al-Hayat, (Beirut: Arabic Daily Newspaper, on 4-1-1958).

[2]See: Burhan Dajani, op. cit., pp.95-6.

(7) All the above considerations may indicate affirmingly that whatever improvements have been hitherto registered in Jordan's trade with the Arab countries are probably attributed to the normal rise in the personal disposable income of the consumers of the commodities exchanged. Even this statement is reported with conservatism, for the rise in Jordan's imports from the Arab countries has been the least 'ambitious' in comparison with the rate of growth in imports from other areas, and the least to respond to the registery of an increment in income. This situation is more marked with respect to Jordan's exports to these countries since their demand for Jordanian products has relatively slackened in comparison with the growth attained in their purchases from other non-Arab countries.

The questions now may arise as to the role that the Arab Common Market can play in solving some of the problems of Jordan's trade with the Arab countries. Only few remarks may be reported in this respect.

The Common Market plan is undoubtedly a step forward in promoting Jordan's trade with the other members. Thus imports and exports are expected to rise as a result of the preferential treatment accorded on commodities exchanged with respect to customs tariff and other duties, and in view of the gradual removal of administrative regulations. The Common Market countries will constitute a relatively big market wherein commodities exchanged will have a potential demand that otherwise cannot be achieved in a limited market like Jordan's or Syria's. The increase in the purchasing power of the Common Market constitutes a fundamental source of development particularly since it gives way to the establishment of large-scale industries and thereby to efficiency and specialization. In this respect, the coordination of major economic policies among member countries is essential for the removal of many of the impediments that obviate the promotion of trade, as a result of conflicting economic policies. Coordination is essential not only to reconcile inter-Arab interests but also to unify the policies of the member countries towards the establishment of commercial relations with other countries and regional groupings. Thus trade among the member countries can be created and as well diverted from other countries, particularly since, with the increasing trend towards integration, many of the commodities that are now imported from non-member countries can be substituted in the Common Market. The first step that will be taken in this regard is the unification of customs tariff legislation and regulations, and the coordination of customs policy with respect to non-member countries.

But despite the fact that Jordan is an adherent to Arab multilateral cooperation, there are certain problems which are worthy of consideration. Thus Jordan's industry is still in its stage of infancy and, in comparison with other Arab countries like Syria or the U.A.R., Jordan is lagging behind in its stage of industrialization. Jordan also relies heavily on foreign aid to finance the bulk of its imports balance and support Government Budget. This situation is aggravated by the fact that the major sources of domestic revenue to the Government are customs and other import duties. In this respect, coordination among the Common Market members is necessary in order to ensure that the less advanced countries like Jordan are not harmed.

Above all, Jordan stands among the Arab countries as the one most interested "in the promotion on a multilateral basis of an Arab Common Market for these markets".[1]

B. Trade Agreements with Non-Arab Countries:

1. Yugoslavia

The Jordanian-Yugoslav trade agreement was signed on the 16th of February 1954, and became effective more than one year later, on the 16th of July 1955.

The provisions of the agreement are general. Each party promises to encourage the exchange of goods between the two countries and give facilities on matters like issuance of import and export licenses, the imposition of import duties and customs tariff. These facilities are not applicable similarly with respect to either party's concessions to neighbouring countries, the privileges accorded by Jordan to Arab countries and whatever advantages or preferences may be given by a party joining a customs union or a free trade area to other members of such an arrangement. Moreover, the agreement, in its original text, does not refer to the procedure of payment other than the stipulation that the settlement of commitments for the purposes therein are to be effected in sterling. However, Jordan and Yugoslavia have undertaken to establish a minimum ceiling for what a country may buy from the other, of J.D. 100,000. The Jordanian commodities exportable to Yugoslavia include phosphates, olives, bananas, tobacco, vegetables, etc. (In fact Yugoslavia imports only phosphates from Jordan). No indicative list has been drawn for what Jordan may import from Yugoslavia.

[1] I.B.R.D., op. cit., p.182.

Leading as the major importer of Jordan's phosphates, Yugoslavia has consistently retained its position through the period 1956-1961. During these six years, the volume of exports to Yugoslavia increased from (000's tons) 46 to 195, the advance amounting to 324 %. Besides, Jordan's deficit on the balance of trade has turned out into a surplus in the period afterwards. The basic document of the agreement has been flexible since, while a threshold ceiling has been established, no maximum ceiling has been required as to how much each party is required to buy from the other, a situation that has been fostered to the advantage of Jordan not only because bilateral balancing has not been made a requirement, but also because the proceeds accruing from the sale of phosphates are settled in sterling, a convertible currency, according to the terms of the agreement.

As the trade problems between the underdeveloped countries and the Socialist economies are linked with the question of bilateralism, the continuity of an appropriate agreement between countries belonging to these two groups is mainly dependant upon the achievement of reciprocity.[1] With the provisions of the agreement between Yugoslavia, a Socialist country, and Jordan, an underdeveloped country, becoming increasingly in the interest of the latter, the condition of reciprocity has been revoked. Thus in October 18, 1962, the Yugoslav Bank for Foreign Trade and the Jordan Phosphate Mines Company, S.A., concluded a payments agreement, under which, the said Bank undertook to credit the proceeds of Jordan phosphates to Yugoslavia to a non-convertible sterling account, so that the balance may be used by Jordan only to

[1] See: U.N., World Economic Survey 1962, op. cit., p.107.

pay for merchandise imports from Yugoslavia and for approved invisibles.[1] Lately, in November 1962, a joint Yugoslav-Jordanian Committee issued a protocol thereby stipulating that Yugoslavia would increase its imports from Jordan to 150,000 tons of phosphates provided the latter used this balance to import goods from the former. Strict adherence to strict bilateral and payments relationship has come to constitute a fundamental pre-requisite for the attainment of equitability in trade.

Recently, it has been found that Jordan has some 600,000 dinars blocked in Yugoslavia, representing the excess of exports over imports from this country. A Jordanian delegation visited Yugoslavia in October 1964 to solve this problem and establish permanent basis for the promotion of trade exchange between the two countries. Contacts have been made with the U.A.R., aiming at the attainment of a triangular arrangement among this country, Yugoslavia and Jordan. Thus Jordan can use its balance with Yugoslavia for the importation of rice from the U.A.R. which, in turn, accepts to settle its indebtedness to Yugoslavia by using the blocked balances of Jordan in repayment.[2]

The solution to the payments problem, as suggested above, is perhaps most suitable to Jordan. Under such an arrangement there is no need for parity in trade between Jordan and Yugoslavia. Moreover, Jordan's balance of trade with the U.A.R. has been always in favour of the latter; and by arriving at the stipulated triangular relationship, Jordan is indirectly attempting at balancing its trade with two countries rather than one. The benefits accruing in this respect are

[1] I.M.F., Fourteenth Annual Report on Exchange Restrictions, op. cit., p.107.

[2] Al-Hayat (Beirut: Arabic Daily Newspaper, on 21.10.1964).

TABLE 18

PRODUCTION AND EXPORTS OF JORDAN PHOSPHATES, 1956-62
(In 000's Tons)

Year	1956	1957	1958	1959	1960	1961	1962
Production:	208.4	261.9	293.9	327.6	361.9	422.5	681.0
Exports	157.0	213.7	233.3	247.7	318.8	382.8	358.3
Yugoslavia	46.0	104.5	102.8	154.9	149.1	194.5	134.4
India	24.7	34.7	48.4	14.9	72.0	97.0	128.7
Other countries	86.4	74.5	81.1	77.9	97.7	91.3	95.2

Source: Jordan's Statistics Department, <u>Annual Statistical Yearbooks.</u>

TABLE 19

JORDAN'S BALANCE OF TRADE WITH INDIA AND YUGOSLAVIA
(In J.D's 000)

Year	Yugoslavia			India		
	Imports	Exports	Balance of trade	Imports	Exports	Balance of trade
1954	292.4	-	- 292.4	221.4	12.4	- 209.0
1955	309.1	-	- 309.1	229.4	73.2	- 147.0
1956	279.2	202.2	- 77.0	254.0	108.1	- 145.9
1957	494.1	435.8	- 58.3	195.3	153.3	- 42.0
1958	166.7	424.9	+ 258.2	143.2	198.3	+ 55.1
1959	315.1	630.0	+ 314.9	103.6	59.6	- 44.0
1960	257.1	597.5	+ 340.4	105.1	288.1	+ 183.0
1961	300.1	777.9	+ 477.8	547.6	388.0	- 159.6
1962	159.9	537.8	+ 377.9	584.5	514.7	- 69.8

Source: Jordan's Statistics Department Annual Statistical Yearbooks.

of great attraction particularly since the importation of rice for local consumption constitutes a basic necessity. All in all, the results will be in strengthening the commercial relations between two Arab countries, which is a step towards the facilitation of inter-Arab economic cooperation.

Jordan's trade agreement with Yugoslavia has to be preserved basically to maintain the major market for phosphates. For one thing, Jordan has been incurring deficits on its merchandise balances of trade with almost all countries with which it trades. The progress from a deficit position into a bilateral one is a step in the way towards the achievement of balance and the restoration of a favourable position. Rather than continue to buy from countries with which chronic deficits have been recorded, Jordan benefits better if it would divert its imports to these countries, like Yugoslavia, which come to constitute potential market for its exports.

2. India

The first Indian-Jordanian trade agreement was concluded on the 11th of May 1962. On 18th of July 1963 this agreement was replaced by another one, but with no major difference between both, other than the stipulation in the latter that payments for current transactions would be effected in sterling unless otherwise agreed-upon.

