



REPORT TO THE CONGRESS

Summary Of United States Assistance To Jordan B-179001

Department of State
Agency for International Development

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report summarizing U. S. assistance to
Jordan.

We made our review pursuant to the Budget and
Accounting Act, 1921 (31 U.S.C. 53), and the Accounting
and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director,
Office of Management and Budget; the Secretary of State;
and the Administrator, Agency for International
Development.

James B. Stets

Comptroller General
of the United States

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ABBREVIATIONS

AID	Agency for International Development
GAO	General Accounting Office
UNRWA	United Nations Relief and Works Agency
USIS	United States Information Service

D I G E S T

WHY THE REVIEW WAS MADE

Jordan plays a key role in United States Middle East policy. It has received \$887.2 million in U.S. economic and military assistance for fiscal years 1952-72, about half of which has been in untied cash grants for budget support. (See p. 5.)

The question of why the United States greatly assists both Israel and Jordan has consistently been one of interest. GAO surveyed U.S. assistance programs to Jordan and prepared this summary. (See p. 5.)

Background

Following the 1948 war between Israel and the Arab states, the remnants of Arab Palestine joined with the Hashemite Kingdom of Transjordan to form the present Jordan. Although it had a very meager resource base for economic development, Jordan began to prosper in the early 1960s while being supported financially and assisted first by Great Britain and then by the United States. (See pp. 7 to 13.)

The June 1967 war with Israel drastically changed Jordan's growth. It lost (1) the West Bank of the Jordan River (formerly Transjordan) to Israel, (2) one-third of its

agricultural production, (3) one-fifth of its light industrial production, and (4) its major tourist attractions. (See p. 9.)

Its recovery from the 1967 war was slowed by the activity of Palestinian commando groups (fedayeen) who, by 1970, were harming Jordan more than Israel and were challenging the Jordan Government for control of the country. By mid-1971 the fedayeen were driven out of Jordan and the economy began to improve. (See p. 9.)

FINDINGS AND CONCLUSIONS

Refugees

The 1948 war uprooted almost one million Palestinian Arabs and some half-million Jewish citizens of Arab countries. Israel absorbed the Jewish refugees. Over one-half of the Arab refugees fled to Jordan. (See p. 17.)

The United Nations Relief and Works Agency (UNRWA), established in December 1949, provided food, clothing, and shelter for the Palestinian refugees, plus a considerable range of technical services--health, welfare, education, and training. (See p. 17.)

The 1967 war resulted in further migration of Palestinians from the West Bank and Gaza Strip. (See p. 18.) As of December 31, 1972, 558,000 registered Palestinian refugees and 208,000 other displaced persons were living on the East Bank of the Jordan River. (See p. 18.)

The refugees and displaced persons in Jordan have placed a heavy burden on its economy. While UNRWA has assumed the major share for the necessary financial support, Jordan has accepted responsibility for the needy displaced persons. Some migrants undoubtedly had technical and professional skills and have contributed to Jordan's growth. Most did not. Overall, the refugees and displaced persons have had a major negative impact on Jordan's economy. (See pp. 18 to 20 and 22 to 24.)

GAO found no evidence that UNRWA's or the Jordan Government's role in the current assistance program is changing. This assistance will probably continue under the present format until a political settlement is reached in the Middle East. (See p. 24.)

Contributions to UNRWA in calendar year 1972 cost the United States \$34.7 million, of which the United States received credit from UNRWA for only \$23.7 million. (See pp. 22 to 24.)

U.S. program objectives

The principal U.S. objective in assisting Jordan is to maintain a stable, moderate, and independent Arab government and thus encourage a peaceful settlement of Arab-Israeli differences.

U.S. objectives in Jordan stem from the overall Middle East interests of the United States:

- Maintaining good relations with all Middle East states and stimulating a peaceful settlement of the Arab-Israeli conflict.
- Neutralizing Soviet influence in the Middle East.
- Protecting oil sources in the Arabian Peninsula and the Persian Gulf. (See pp. 25 to 27.)

U.S. economic programs

The principal types, amounts for fiscal years 1952-72, and purposes of economic assistance programs to Jordan are:

- Budget support grants (\$423.8 million) to insure economic and political stability and contribute to national security.
- Project assistance grants (\$113.2 million) to support economic development and gradually reduce Jordan's dependence on foreign economic support.
- Public Law 480 loans and grants (\$117.7 million) to aid in meeting the food deficit and contribute to economic development.
- Capital development loans (\$16 million) for the same purpose as project assistance grants.
- Export-Import Bank loans (\$10.1 million) to provide financing for capital loans

for U.S. products. (See pp. 28 and 29.)

