

East vs. West:

King Abdullah and the Future of Jordan's Economic Orientation

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Brief Analysis

Tonight, Jordan's King Abdullah arrives in Washington for a two-day visit that will include discussions with President Bill Clinton and appointments with chief executive officers of top U.S. technology firms. In a departure from the usual emphasis with the peace process, this visit will focus on Jordanian domestic issues, specifically Abdullah's efforts to invigorate the kingdom's ailing economy.

To this end, during the past year, a key element in the king's strategy has been an attempt to reorient Jordan's economy from its traditional eastward bearing (i.e., Iraq) toward the West (i.e., Europe, the United States and, to some extent, Israel). Jordan made some significant strides in this direction during the past year--foremost of which was attaining full membership in the World Trade Organization (WTO) this April--but these changes were not without their detractors in Jordan. In fact, a significant coalition has emerged in the kingdom which opposes the prospective economic shift away from Iraq.

Background. Since his ascension to the throne, King Abdullah has attempted to tackle Jordan's economic problems--including nearly 25 percent unemployment and four years of 1--2 percent negative growth in per capita gross national product (GNP) when population growth is taken into account--through a concerted campaign to privatize major government industries, streamline bureaucratic procedures, and fight governmental corruption. Most significantly, the kingdom has embarked on a program of legislative reform, geared toward establishing an environment more conducive to foreign investment and more amenable to doing business with Europe and the United States. In particular, the king has made great efforts to convince Western investors that Jordan's high technology labor force could transform the kingdom into an Arab "silicon valley."

From March 24 to 25, 2000, Jordan hosted a conference at a Dead Sea resort attended by representatives of several large U.S.-based information technology companies. King Abdullah gave the keynote address and even sat in on several panels. To a large degree, the king's current trip to the United States is follow-up visit to the March conference. Some of the king's private sector meetings and receptions will include representatives of CISCO Systems, 3Com, American Express, CNN, and America Online.

King Abdullah's discussions with Clinton will likely touch on the U.S.-Jordanian free trade agreement (FTA), which has been on the table since August 1999. Given the controversy surrounding permanent normal trade relations with China, it seems unlikely that an agreement on U.S.-Jordanian relations will be reached during this week's visit; however, the deal should be completed by this autumn. If and when it is approved by Congress, Jordan will be the only Arab state both to be a member of the WTO and to have an FTA with the United States.

The Good Old Days. Many Jordanians have not been pleased with the king's efforts to lay the groundwork for closer economic ties to Europe and the United States. Perhaps this is not surprising, given that a Jordanian tilt to the West might necessarily imply a move away from Iraq, which even under the sanctions regime continues to be Jordan's number-one trade partner and leading source of financial assistance. In 1999, Jordan imported \$456 million worth of Iraqi products, nearly triple the amount it did from Saudi Arabia. In 2000, Jordanian exports to Iraq will amount to more than \$250 million; the terms of the 2000 Oil Protocol alone amount to an Iraqi grant to Jordan worth approximately \$805 million, or roughly 15 percent of Jordan's GNP.

Of course, Jordanian-Iraqi bilateral economic relations pale today in comparison to their heyday in the mid-1980s, when Iraq was at war with Iran. Today, numerous Jordanian officials--many of whom were educated in Iraq--recall those days with melancholy and longing for post-sanctions era conditions.

Iraq Lobby. Over the years, Iraqi president Saddam Husayn has cultivated a strong base of support among intellectuals, businessmen, journalists, and Islamists in Jordan. Whereas the humanitarian support is genuine, some of the political support appears to have been purchased. As early as 1991, an article in the Wall Street Journal described how Saddam had donated \$3 million to a journalists' "housing fund" in Amman--presumably in exchange for positive coverage in the Jordanian press. In 1995, the pan-Arab newspaper al-Hayat ran a series of articles by Salameh Ne'matt about the Iraqi lobby in Jordan. One of these articles mentioned a list of forty-two prominent "writers, journalists, and a number of high-ranking current and former officials, among them current government ministers," all on Saddam's payroll.

Ne'matt's allegations aside, today, organized advocacy for Iraq in Jordan is represented by a loose coalition of businessmen, Islamists, and Arab nationalists who appear to be working in concert to end the sanctions (incidentally, this group almost uniformly opposes normalization with Israel). When Jordanian authorities in April forced an Italian plane that had flown to Iraq to land in Jordan, the pilot was provided pro bono legal counsel by the Islamist-controlled Lawyers Union, the same union that one year earlier had established the seventy-lawyer "dream team" to defend the October 1999 Hamas expulsees. Another leading advocate is the National Mobilization Committee for the Defense of Iraq, best known for delivering 3 million pencils to the children of Iraq during its January "pencil drive."

Perhaps the most powerful institution promoting Iraq's case is the Amman Chamber of Industry (ACI). Established in 1962, the ACI is a nongovernmental organization representing Jordan's industrial sector. Widely recognized as the driving force in Jordan's trade policy, it has also served as the leading advocate in Jordan for increased economic ties to Iraq. In fact, under the leadership of former Chairman Khaldoun Abu Hassan, the ACI played an active role in negotiating most of the Iraqi-Jordanian trade protocols from 1996 through 2000. According to Abu Hassan, the ACI has served as the "conduit of relations" between Iraqi business and the Arab world.

Conclusion. King Abdullah faces a number of challenges as he attempts to reorient Jordan's economy. On a structural level, it will be difficult to remold an economy that was designed and built to serve as the entrepôt of Iraq. A more substantial impediment to success, however, is the fact that current reforms are not likely to have any effect for several years. WTO, FTA and Jordan's Association Agreement with the European Union may provide the kingdom with the cornerstone to go global, but Jordan is not currently in a position to take advantage of these agreements. In 1999, Jordan exported less than \$14 million worth of products to the United States. Given the types of products that

Jordan specializes in--phosphates, fertilizers and pharmaceuticals--it is unlikely that the exports will increase exponentially in the near future. The probable lack of short-term results may pressure Jordanian officials to backtrack to the captive but volatile Iraqi market to the East. In the months ahead, then, the real challenge for the king will be to contend with and convince Jordanians that the kingdom's economic future truly does lie to the West.

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