The provisions of these agreements are general. The two parties accept to adopt the most-favoured-nation treatment, with the exception of whatever preferences or advantages are made by one party to neighbouring countries, to other members of a customs union or a free-trade area to which it may become a member and, finally, as a result of joining a multilateral agreement that aims at the liberalisation of international trade. The agreement is for one year, but it is automatically renewable unless at least a three months notice is served by the party desiring to withdraw. Two indicative lists of goods are drawn as to what each country may import from the other. (In fact almost all Jordan's exports to India are limited to phosphates).

The bilateral trade agreement between India and Jordan was accompanied by a bilateral payments agreement between the State Trading Corporation of India and the Jordan Phosphates Mines Company, SA, in 1962. Under this agreement it was a greed that the rupee proceeds incoming from the sale of Jordanian phosphates in India may be used only to pay for approved imports from that country.[1]

On June 30, 1963, the last payment agreement was renewed for an additional 18 months period ending December, 1964. Under this arrangement, the contracting parties issued lists of the commodities to be exchanged with the corresponding quantities or amounts for which the import licenses would be normally issued. Thus India promised to buy 150,000 tons of phosphates during this period, while Jordan, on the other hand, promised to import certain specified amounts. Almost half the imports of Jordan would be composed of tea and the remainder to be allocated, also in specific amounts, among certain commodity groups, including engineering goods, textile goods, chemicals and allied products and miscellaneous goods. The most serious limitation on the effectiveness of the provisions of this agreement is that Indian tea is more expensive than Ceylon tea which Jordan used to import before. However, it is recognized that the price per ton of phosphates sold to India is generally

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[1] I.M.F., Fourteenth Annual Report on Exchange Restrictions, op. cit. p.224.

superior to its price in other countries like Yugoslavia. Besides the fact that the Indian rupee is inconvertible, its use by Jordan has been limited to certain commodities which Jordan can buy, perhaps under better conditions, from the industrial markets.

As noticed in table 18, Jordan has had a trade deficit in its merchandise trade balance with India, although the tendency towards the abridgement of the gap has shown favourably in some years following 1957. (These figures, however, cannot be used for the judgement of the effectiveness of the agreement). For one thing, it has to be remembered that the expansion of the exports of phosphates to India is possible only if an equal increase in imports is guarranteed.

In general, the establishment of a bilateral relationship in trade and payments can be fostered to Jordan's advantage not only through the replacement of a chronic deficit by mutual balancing, but as well, by providing for an interdependancy between exports and imports, by influencing the directional inflow of the latter to conform with the directional outflow of the former under appropriate circumstances. This consideration, once utilized, constitutes a strategy in Jordan's foreign trade policy. By diverting its imports, under satisfactory conditions, Jordan will be in a better bargaining position as a country that is basically oriented towards importation.[1]

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[1] Recently, a three-years agreement was concluded between the State-Trading Corporation of India and the Jordan Phosphates Mines Company, SA, commencing 1-1-1965. It is expected that the trade exchanged between the two countries will increase by three-folds under this new agreement. See al-Jihad (Jerusalem: Arabic Daily Newspaper, on 16.11.1964).

3. Iran and Ethopia

Two trade agreements were concluded in 1963, one with Iran and the other with Ethopia. The provisions of both agreements are general; free trade is established as a matter of principle, with each party undertaking to facilitate the exchange of goods between the two countries concerned. No preferential treatment was accorded, nor was there any attempt at bilateral balancing. Only two indicative lists are annexed to each agreement, thereby enumerating the commodities that each party may import from the other.

Although it may be difficult to judge the effectiveness of the above agreements now, there is no guarrantee that they will prove to Jordan's advantage. As noticed in table 20, Jordan has been almost always in deficit on its merchandise balance of trade with Iran and Ethopia throughout the period 1954-62. Practically there have been no exports to these countries during this period. While Jordan possesses few commodities (phosphates and possibly potash) which may have potential markets in Iran or Ethopia, there is no assurance that they will import from Jordan. At the same time, the markets of these two countries may not be attractive to Jordan's merchants, with the result that these agreements are more likely to turn out as instruments of promoting imports.

In order that Jordan may benefit from the conclusion of agreements with Iran or Ethopia, there must be a stipulation for a minimum floor for the amount a country must import from the other. This will ensure that Jordan will be able to export at least a fixed quantity of goods without actually committing itself to increase imports from the other party by the same amount (essentially because Jordan is already running a deficit with it). This 'quantitative' approach should be

TABLE 20

JORDAN'S BALANCE OF TRADE WITH IRAN AND ETHOPIA, 1958-62
(In J.D's. 000)

Year	1958	1959	1960	1961	1962
Iran:					
Imports	201.4	780.8	286.4	402.7	143.0
Exports	.1	5.2	5.5	1.0	-
Balance of trade	- 201.3	- 775.6	-280.9	- 401.1	-143.0
Ethopia:					
Imports	-	44.1	49.2	221.0	317.0
Exports	-	-	-	-	-
Balance of trade	-	- 44.1	- 49.2	-221.0	-317.0

Source: Jordan's Statistics Department, Annual Statistical Yearbook.

pursued in all agreements that may be concluded in the future; for it is only by doing so that Jordan's agreements with non-Arab countries may come to constitute a basic instrument of the country's foreign trade policy.

C. Transit Trade:

As a result of the occupation of Palestine in 1948, Jordan lost accessibility to the Mediterranean coast therein, and had to re-route its trade lines through Syria to Lebanon. As a result, transportation costs came to constitute a hindrance to Jordan's foreign trade and a challenge to economic development. The country's single connection with the sea, Aqaba, was not prepared to receive the voluminous imports and Jordan had to resort to the Beirut Port in view of its capacity to render all possible facilities that traders need.

The Convention for the Facilitation of Trade Exchange and Regulating Transit Trade between States of the Arab League stipulated that no contracting party would impose any restrictions or limitations on goods or means of transport belonging to one party and passing within the territory of another. Although the provisions were most satisfactory to Jordan, they proved unfavourable from the Syrian standpoint. Thus Syria was desirous to ensure a sufficient cargo of Jordan's goods to be carried by the Hijaz (Damascus-Amman) Railway to maintain it with an adequate source of income. The Jordanian-Syrian bilateral trade and transit agreement stipulated that all Jordanian imports (with the exception of few) would be carried by the Railway. The Jordanian-Lebanease agreement did not contribute significantly to the facilitation of transit trade since Syria was the major part behind the creation of the transit problem.[1]

In 1959, Jordan, Syria, Lebanon and Saudia Arabia agreed to modify the transit provisions of the multilateral agreement concluded between states of the Arab League. As a result, only twelve commodities of Jordan's imports plus fifty thousand tons of phosphates passing through Syria must be carried by the Hijaz Railway. The remainder of Jordan's imports would be distributed among the trucks of the three countries; so that 40% of the cargo is delivered by Syrian trucks, 38 % by Jordanian trucks and 22 % by Lebanease trucks.

The establishment of the port of Aqaba has been advantageous to Jordan's economy in some respects. The gradual diversion of Jordan's trade lines from Beirut to Aqaba relieves the economy from the payment of unwarranted transpor costs which accrue to Syria in the form of protection to its railway and trucks. During the period 1957-60, the cost of delivering one ton of goods between Amman and Beirut amounted, on the average, to 52 Lebanease pounds if it was carried by the Railway and to only 35 Lebanease pounds if it was delivered by trucks.[2] Notwithstanding the waste of time, delays and spoilage which would add unduly to the cost of goods if the cargo was carried by the Railway. Besides, Syria desired to support its trucks because of the imposition of comparatively high taxes and annual charges on them, a situation which would ultimately place them on a relatively weak competitive position with Lebanease or Jordanian trucks.[3] On the other hand, it had been found in 1954 that the use of the Port of Aqaba was recommended from both a national income and

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[1]Prof. M. Diab talks about Syria as the one which has created the transit problem. See M. Diab, op. cit., p.17.

[2]Elias Ghautous, "Inter-Arab Transit Trade" (A.U.B: MBA Thesis, 1963) p.45.

[3]M. Diab, op. cit., p.17.

a balance of payments point of view. Thus the contribution to national income per ton of phosphates amounted to JD. 2.27 if it was exported via Aqaba and only to JD. 1.22 if it was exported via Beirut. (See table 21).

Established in 1957 the Port of Aqaba was completed in 1959; and it has a cargo berth, a phosphates berth, and a fuel berth. The Jordan Government plans to strengthen this port so that it will attain a capacity sufficient for handling all the goods imported and exported by the country. Several Defence Regulations were issued in 1957 and afterwards, requiring that imports from certain countries be diverted to Aqaba (like U.S.A., Austria, Czechoslovakia, Poland, Eastern Germany, West Germany, Netherlands, Belgium, France, Switzerland, Hungary and Yugoslavia). The port of clearing has to be stipulated in the import license, and any violation in this respect may cause the importer to pay a fine that may amount to 5 % of the value of imports. As noticed in table 22, total goods handled at the port increased by almost six times during the period 1957-61; while, at the same time, the number of vessels visiting the port increased by more than three-folds.

The Port of Aqaba is administered now by an autonomous authority; while all matters pertaining to policy formulation are delegated to an Advisory Committee[1] that is responsible to the Council of Ministers. One

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[1] This Committee is comprised of a Minister (to be designated by Law) and the undersecretaries of the Ministries of Finance, Customs and National Economy, the director of the Port of Aqaba, the director of the Hijaz Railway and two other persons representing the commercial sector (to be nominated by the Council of Ministers).