These programs appear to have been successful in helping to maintain a moderate government in Jordan. The Jordan-Israeli cease-fire has been peaceful since mid-1971, and trade and travel between the two countries has flourished. In recent months King Hussein has stated his willingness to negotiate a settlement with Israel. (See 52.)

Barring further conflicts, Jordan's immediate and long-range need is economic development. To insure the survival of the present moderate government, the economy must be developed to provide for an improved life for its citizens.

Independence from foreign budget support can come eventually only through developing Jordan's productive capabilities and/or reducing its military expenditures. GAO believes that economic development programs should be emphasized more in the assistance package. (See p. 52.)

The principal Mission officials in Jordan agreed with this observation

in February 1973. (See p. 52.)

RECOMMENDATIONS AND SUGGESTIONS

This report contains no recommendations or suggestions.

AGENCY ACTIONS AND UNRESOLVED ISSUES

GAO did not request formal agency comments on the report. Responsible officials in Jordan and in Washington, D.C., reviewed the contents of the report and offered comments which have been considered in the report. (See p. 5.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations requiring legislative action by the Congress. It does contain a comprehensive summary of U.S. assistance to Jordan which should be useful to the committees and individual Members of the Congress in connection with their legislative responsibilities relating to U.S. foreign assistance to the Middle East area.

CHAPTER 1

INTRODUCTION

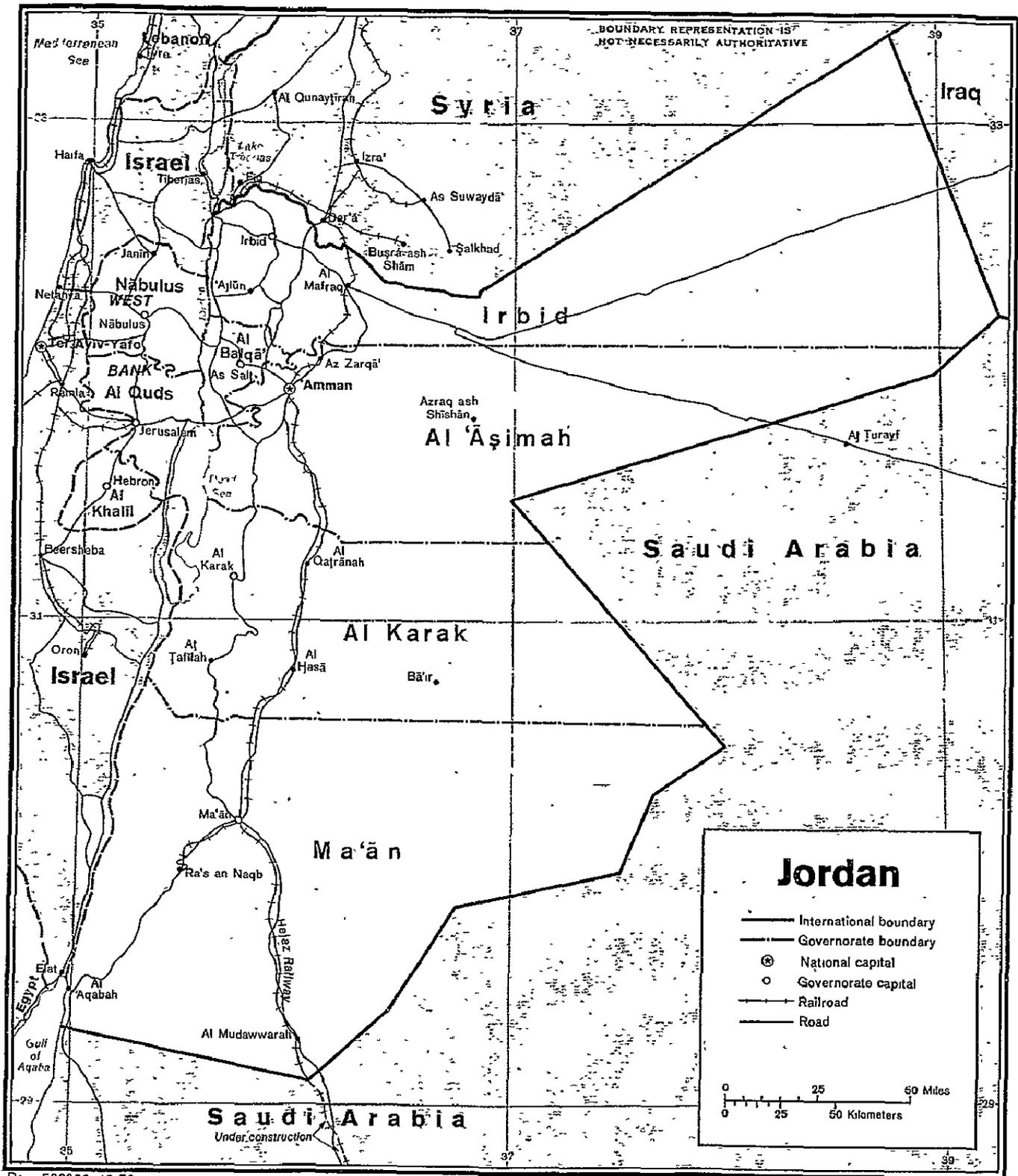
The Middle East has been of special interest to Americans and of major concern in United States foreign policy for decades because of its traditional Arab-American ties, cultural background, religious history and vast oil deposits and because of the Arab-Israeli conflict.