TABLE 21

INDICATORS ON COMPARATIVE ECONOMIC CONTRIBUTION BY AN AVERAGE TON OF PHOSPHATES EXPORTED VIA AQABA VS. VIA BEIRUT IN 1954

(In J. Fils)

	Via Aqaba	Via Beirut
Contribution to National Income:		
Extraction	650	650
Transport	1090	70
Profit	530	500
Total	2270	1220
Effect on the Balance of Payments		
Debits:		
Extraction	600	600
Transport	1530	2530
Profit	-	-
Total	2130	3130
Credits:		
Extraction	1250	1250
Transport	2620	2600
Profit	530	500
Total	4400	4350

Source: Sami Dajani, Jordan Phosphates. (Amman: The Economic Planning Division, Ministry of National Economy; Dec. 1954). pp. 5-6.

TABLE 22

SHIPPING ACTIVITY IN PORT AQABA DURING 1954-62
(000's tons)

Year	Total goods handled	Goods loaded	Goods unloaded	Number of vessels.
1954	92.4	12.3	80.0	173
1955	200.9	66.3	134.6	222
1956	143.2	66.5	76.8	154
1957	147.4	99.8	47.6	104
1958	410.2	137.8	272.4	305
1959	582.3	128.6	453.7	371
1960	684.6	223.3	461.3	409
1961	733.4	312.7	420.7	443
1962	655.2	286.5	368.6	434

Source: Jordan's Statistics Department, Annual Statistical Yearbook for 1962. (Amman: Department of Statistics), p. 152.

of the major tasks of this Committee is to undertake the establishment of a free-trade area in Jordan if it is found appropriate. This area is expected not only to add to the attractiveness of the port to neighbouring countries (especially the Northern Port of Saudia Arabia) but also to encourage the development of secondary industries (by encouraging processing, remodelling, etc.) in addition to the saving of foreign exchange that is otherwise paid to the Beirut Free Trade Area. In opposition to these features, there are some drawbacks, including, the possibility of encouraging smuggling of capital in the future, the ultimate 'freezing' of the foreign exchange earnings of the country in consumption of goods in excess of the normal stock requirements and, above all, foregoing the use of these frozen funds in the implementation of development projects in the country.[1]

D. Concluding Remarks:

The major points that have been considered in this chapter may be briefly enumerated:

(1) During the period 1953-1957 Jordan's agreements with the Arab countries (excluding Saudia Arabia) played a somewhat satisfactory role, but failed to retain their significance in the period afterwards. Several factors have influenced the effective workability of these agreements, including: (a) The multilateral character of the geographic

[1]The Jordan Government agreed in 1963 to build the Ghor Safi-Aqaba road (180 Kms.) to be used for the transport of Potash from the factory on the Dead Sea. Recently a study has been undertaken about connecting the Suez Canal with Aqaba. The cost of this project is estimated at ten million Egyptian Pounds which will be paid by U.A.R., Iraq and Jordan. See al-Jihad (Jerusalem: Arabic Daily Newspaper, on 18.10.1964). Meanwhile, the Iraqi traders are diverting the routing of their trade from Beirut to Aqaba (by sea). Although the distance between Beirut and Baghdad is shorter than the sea route between Baghdad and Aqaba, the latter has been found less costly and more convenient particularly since merchants can avoid passing via Syria.

distribution of Arab foreign trade, (b) Similarities among the Arab countries in their developmental requirements, (c) Differentials among them in their stages of industrialization, (d) Lack of coordination on major economic policies among the Arab countries, and with respect to the outside world, (e) The problem of convertibility and exchange control, and (f) Political instability in the Middle East.

(2) Jordan is a party to the Arab Economic Union and the newly-born Arab Common Market. From the start, Jordan preferred the multilateral trade agreement not only because exemptions on industrial goods accorded in the bilateral agreements were one-sided (in view of Jordan's lagging behind most of the other parties in their stage of industrialization) but also because it was hoped that the particular problems facing a less-developed country like Jordan would be taken into consideration. These problems include (a) The protection of Jordan's infant industry in view of its inability to compete with the relatively larger industries in Egypt or Syria, (b) The dependance of Government on tariffs and import duties as its major sources of domestic revenue and (c) The heavy dependance on the inflow of 'uncontrollable' foreign grants and the need to implement development projects in the country.

(3) Jordan concluded bilateral payments and trade agreements with India and Yugoslavia mainly to export phosphates. While the conditional requirement of reciprocity poses some difficulties as to the effectiveness of these agreements, they should nevertheless be retained not only to secure markets for Jordan's phosphates, but also because it is possible to establish an interdependant relation between

the directional inflows and outflows of imports and exports particularly since Jordan is incurring chronic deficits with almost all countries with which it trades. Jordan's agreements with Iran and Ethopia are not instrumental since no minimum floor of exports is guarranteed; notwithstanding the fact that Jordan is basically an importing country and that it can therefore utilize trade agreements as a strategy in formulating its foreign trade policy and its export policy in particular.

(4) There are several factors that have induced Jordan to re-route its trade lines from Beirut to Aqaba, including (a) The imposition by Syria of certain restrictions on transit trade, (b) Favourable balance of payment effect, due to the saving of foreign exchange which would otherwise be paid to non-Jordanians, (c) Favourable national income effect, (d) The prospects of a free trade area that could be established in Aqaba, (e) the promotion of Jordan's exports (particularly Potash and phosphates), and (f) The diversion by some countries (like Iraq and Saudia Arabia) of some of their foreign trade to the port of Aqaba.

CHAPTER IV

ASSESSMENT AND PROSPECTS

This Chapter will provide a brief assessment of the past performance and the prospective role of Jordan's foreign trade policy, with special emphasis on industrial development and balance of payments[1]. Special reference is made to the recent Seven Year Program for Economic Development (1964-70) whose targets as set forth include, according to priority: Reduction of the external trade deficit and the level of budget support, a rapid increase in per capita income and reducing unemployment (see Appendix C).

A first look on Jordan's balance of payments reveals the persistence of structural disequilibrium therein. Its weakness is best reflected in chronic foreign trade gaps whose financing would not have been possible without the generous inflow of grants in the form of compensatory financing. But the widening differentials between imports and exports are basically a manifestation of underlying disparities between the level of aggregate demand for goods and the capacity of the production base of the economy to meet it. The composition of home produce is neither consistent in its sectoral patterns (referring thereby to the instability of the farm produce) nor appropriate in its conformance with the structure of demand; a presumption that gave a clue as to the fact that Jordan is a net importer on almost all major commodity

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[1] Some of the recommended references are: Gerald Mein, International Trade and Development (New York, Harpor and Row, 1963); U.N., Planning for Economic Development (New York: 1963) and, U.N., Towards a New Trade Policy for Development, Report by the Secretary General of the U.N. Conference on Trade and Development (New York, 1964).

components, including the agricultural products which are normally of meagre significance in a predominantly agricultural country. predominantly

Under such circumstances, foreign trade policy is inherently inadequate to cope with a fundamental imbalance, particularly since the formulation of major policy has had to conform to the over-all targets of the economy (like stability, output and employment) which have been so far emphasized even more than the restoration of balance of payments equilibrium. Above all, the preservation of price stability has been accorded unparalleled priority, a situation that presupposes the immense need to reduce the gap between demand and supply. An attempt to force a decline in the level of imports may lead to the generation of inflationary pressures otherwise incompatible with stability, specially if there is no corresponding improvement in domestic output in substitution, which is at least in proportion to attained increments in personal incomes.

Despite the above considerations, Jordan's balance of payments displayed a net increase in foreign exchange reserves almost all through the period 1954-62. The foreign exchange policy was generally liberal, being respondent mainly to changes in the level of foreign assets and, to a secondary degree, to transitory (seasonal) disturbances in the exchange rates of the dinar. However, foreign exchange reserves have been mainly influenced by the inflow of grants, in turn, a symptom of balance of payments maladjustment. Symptom It must be emphasized, notwithstanding, that the absence, in apriori, of well-coordinated and formulated monetary and fiscal policies for the country has made it difficult to impose an effective foreign exchange control. To exemplify, the application of a restrictive policy on imports in a period of rising incomes may lead to inflationary tendencies, unless it is supported by an appropriate fiscal action designated at reducing the level of consumer expenditure to the extent necessary to maintain price stability.

Another limitation on Jordan's foreign trade policy is evidenced in the development of a conflict between the two facets of import policy, namely, revenue and protection. The conflict became open in 1963, when Government passed a law, under which local production would be subjected to excise duties; and imports of raw materials no longer enjoyed exemptions from customs tariff and import supplementary charges, unless otherwise stipulated in the customs schedules. The continuity of protection to infant industries became questionable not only in view of their inability to hold a competitive stand in the market, but also because of the encouragement of monopolistic tendencies as it might be noticed in the relatively excessive prices they would charge the consumer for their products.

Admittedly, some of the inefficiencies of infant industries are not resultant from their own faults. From the start, they were granted protection without economic feasibility studies to determine the appropriatness of such industries and the form of encouragement or protection they would need most. No official control was exercized to limit the expansion or duplication of homogeneous factories, a situation that led to the prevalence of excess capacity and a bewilderingly excessive cost per unit of final output. Dependance on importable raw materials grew at a fantastic rate with the result that the pressures aggravating balance of payments disequilibria were perpetuated rather than stopped. Besides, the limitedness of the domestic market and the relatively high cost of power in the country still constitute a fundamental obstacle to the development of these industries.

Another major limitation on foreign trade policy may be attributed to the heavy dependance of official control on quantitative restrictions in the form of import licensing and prohibitions, not to undermine the progressive introduction, on an ad hoc basis, of an ever-increasing number of import duties and supplementary charges. While the preservation of the administrative machinery implementing these regulations may be desirable, its justification, nevertheless, on the basis of either revenue or protection is losing grounds of support. From a revenue standpoint, there is no reason why these duties and charges cannot be incorporated in the main body of customs schedules. Even from the angle of protection, the role of quantitative restrictions has proved inadequate, not only in view of the limitedness of its scope of application, but also because the adoption of absolute import prohibition has been to the detriment of the protected industries. While the infant industries were given the privilege of acting in a semi-monopolistic manner, this had been at the expense of the standard of quality and the consumer. As they were accorded absolute shelter from foreign competition, these industries did not attempt at surpassing their stage of infancy; a situation that resulted not only in the jeopardy of industrialization, but also in the culmination of a somewhat irreconcilable conflict between the two aspects of foreign trade policy, namely, revenue and protection.

While the administrative machinery may play an important role in the execution of foreign trade restrictions, this role, nevertheless, has become less effective particularly as a result of the inflow of foreign aid and the liberalization of foreign exchange policy. The discretionary powers at the disposal of Government officials, however, may be forestalled and corrupted under the pressure of vested interests and individuals of social or political influence in the country. Thus the wholesale trading activity in Jordan is an easy-making profit business that is dominated by few persons[1]. The banking sector grants considerable facilities to traders by opening documentary credit which often times amounts to ninety per cent of the value of imports.[2] The financiers and the traders in Jordan constitute the upper-income group that displays considerable political as well as social powers in the country. Apparently, the administrative machinery is constantly under the pressure of corruption and demoralization.

Some of the limitations on Jordan's foreign trade policy may be briefly considered in the following paragraphs:

(1) Jordan's foreign exchange policy can play a significant role in the future particularly since the level of foreign assistance is expected to decline[3]. This situation calls for the adoption of a more cautious approach towards the optimum utilization of whatever exchange earnings may become available. Economizing on the foreign

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[1]See: Jordan Development Board, op.cit. pp. 192-3.

[2]See: I.B.R.D., op.cit., p. 367.

[3]See: Appendix C.

exchange receipts is admittedly a difficult task, but it can be manipulated on the basis of predetermined import requirements, by setting the maxima and/or minima of exchange quotas allocated among major commodity constituents (including Capital goods, intermediaries and consumption goods). Besides, the contraction of foreign aid implies that Jordan's receipts of hard currencies will as well decline, a situation that will result in reducing its accessibility to the industrial markets which are the major suppliers of capital goods necessary for development. While export proceeds may rise, the increase therein is not expected to lead to a substantial improvement in hard currency earnings, specially since Jordan's best customers are among the under-developed countries which are as well in need of convertible currencies to finance the purchase of development goods. While Jordan may increase reliance on borrowing, this situation, again, requires continuous watch on the balance of payments in view of the problems it may encounter in the process of servicing these debts.

(2) In view of the difficulties that foreign exchange control will face, there will be also a fundamental need for planning and coordination. Thus foreign exchange policy cannot be effective unless it is supported by well-managed and well-coordinated monetary and fiscal policies for the country. This condition is a significant pre-requisite for avoiding inflationary pressures. Thus there is the fear that personal incomes may rise more proportionately than the corresponding rise in the output of consumers' goods, particularly in the early stage of development when demand for capital goods and intermediaries is at its peak. The introduction of appropriate fiscal

as well as monetary actions will be of paramount importance to the maintenance of stability in the economy. Fiscal policy will also become instrumental in raising the revenue for the state from domestic sources, in the face of a declining pattern of foreign aid. (The discussion of this topic is beyond the scope of this study since it is the subject matter of monetary economics and public finance).

(3) While reliance on quantitative restrictions can be maintained, it nevertheless must be supported by an effective tariff policy. Thus administrative complications can be reduced by the incorporation of import duties in the customs tariff. Besides, quantitative restrictions in the form of exchange quotas are based on the availability of foreign exchange and the allocation specified to each commodity group as pre-determined by the requirements of the country. On the other hand, a policy of restraint on luxuries can be instrumentally imposed by raising tariff rates. Selective tariff control can be introduced to afford protection to that sector of the economy which requires encouragement[1]. This procedure will ensure not only that the role of vested interests will be alleviated (or more accurately, weakened), but it will also give an impetus to the infant industries to improve their competitive stand specially since foreign competition is not absolutely prohibited from entry to the market. Thus the combination of both

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[1]Selective tariff control was effectively employed in Egypt. Symour Harris says, "Egyptian experience points to several tests of sound tariff policy. The first is that duties should be imposed selectively rather than generally, to provide relief from competition only to those industries which show prospects of ultimately being able to surmount the obstacles keeping their average costs high or otherwise retarding their development. When there are idle factors of production, however, the case for protection becomes stronger". See: Seymour Harris, International and Inter-regional Economics (N.Y.: McGraw-Hill Book Co. Inc., 1957), pp. 292-93.

exchange quotas and high tariff rates is perhaps the best form of control that may be recommended for an underdeveloped country like Jordan. A.G. Patel says, "As far as the choice between tariffs and quotas is concerned, there is no doubt that tariffs are generally to be preferred, and that this point is not often fully appreciated by the less developed countries. The administrative complications of quotas and the corruption they give rise to may not be a significant factor in some countries. But there is no justification for import quotas unsupported by higher tariffs, when the benefit of such quotas in terms of higher domestic prices and profits goes to a few quota holders. Even if it is desired to make things doubly sure, the proper prescription would be a combination of higher tariffs and quotas".[1]

(4) In order to reduce the pressure on the balance of payments and thereby make the process of economizing on the foreign exchange earnings practicable, protection should be granted to those industries which are economically feasible and import-substituting. For this reason, the industries that must be recommended are preferred to be the ones which can have adequate demand in the local market (like food manufacturing, tobacco, beverages, clothing and textiles, cement, etc.). Import substitution may turn to become a fundamental source of industrial development in Jordan particularly if demand can be diverted to domestic production. While the upper-income brackets are oriented towards imports in view of their association with social

[1] I.G. Patel, "Trade and Payments Policy for a Developing Country", International Trade Theory In a Developing World, Proceedings of a Conference held by the International Economic Association (London: Macmillan and Co. Ltd., 1963), p. 318.

prestige, the potential demand for the products of the import-saving industries will mainly come from the low income-brackets which are predominantly agricultural. Thus a rapid development of the agricultural sector is justified not only because of its significance as a contributor of supplies to manufacturing industry, but also because the improvement in the purchasing power of the rural community may constitute the basic demand for these products. With the increase in consumers expenditure on local output, the purchases of capital goods may as well be accelerated, thereby increasing the share of technological advancement in industrialization. Even in a developed country with a large market like Japan, import-substitution was one of the fundamental sources of its early growth. "Although industrialization is usually attributed to changes in demand, more than 75 per cent of Japan's industrial growth is traceable to changes in supply conditions. These include substitution of domestic for importable manufactured goods, substitution of manufactured goods for primary products and other technological changes".[1] This does not imply that Jordan should follow in line with Japan, but it essentially demonstrates the importance of the role that can be played by import-substitution in economic development. (In fact there is wide difference between Jordan and Japan in this respect, in the sense that the Japanese market is comparatively large while Jordan's market is rather insignificant).

(5) For the same justifications mentioned in favour of import-saving industries, encouragement should be accorded to

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[1] Hollin Bi Chenery and Others, "The Patterns of Japanese Growth, 1914-1954", <u>Econometrica</u> Volume 30, No.1 (U.S.A.: Yale University Press, January 1962), p. 129.

industries which are economically feasible and export-creating. However, export-promotion should be accompanied by extensive efforts designated at the improvement of marketing of Jordanian goods, particularly phosphates and (in the future) potash. Attempts should as well be made at raising the level of competitiveness of these exports (specially phosphates) in order to ensure accessibility to world markets and thereby reduce the unfavourable aspects of the bilateral trade and payments agreements concluded with non-Arab countries for this purpose. Thus Jordan is impelled to buy in kind from Yugoslavia and India, and in the case of the latter country, it is required to allocate its purchases among a variety of commodity groups on the basis of pre-determined quantities or amounts. This situation is undesirable from the standpoint of Jordan, since what it needs most is to earn convertible currencies which can be used for the purchase of development goods from the industrial markets. Despite these limitations, Jordan must continue to expand its trade with Socialist countries and other state-trading countries since they comprise so far the major outlets for its exports of phosphates. Thus Jordan can divert some of its imports of consumers' goods to these countries provided favourable terms can be guaranteed. Above all, Jordan can manipulate its trade agreements with the non-Arab countries as a basic source of strategy in the formulation of its foreign trade policy, particularly since it is an importing country and it can pay for its imports in sterling, a convertible currency, which most under-developed countries desire to acquire in order to finance the purchase of development goods from the industrial countries.

(6) As a member to the Arab Common Market and the Arab Economic Unity, Jordan ought to take the factor of 'comparative cost' in setting up new industries or furthering the products of an agricultural commodity. This situation presupposes coordination among the constituent members as regards major economic policies including agricultural and industrial policies. As a member to the Common Market, Jordanian exports,particularly agricultural products, will have a larger demand arising from a comparatively big market; a situation that encourages the impetus towards specialization by countries. On the other hand, Jordan is less advanced than, say, Egypt or Syria in its stage of industrialization; a situation that calls for further coordination to ensure the protection of the infant industries. Moreover, the problem of inter-Arab payments is worthy of serious consideration. From the standpoint of Jordan, the solution of the payments problem is essential,specially since it incurs a deficit with almost every other member. And while Jordan pays for its imports in sterling, there is no guarantee that it can as well display this privilege; particularly since most of the other members encounter difficulties in their foreign exchange policies. In this respect, the Common Market must ensure the multilateralization of the currency of payment and the setting up of a special fund to assist those members, like Jordan, which have chronic deficits with the other members. Jordan has also to grapple with major development difficulties specially in view of the expected decline in foreign aid receipts. But there are hopes that the Common Market will be enabled to solve these problems in a manner that is appropriate to the

Jordanian economy.

(7) Finally, Government must encourage industrialization by creating an atmosphere of confidence to induce the Jordanian businessman, who is already oriented towards trade, to divert his investment to industry. Thus the 1955 Laws for encouragement of industry and attraction of foreign capital must be continued. Feasibility studies must be made available to businessmen. On the other hand, Government may discourage business people from investing in trade by imposing limits on the extent of credit that can be extended for the purposes of trade. While selective credit measures may be adopted by the monetary authorities to ensure the extension of credit to other sectors like agriculture and industry. But above all, the Jordanian businessman ought to face the situation and participate in the development of his country; for otherwise Government may assume the whole responsibility, with the result that the economic system may radically change. In his lecture on "the Economy of Jordan, Dr. Hazem Nuseibeh says", "I honestly believe that time is running out and unless our bankers, financiers and business people rise to the challenge and divert their energies and resources from the more lucrative trading transactions to the less immediately profitable but in the long-run more rewarding field of indigeneous economic growth, Government may one day find itself impelled to do just that. I am not oblivious of the predicament in which our business people sometimes find themselves. They are oftentimes met with envy and distrust. And but for their masterly ability to maintain personal friendships with changing governments they may well

find themselves penalized."[1]

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[1] See Hazem Nuseibeh and Norman Burns, The Economy of Jordan, A Joint Lecture (Amman: USIS, 1961), pp. 4-5. In this respect, H. Myint says: "From a dynamic point of view a monopolistic class of manufacturers may be preferable to a monopolistic class of traders, particularly for its more favourable effect on the rate of investment. While profits in trading are likely to trickle only slowly into manufacturing industry, profits made inside the manufacturing sector are likely to become more easily reinvested. This process may perhaps also encourage a new and vigorous class of entrepreneurs with an entirely different outlook from the traditional mentality of traders". See H. Myint, "Infant Industry Arguments for Assistance to Industries in the Setting of Dynamic Trade Theory", International Trade Theory in a Developing World, op. cit., p. 193.

A P P E N D I X   A

TABLES

APPENDIX A, TABLE 1.

JORDAN'S IMPORTS IN 1954-55 AND 1958-62 BY MAJOR COMMODITY COMPONENTS
(IN JD. 000's)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Agriculture (Including Food)	7958.8	10433.0	13275.3	14432.9	15774.3	15813.4	15177.0
Live animals & Animal Products	1396.2	1106.3	1688.9	2067.4	2052.1	2419.9	3154.5
Dairy Produce, eggs & honey	753.5	321.8	406.1	549.7	438.2	386.6	550.5
Live Animals	518.4	639.6	967.3	1095.7	1090.1	1463.4	1898.2
Meat and edible offals	.7	1.5	1.7	3.0	101.2	61.2	214.0
Fish	23.7	28.8	62.7	86.7	104.4	110.4	90.2
Prepared meat	87.1	99.6	236.5	316.3	294.8	375.7	382.7
Others	12.8	15.0	14.6	16.0	23.4	22.6	18.9
Cereals	2018.0	4001.1	5155.7	5843.0	6481.7	6349.9	4378.5
Wheat	589.8	749.9	784.1	670.3	1561.3	1539.6	268.6
Barley	-	139.8	327.7	389.5	366.5	199.9	235.4
Maize and millet	-	-	195.0	227.2	63.9	41.6	52.0
Rice	656.4	655.1	885.1	909.1	936.8	1071.4	979.1
Wheat-flour	679.7	2193.4	2629.2	3132.3	2922.7	2728.4	2042.5
Lentils	30.2	22.9	11.5	15.1	98.5	93.0	115.8
Beans, dry, broad	-	32.9	40.2	107.9	60.6	59.1	-
Sesame	-	22.9	71.0	129.6	110.2	323.8	317.6
Chick-peas	-	18.6	-	94.8	64.4	58.1	58.9
Others	61.9	165.6	211.9	167.2	296.8	235.0	308.6

APPENDIX A, TABLE 1 (Cont'd)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Vegetables	314.3	301.3	427.2	429.9	652.9	548.4	616.5
Onions and garlic	48.2	68.0	115.5	74.4	76.1	124.0	141.3
Tomatoes	9.5	42.8	28.2	-	52.1	36.1	45.5
Potatoes	83.7	98.5	168.1	225.0	273.6	259.2	291.2
Others	172.9	92.0	115.4	130.5	251.1	129.1	138.5
Fruits	770.0	912.6	1092.9	1203.0	1384.9	1315.8	1861.7
Dates	154.3	124.7	98.7	69.8	40.9	63.8	50.8
Oranges	(	(	225.6	235.7	261.4	215.4	293.7
Lemons	(105.3	(115.0	49.2	85.8	114.1	88.6	147.3
Walnuts, shelled	19.6	19.8	35.0	37.5	55.0	35.8	66.5
Apples	69.1	97.6	167.6	271.5	312.9	333.7	510.4
Grapes, fresh	-	7.3	16.6	-	22.5	16.5	43.8
Tobacco	360.5	475.3	349.6	380.3	440.4	368.9	637.0
Others	61.2	72.9	140.6	122.4	137.7	193.1	112.2
Coffee, Tea and Spices	708.1	867.2	852.7	876.2	885.5	1154.5	1208.3
Coffee, unroasted	300.4	256.0	346.4	276.7	326.9	337.8	345.5
Tea	376.0	556.3	408.5	497.8	451.3	704.4	746.8
Others	31.7	54.9	97.8	101.7	107.3	113.3	116.0
Sugar, Sugar Confectionary & Cocoa	1290.5	1331.5	1877.8	1535.6	1499.9	1445.8	1534.3
Sugar & Confectionary	1254.7	1277.3	1785.1	1417.8	1402.4	1299.6	1384.7
Cocoa & Cocoa Preparations	35.8	54.2	92.7	117.8	97.5	146.2	149.6

APPENDIX A, TABLE 1 (Cont'd)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Miscellaneous	1461.7	1913.0	2190.1	2477.8	2817.3	2579.1	2423.2
Beverages and Spirits	71.5	76.8	105.1	101.4	81.4	80.5	75.8
Raw hides and skins	234.7	224.3	286.9	275.7	353.5	338.6	150.9
Wood, crude	341.4	512.0	510.2	663.9	614.5	631.1	751.0
Unfinished Cotton & Wool	387.4	279.5	280.5	304.6	224.0	298.9	323.2
Edible preparations	323.1	423.2	848.8	913.2	1321.2	975.9	773.7
Residues of food industry	.3	-	1.9	45.3	27.9	46.3	82.2
Live plants & products of floriculture	4.1	4.7	3.7	3.1	6.0	7.8	5.8
Misc. Preparations of vegetable & fruits	53.9	75.0	77.0	97.1	71.0	102.4	84.3
Others	45.3	317.5	76.0	73.5	118.3	97.6	176.3
Non-Agriculture	11881.7	16625.5	20753.4	25895.5	27160.4	26096.4	30451.6
Mineral Products	1783.7	2070.2	3223.8	3665.9	3889.1	2751.0	3044.2
Chemicals and Pharmaceuticals	714.0	972.1	1369.2	1474.4	1804.4	2155.8	2326.7
Rubber, Plastic & articles thereof	265.9	434.5	900.7	875.6	1109.3	1157.1	1179.6
Painting Materials etc.	423.9	480.0	644.0	558.7	698.8	812.5	911.5
Textiles, Clothing & Footwear	4300.0	4330.6	5384.2	6437.1	5559.1	6052.1	6731.1
Base Metals & Articles thereof	1193.1	1879.0	2378.1	3948.4	4299.4	3400.3	4150.3
Boilers, Machinery & Mechanical Appliances & parts thereof	792.9	1431.8	1812.6	2191.1	2736.5	2423.7	2928.6

APPENDIX A, TABLE 1 (Cont'd)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Electrical Machinery and Equipment and Parts thereof	295.4	558.6	1415.7	1573.1	1840.1	1540.4	1844.2
Vehicles and Parts thereof	1164.3	2207.5	2401.2	3408.2	2239.6	2771.2	3602.2
Miscellaneous	948.5	2261.2	1223.9	1763.0	2974.1	3032.3	3733.2
Grand Total:	19840.5	27058.5	34028.7	40328.4	42934.7	41909.8	45628.6

Source: Jordan's Department of Statistics, Annual Statistical Yearbooks for the Years 1954-55 and 1958-62.

APPENDIX A TABLE 2

JORDAN'S IMPORTS IN SELECTED YEARS 1952-61
BY MAJOR ECONOMIC USES
(In JD.s 000)

Type of Product	1952	1955	1958	1959	1961
Producers' Goods	4371.9	8599.1	11913.6	15193.8	17360.0
Used in Agriculture	161.4	367.6	461.0	585.4	516.0
Used in Industry	4210.5	8231.5	11452.6	14608.4	16844.0
Capital Goods	1163.7	3102.0	4010.3	4840.9	4160.0
Raw materials	3046.8	5129.5	7442.3	9767.5	12684.0
Consumers' Goods	12962.6	18459.4	22115.1	25134.6	24550.0
Product of Agriculture	6271.6	8017.1	10797.0	11603.9	N.A.
Manufactured Products	66910.0	10442.3	11318.1	13530.7	N.A.
Grand Total:-	17334.5	27058.5	34028.7	40328.4	41910.0

Sources: A. Theodorides, Jordan's Foreign Trade 1950-1959 (Amman: USOM/T., 1960), p. 8 (for all year except 1961).

R.S. Porter, "Allocation of Imports By Industrial Use - A Statistical Appendix", op.cit., pp.1-4 (For 1961).

Note: N.A. means not available. The author has used his discretion in adapting the figures taken from Mr. Porter's study to be used here.

APPENDIX A, TABLE 3

JORDAN'S IMPORTS IN 1954-55 AND 1958-62 BY
REGIONS AND PRINCIPAL COUNTRIES OF ORIGIN
(IN JD. 000's)

Regions & Countries	1954	1955	1958	1959	1960	1961	1962
Arab Countries	4688.4	5300.4	7207.7	6918.1	8591.3	7163.0	7776.6
Syria	2202.5	1811.0	2815.9	2958.1	2835.6	2084.4	2339.3
Lebanon	852.6	908.9	1204.0	1714.5	2219.4	1829.5	2129.4
Saudi Arabia	452.5	732.4	738.6	531.3	2241.6	1246.1	1313.1
United Arab Republic	514.6	758.9	1049.8	735.1	801.8	911.2	821.9
Iraq	666.2	1038.6	1274.4	211.7	48.6	442.4	753.0
Sudan	-	10.1	105.3	321.7	262.8	271.5	229.4
Aden	-	37.7	18.5	406.9	115.8	197.8	173.9
Kuwait	-	.3	-	6.6	3.0	150.4	4.1
Others	-	2.5	1.2	32.2	62.7	29.7	12.3
E.E.C.	3794.8	5594.7	8028.1	11165.0	10805.1	8296.4	9747.7
France	1026.2	1642.2	744.9	762.9	885.5	737.9	1153.9
Netherlands	355.9	499.1	1194.3	1302.9	1450.1	1257.2	1135.7
Italy	881.8	525.3	1402.6	3307.9	3103.9	1249.7	2100.7
Belgium	424.5	614.2	923.6	824.1	932.5	1108.1	1151.1
Luxembourg	-	-	8.0	72.5	105.1	160.1	185.0
Germany, Federal Republic	1106.4	2313.9	3754.7	4894.7	4328.0	3783.4	4021.3
E.F.T.A.	3698.7	6179.3	5805.1	6292.6	7715.7	8460.0	9513.8
U.K.	3055.5	5217.8	4323.4	4794.0	6036.6	6611.0	7651.0
Denmark	67.5	98.9	285.8	199.6	232.5	257.1	289.0
Sweden	227.3	310.9	316.5	481.8	506.0	517.2	495.4

APPENDIX A, TABLE 3 (Cont'd)

Regions & Countries	1954	1955	1958	1959	1960	1961	1962
Austria	208.3	347.5	541.3	479.1	490.5	534.2	454.4
Portugal	30.3	58.1	121.8	88.3	190.5	169.9	184.6
Switzerland	109.8	146.1	216.3	249.8	259.6	370.6	439.4
Other Western Europe	235.8	257.4	657.7	1146.6	948.3	1822.8	2156.2
Turkey	49.3	24.3	568.1	761.4	618.3	1220.4	1299.3
Spain	102.7	122.1	43.0	116.5	162.1	392.7	496.3
Finland	83.8	111.0	33.0	241.4	116.9	209.7	360.6
Greece	-	-	13.6	27.3	51.0	-	-
U.S.A.	1917.1	2810.7	2919.1	3761.2	5072.5	7003.8	6065.8
Japan	524.9	842.8	1372.1	1747.3	1535.9	1710.8	2297.9
Socialist Countries	969.6	1086.1	2618.9	2708.3	2397.3	2571.0	2733.7
Bulgaria	27.5	63.00	230.4	254.3	498.2	560.5	560.5
Czechoslovakia	197.0	259.0	879.5	402.2	342.6	451.5	429.2
Eastern Germany	69.1	125.8	314.7	783.8	446.4	416.9	375.4
Yugoslavia	292.4	309.1	166.7	315.1	257.1	300.1	159.9
Romania	156.2	128.4	139.7	249.9	372.2	360.3	505.9
Hungary	186.7	127.4	208.4	254.3	182.3	197.3	192.5
Poland	40.7	73.4	679.5	448.7	271.7	237.0	384.3
U.S.S.R.	-	-	-	-	26.8	47.4	126.0
Others	4011.2	4987.1	5420.0	6589.3	5868.6	4882.0	5336.9
Canada	14.1	10.6	536.1	19.0	280.9	222.0	- /

APPENDIX A, TABLE 3 (Cont'd)

Regions & Countries	1954	1955	1958	1959	1960	1961	1962
Brazil	110.3	105.0	168.4	251.6	145.1	132.6	224.2
India	221.4	220.4	143.2	103.6	105.1	547.6	584.5
Ceylon	321.0	507.5	435.7	350.2	467.2	330.0	360.0
Australia	25.0	800.5	32.2	164.2	301.9	141.3	-
Others	3319.4	3343.1	4104.4	5700.7	4568.4	3508.5	4168.2
Grand Total	19840.5	27058.5	34028.7	40328.4	42934.7	41909.8	45628.6
Industrial Market	9935.5	15427.5	18125.0	22966.1	25129.2	25471.0	27625.2
Rest of the world	9905.0	11631.0	15903.7	17362.3	17805.5	16438.8	18003.4

Source: Jordan's Statistics Department, Annual Statistical Yearbooks.

Notice: Industrial Markets as used in this contaxt include the U.S.A., Japan, the E.E.C. and the E.F.T.A.

APPENDIX A, TABLE 4

JORDAN'S EXPORTS IN 1954-55 AND
1958-62 BY MAJOR COMMODITY COMPONENTS
(In JD's. 000)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Agriculture (Including Foodstuffs)	2135.9	1741.6	2033.2	1961.9	2012.6	2423.9	3234.6
Live animals & Products thereof	37.6	21.2	25.6	26.9	41.1	50.3	69.3
Live animals	.5	.5	1.0	-	3.2	5.3	5.7
Dairy Produce, eggs & honey	19.7	16.7	17.6	21.8	32.4	40.8	57.0
Others	17.5	4.0	7.0	5.1	5.5	4.2	6.6
Cereals	614.6	156.3	208.4	192.8	187.8	480.1	627.3
Wheat	63.0	-	31.0	31.1	13.4	16.2	100.3
Barley	145.2	51.7	5.7	-	-	39.5	24.7
Wheat-flour	-	-	102.6	158.7	100.6	76.8	83.7
Sesame	141.7	42.4	22.9	-	63.1	231.0	132.4
Lentils	121.1	39.4	26.7	-	-	25.6	276.6
Others	143.6	22.8	19.5	3.0	10.7	91.0	9.6
Vegetables	665.1	773.3	1242.8	1150.8	1205.0	1336.8	1668.4
Onions and garlic	30.2	16.6	24.9	5.0	7.0	14.5	17.7
Tomatoes	265.5	388.9	561.3	579.6	595.2	674.3	794.9
Potatoes	44.7	28.6	26.7	27.8	17.5	13.3	19.8
Beans, haricots and broad beans, fresh	29.3	31.7	75.7	67.3	75.8	79.1	151.7
Cocumbers, gherkine, marrows and the like	29.3	57.1	45.5	36.8	61.3	47.6	94.9
Water-melons	157.2	152.9	241.4	234.4	234.3	306.9	356.3
Cabbages and Cauliflower	24.0	22.3	84.8	93.2	67.8	35.5	-
Eggplants	39.6	57.8	163.3	81.5	109.4	124.0	-
Others	45.3	17.4	19.2	25.2	36.7	41.6	233.1

APPENDIX A, TABLE 4 (Cont'd)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Fruits	124.1	241.1	265.9	256.0	331.9	256.7	356.3
Bananas	59.5	153.2	132.9	79.4	75.3	69.5	107.7
Oranges	(-	(-	7.3	14.8	25.3	11.9	23.1
Lemons	(5.4	(8.2	9.7	11.3	16.6	19.7	34.5
Other citrus fruits	-	-	1.9	7.0	8.4	8.3	22.3
Figs, fresh or dried	5.3	11.4	8.0	11.7	16.7	13.3	11.8
Grapes, fresh	2.0	1.5	8.5	25.6	20.3	25.9	33.3
Almonds	12.9	38.8	21.5	20.8	59.8	33.5	52.3
Apples and Pears	11.2	7.6	7.1	7.7	10.3	4.1	4.7
Appricots and Peaches	20.5	8.6	25.4	9.6	19.9	15.9	9.1
Tobacco	1.5	.3	35.9	38.7	57.7	37.6	45.3
Others	5.8	11.5	7.7	29.4	21.6	17.0	12.2
Olives and Olive Oil	551.0	353.1	79.1	54.9	55.9	125.6	124.3
Miscellaneous	143.5	196.6	211.4	280.5	190.9	174.4	389.0
Raw hides and skins	42.7	79.3	103.6	127.5	123.2	60.6	136.3
Wool and animal hair	46.9	72.5	21.1	35.9	26.4	10.1	27.2
Sugar and Cocoa	1.3	2.0	2.2	-	4.6	14.9	30.0
Others	52.6	42.8	84.5	117.1	36.7	88.8	195.5
<u>Non-Agriculture</u>							
Natural Phosphates	51.3	602.6	978.5	1024.4	1304.5	1553.5	1456.2
Cement	-	6.4	17.6	6.2	14.3	63.8	52.7
Marble	7.9	11.2	23.2	18.1	23.5	27.3	27.4
Other Minerals	11.4	28.5	9.1	2.6	3.4	22.6	24.8
Worked mother of Pearl and articles thereof	43.3	32.5	18.5	21.0	26.4	24.6	24.2

APPENDIX A, TABLE 4 (Con'd)

Commodity Components	1954	1955	1958	1959	1960	1961	1962
Printing material	2.8	3.0	5.3	8.0	9.0	11.1	13.3
All others	181.3	193.6	53.9	55.3	87.2	125.0	95.5
Domestic Exports	2433.9	2619.4	3139.3	3097.5	3480.9	4251.8	4928.7
Re-exports	389.8	248.8	392.9	314.8	473.7	1021.0	994.6
Grand Total:	2823.7	2868.2	3532.2	3412.3	3954.6	4272.8	5923.3

Source: Jordan's Statistics Department, Annual Statistical Yearbooks.

APPENDIX A, TABLE 5

JORDAN'S DOMESTIC EXPORTS IN 1954-55
1958-62 BY REGIONS AND PRINCIPAL COUNTRIES OF DESTINATION
(J.D'S 000)

Regions	1954	1955	1958	1959	1960	1961	1962
Arab Countries	2326.9	1970.4	2128.1	2033.2	2117.6	2621.8	3436.1
Syria	682.9	705.6	970.6	717.7	657.5	814.5	856.1
Lebanon	1201.2	719.0	326.7	385.8	521.2	548.8	840.0
Saudi Arabia	73.0	50.5	255.5	346.8	321.0	388.3	439.5
Iraq	338.8	437.9	305.3	178.9	147.7	353.0	504.9
Kuwait	17.5	45.2	263.5	397.9	461.0	500.9	762.6
Others	13.5	12.2	6.5	6.1	9.2	16.3	33.0
Socialist Countries	-	219.6	755.2	962.5	974.1	1097.5	578.2
Czechoslovakia	-	208.8	281.7	199.2	208.4	276.1	.1
Yogoslave	-	-	424.9	630.0	597.5	777.9	537.7
Poland	-	10.8	48.6	133.3	168.2	43.5	40.4
India	12.4	73.5	198.3	59.7	288.1	388.3	514.7
E.E.C.	47.9	101.8	10.1	11.7	17.6	12.8	11.8
E.F.T.A.	1.6	1.4	1.9	2.0	9.9	5.8	5.4
Other Western Europe	.2	40.2	25.5	.4	42.8	37.6	.7
U.S.A.	21.1	18.1	13.5	17.1	18.1	10.7	11.1
Japan	6.7	190.8	-	-	-	68.2	18.7
Others	17.1	3.6	6.7	10.9	12.7	9.1	352.0
Grand Total:-	2433.9	2619.4	3139.3	3097.5	3480.9	4251.8	4928.7

Source: Jordan's Statistics Department, Annual Statistical Yearbooks.

APPENDIX A, TABLE 6

WHOLESALE PRICE INDEX NUMBERS BY GROUPS
IN AMMAN IN 1954-55 AND 1958-62
(Base: 1953 = 100)

Groups	YEARS						
	1954	1955	1958	1959	1960	1961	1962
All Groups	80.60	91.93	91.34	93.30	101.31	87.71	84.74
Cereals & Wheat Flour	75.19	91.31	94.13	98.41	109.96	92.47	89.00
Other Food Stuffs	92.79	90.52	83.21	74.72	74.00	69.04	67.70
Building Materials	94.34	99.87	89.70	92.32	93.96	88.92	83.00
Fuels	95.45	95.98	84.17	88.46	86.46	85.05	85.23

Source: Jordan's Statistics Department, <u>Annual Statistical Yearbooks, 1960-62.</u>

APPENDIX A TABLE 7

EXPENDITURE ON GROSS NATIONAL PRODUCT, 1954-62
J.D. Millions at Current Market Prices)

	1954	1955	1956	1957	1958	1959	1960	1961	1962
Private Consumption	45.4	47.1	52.9	60.1	67.1	77.1	86.2	99.7	96.9
Government Current Expenditure	13.7	14.6	16.8	19.7	25.7	26.3	27.7	28.9	29.2
Gross Private Fixed Capital Formation.	2.3	5.3	5.3	5.2	6.9	10.0	11.2	10.0	11.9
Gross Government Fixed Capital Formation.	2.5	2.7	2.7	3.1	4.0	5.3	3.5	4.6	8.0
Change in Stock	1.1	-2.9	5.7	1.0	-1.7	-3.1	-0.8	2.4	2.7
Expenditure on Consumption & Gross Capital Formation	65.0	66.8	83.4	89.1	102.0	115.6	127.8	145.6	148.7
Exports of Goods & Services	6.1	7.3	9.4	10.7	9.9	8.8	12.5	16.5	18.6
Less Imports of Goods and Services	-19.8	-26.8	-26.2	-32.4	-36.7	-42.6	-45.7	-45.8	-50.4
Expenditure on Gross Domestic Products	51.3	47.3	66.6	67.4	75.2	81.8	94.6	116.3	116.9
Net Income from abroad	1.1	2.5	1.9	2.7	1.9	1.0	1.1	1.8	5.7
Expenditure on Gross National Product	52.4	49.8	68.5	70.1	77.1	82.9	95.7	118.1	122.6

Sources: R.S. Porter, "Economic Trends In Jordan, 1954-1959", op.cit., p.6 (for the period 1954-1959).

Jordan's Statistics Department, The National Accounts 1959-1962, op.cit., p. 1 (for the years 1960-1962).

APPENDIX A TABLE 8

ESTIMATES OF YIELD PER DUNUM OF PRINCIPAL GRAINS
AND VEGETABLES IN 1954-55 AND 1958-62
(Mean Yield Per Dunum in Kgs.)

	1954	1955	1958	1959	1960	1961	1962
Cereals							
Wheat	85.3	29.4	21.8	39.8	19.4	50.6	39.3
Barley	99.7	25.1	16.3	32.3	17.8	65.0	34.0
Lentils	86.7	21.8	18.0	21.6	13.0	38.7	62.5
Kersanneh	96.3	26.1	17.4	26.6	23.6	39.8	42.5
Beans, dry, broad	111.7	50.8	32.2	60.7	19.2	41.7	46.9
Chick peas	52.8	42.7	50.0	51.7	26.9	70.2	53.0
Maize	56.9	50.0	54.4	59.1	27.6	85.2	49.3
Sesame	29.8	32.9	28.8	32.5	26.2	42.6	37.4
Vegetables							
Tomatoes	536.9	509.2	726.9	826.9	1118.6	1122.9	806.3
Eggplants	824.8	696.0	1234.7	1182.8	1677.5	1427.0	1377.0
Onions and garlic	391.3	387.5	535.7	545.1	646.8	508.7	537.1
Cauliflower & cabbages	1223.7	1206.8	1208.6	1067.1	1177.0	1244.3	1386.0
Cucumbers	746.5	507.1	497.7	609.0	638.7	730.0	733.6
Beans, green, broad	562.2	408.1	476.0	593.8	812.5	848.7	764.7
Potatoes	690.4	706.1	743.5	882.7	1000.0	789.5	626.4
Radishes, turnips & carrots	906.6	942.1	771.3	800.0	1184.2	1150.0	1051.3

Source: Jordan's Statistics Department, Statistical Yearbooks, 1960-62.

APPENDIX A, TABLE 9

ESTIMATES OF PRODUCTION OF PRINCIPAL GRAINS,
VEGETABLES AND FRUITS IN 1954-55 AND 1958-62
(Volume in thousands metric tons)

Fruits, Grains & Vegetables	1954	1955	1958	1959	1960	1961	1962
Grand Total	803.4	351.2	475.5	617.3	571.2	1023.0	841.4
Cereals	409.4	130.0	102.3	154.1	68.8	228.4	181.5
Wheat	233.3	79.4	65.6	103.5	43.6	138.2	111.9
Barley	104.2	25.4	16.8	26.0	13.3	61.7	35.7
Lentils	17.3	4.7	4.5	4.2	1.8	6.4	13.0
Kersenneh	21.2	6.5	4.3	4.8	3.5	6.4	8.0
Beans, dry, broad	4.0	1.8	1.1	1.7	0.5	1.2	1.5
Chick peas	4.4	1.4	1.8	3.2	1.1	3.8	3.0
Maize	18.2	6.9	5.5	7.1	3.0	8.1	5.3
Sesame	4.3	3.5	2.3	2.6	1.8	2.2	1.9
Other Grains	2.5	0.4	0.4	1.0	0.2	0.4	1.2
Vegetables	241.7	148.3	237.1	350.9	398.6	532.9	494.5
Tomatoes	52.1	48.0	74.4	126.1	155.6	213.8	169.4
Egg-plants	12.9	11.3	22.1	34.3	51.5	51.8	52.6
Onions and Garlic	9.8	8.4	14.0	17.5	16.3	14.6	18.1
Cauliflower & Cabbages	14.2	11.6	17.6	19.1	28.6	32.6	29.8
Cucumbers	125.8	48.2	77.3	105.0	90.7	163.0	165.5
Beans, green & broad	3.4	2.4	5.6	9.5	14.3	16.4	13.0
Potatoes	9.3	7.8	13.6	15.8	16.8	13.5	10.9
Redishes, turnips & carrots	1.5	2.0	2.3	2.4	4.5	4.6	4.1
Other Vegetables	12.7	8.6	10.2	21.2	20.3	22.6	31.1

APPENDIX A, TABLE 9 (Cont'd)

Fruits, Grains & Vegetables	1954	1955	1958	1959	1960	1961	1962
<u>Fruits</u>	<u>152.3</u>	<u>72.9</u>	<u>136.1</u>	<u>112.3</u>	<u>103.8</u>	<u>261.7</u>	<u>165.4</u>
Olives	61.4	12.0	52.4	11.2	16.7	114.4	7.4
Apples & Pears	2.8	1.4	1.6	2.2	1.4	3.3	4.1
Plums and Peaches	(	(	1.3	1.9	1.4	3.3	3.8
Almonds	(7.3	(2.4	1.4	2.2	1.8	2.2	2.9
Appricots	(	(	1.9	2.2	2.1	2.6	1.9
Figs	18.0	7.6	14.3	14.7	17.7	20.9	21.1
Bananas	4.1	13.6	13.1	13.7	7.2	13.8	17.2
Citrus fruits	.7	1.0	3.1	5.8	7.1	16.3	21.4
Pomegranates	5.0	2.0	2.8	2.2	3.2	4.1	3.8
Grapes	52.0	31.6	42.6	54.1	43.3	78.4	79.0
Others	1.0	1.3	1.6	2.1	1.9	2.4	2.8

Source: Jordan's Statistics Department, <u>Annual Statistical Yearbooks, 1960-62.</u>

APPENDIX B

MAIN PROVISIONS OF THE JORDAN AGRICULTURAL MARKETING BUREAU, REGULATION OF 1962 RELATING TO THE POWERS AND FUNCTIONS OF THE BUREAU

Source: Dr. H. Rifa'i op.cit. pp.48-49. Dr. Rifa'i used this as an annex to the seminar he gave on "Agricultural Marketing Problems and Programs in Jordan".

The object of the Bureau shall be to organize the marketing operations of Jordanian agricultural products and food commodities in the Kingdom and abroad, by making regulations and issuing instructions which would secure the marketing, control and production of agricultural products and food commodities, for this purpose, the Bureau shall take the following measures:

1. To lay down the necessary regulations and instructions for the unification and control of weights, scales and measures of capacity for the agricultural products and food commodities in the Kingdom.

2. To lay down unified regulations and instructions for the classification of agricultural products and food commodities and for packing, storing, loading and dispatching them, and to determine the specifications and measures to be relied upon and shall control their application.

3. To lay down all the legislations, regulations and instructions necessary for determining the specifications of agricultural products and food commodities locally produced, imported and exported and for examining them and deciding on their suitability for sale and consumption.

4. To lay down a general policy for the exportation of agricultural products and food commodities and for making the necessary

conditions.

5. To endeavour to secure new markets for the Jordanian agricultural products and food commodities.

6. To make studies and to submit recommendations to the Government to enable it to conclude commercial agreements with foreign states so as to obtain the best conditions for the exportation of the agricultural products and food commodities and/or the amendment of the agreements concluded in order to reach this result.

7. To control the import of agricultural products and food commodities and to recommend to the authorities concerned the necessary measures to prevent competition with the prevailing local prices of local agricultural products.

8. To control the variation of local prices of agricultural products and food commodities, to inquire about the reasons of variations and to endeavour to prevent this variation with the help of the authorities concerned.

9. To collect information and statistics about the quantities, seasons and cost of agricultural products and food commodities, as well as about the means and possibilities available for their transportation in the Kingdom and abroad, according to supply and demand and the qualities required and the prevailing market prices, and to see that such information and statistics are accessible to the public.

10. To permit importing and exporting individuals and bodies to effect exports and imports by virtue of licences to be issued by the Bureau according to the regulations in force, and to withdraw the licences when it is proved to the Bureau that the individuals and

bodies concerned are not fit and do not fulfil their undertakings and/or do not bind themselves by the specifications, instructions and directions made by the Bureau from time to time.

11. To facilitate contacts and the conclusion of agreements between Jordanian producers and exporters and importers abroad. The Bureau shall guarantee to importers the proper execution of agreements concluded through it after it obtains the necessary financial guarantees from the exporters when they are required to do so.

12. To apply a propaganda programme for the Jordanian products in the Kingdom and abroad and to see that Jordanian exports maintain their high standard.

13. To carry out compulsory control over all agricultural products and food commodities exported and to issue certificates to the effect that the goods are in conformity with the conditions of exportation in accordance with the agreements concluded between importers and exporters. No export shall be allowed until this certificate is obtained.

14. To establish centres for the classification, packing, refrigeration, storing, loading and shipping of agricultural products and to supervise and control these centres.

15. To undertake technical and economic studies for the purpose of setting up agricultural industries and for applying the regulations providing for the control of agricultural industries in cooperation with the Ministries concerned.

16. To organize local marketing operations and to issue the necessary instructions which would secure the improvement of the

administration of agricultural markets in all parts of the Kingdom, and to control the application of these instructions.

17. To organize the establishment of local council or councils for producers and exporters, each of which to be concerned with securing markets for one of the agricultural products and food commodities, according to the special instructions to be laid down by the Bureau for this purpose wherever this is possible.

18. To issue such instructions as would secure that the Bureau will control the centres of classification, packing, refrigeration, storing, loading and shipping of agricultural products and food commodities produced by others.

19. To take such steps as would put an end to illegal competition for the exportation of agricultural products and food commodities.

20. To encourage the establishment of cooperative societies for agricultural marketing.

APPENDIX C

SOME SALIENT FEATURES OF THE SEVEN YEAR PROGRAM FOR ECONOMIC DEVELOPMENT 1964-1970

The Seven Year Program was prepared by the Jordan Development Board with a view at achieving the targets set forth by Government. These targets include: reduction of the external trade deficit and the level of budget support, a rapid increase in per capita income and reducing unemployment.

Some of the salient features of the program may be stated in the following points (see Appendix C, Table 1).

(1) Gross National Product is planned to increase more proportionately than gross domestic expenditure, with the increases amounting to 42.2 % and 25.1 % respectively (between 1964-1970).

(2) Budget support (U.S.A. and U.K.) is assumed to decline from (JD. mns.) 13.6 to 6.0, the difference comprising a decrease by 55.9 %. On the other hand, Government will increase its revenue from domestic sources substantially.

(3) The deficit on the balance of trade (visible and invisible) is expected to decline from (JD. mns.) 36.2 to 22.5, or by 37.8 %. On the other hand the surplus on invisibles is planned to account for 19.4 % and 48.2% of the merchandise trade gaps in 1964 and 1970 respectively. Meanwhile, the deficit on merchandise trade will fall by only 4.4 % with a corresponding increase in the surplus on invisibles by 140.2 %. Among invisibles and exports in general, tourism is expected to be the leading source of foreign exchange for the country.

(4) In general, total exports as per cent of aggregate demand (taken to mean exports plus gross domestic expenditure) will rise from 12.7 % to 18.5 %. On the other hand, the relative share of imports will decline from 31.3 % to 27.9 %. Imports of capital goods and intermediaries will decline less proportionately than imports of consumers' goods. Import-substitution and export-promotion industries will be encouraged particularly in manufacturing industry.

APPENDIX C, TABLE 1

PLANNED PROJECTIONS OF CERTAIN SECTORS AND SUB-SECTORS IN SELECTED YEAR, 1964-1970

(In Millions of dinars)

	Amounts		Per Cent Increase 1964-1970
	1964	1970	
1 Gross National Product	133.2	189.4	42.2
2 Aggregate demand	194.0	260.0	34.0
3 Exports	24.6	50.1	103.7
Goods	7.6	17.2	126.3
Services	17.0	32.9	93.5
4 Imports	60.8	72.6	94.1
Goods	52.5	60.6	15.4
Services	8.3	12.0	44.6
5 Balance of trade	- 36.2	-32.5	-37.8
Merchandise	- 44.9	-43.4	- 4.4
Invisibles	- 8.7	-20.9	-140.2
6 Budget support (U.S.A. & U.K.)	13.6	6.0	- 55.9

Source: Jordan Development Board, "Seven Year Program for Economic Development 1964-1970". Unpublished material (Amman: The Jordan Development Board, 1964), pp. 27-34.

Notes: All these figures are projections prepared by the Development Board as published in the Seven Year Program. This Program is still in its preliminary draft form, since it has not been yet ratified by the Parliament. Thus these figures are not official unless the Program is passed as a law. Moreover, the basis on which these figures are projected will not be indicated here. Budget support, as reported above, does not include development grants which are assumed at (JD. mns.) 3.5 per annum all through the period 1965-70.

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