The United States has been constantly involved in the area since Israel's creation in 1948. Nearly every Middle East country has received some form of U.S. economic and/or military assistance. Since the June 1967 Arab-Israeli War, the United States has been greatly concerned with maintaining the cease-fire and seeking a peaceful solution to the region's problems.

Although less in the eye of the American public than Israel, the Hashemite Kingdom of Jordan plays a key role in U.S. Middle East policy. It has received \$887.2 million in economic and military assistance from the United States for fiscal years 1952-72, about half of which has been given as untied cash grants for budget support. (See p. 28.)

The question of why the United States greatly assists both Israel and Jordan, two countries that appear to be on opposite sides of a potential war, would seem to be a subject of lively curiosity. Therefore, this overall summary, emphasizing U.S. economic assistance to Jordan relative to U.S. objectives, may be useful to the Congress. It is based on a survey done in Jordan and Washington, D.C. Although it is intended to be primarily informational and fairly broad in scope, we do make conclusions and observations.

Because of the noncontroversial nature of the report, we did not formally submit it to the Department of State and AID for comment. However, the contents of the report were reviewed with officials of these agencies and their comments and suggestions were appropriately considered in finalizing the report.



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CHAPTER 2

BACKGROUND

POLITICAL HISTORY

Jordan originated in the divisions of the former Turkish Ottoman territory into various states and administrative zones after World War I. Today it consists of the area then called Transjordan and part of the area then called Palestine.

Transjordan was that part of present-day Jordan east of the Jordan River (now commonly known as the East Bank). It was occupied primarily by foreign groups--principally Egyptians, Assyrians, Jews, Greeks, Romans, Arabs, Crusaders, and Turks. Throughout most of its history, it was a narrow fringe of cultivation on the edge of a great desert and was the scene of struggles between nomads and settlers. The prosperity it enjoyed when it occasionally emerged from obscurity usually depended on the caravan trade moving north from the Red Sea to Damascus.

The former mandate of Palestine is now divided into Israel and that part of Jordan west of the Jordan River (commonly called the West Bank). The West Bank--now occupied by Israel--contains most of the important sites of Old and New Testament history, such as Jerusalem, Bethlehem, and the Mount of Olives. Like Transjordan, the West Bank has been occupied throughout history but has suffered less from obscurity because of continued religious and historical interest. It has also been spared most of the depredations of nomads; most of its inhabitants have been settled cultivators.

After the World War I division of Turkish Ottoman territory, Transjordan and Palestine became separate areas, but both were under British administration. In 1920 Britain established self-government for Transjordan under British supervision and named as Emir the Hashemite¹ prince, Abdullah. The

¹The term Hashemite refers to the royal family's descent from Hashim, great-grandfather of the prophet Mohammad, and from Fatima, the prophet's daughter.

Emirate was granted complete autonomy in 1946 and Abdullah was crowned King on May 22. The country then became the Hashemite Kingdom of Transjordan.

With the other Arab states, Transjordan took part in the war in Palestine which followed the termination of the British mandate for Palestine and the creation of Israel. Late in 1948, after the fighting stopped and a demarcation line between Israel and Arab Palestine was established, King Abdullah annexed Arab Palestine to Transjordan. In April 1949 the country's name changed to the Hashemite Kingdom of Jordan to recognize its newly acquired West Bank territory. The Jordan Parliament officially ratified the annexation in April 1950.

In August 1951 King Abdullah was assassinated at the Al-Aqsa Mosque at Jerusalem. His son, Talal I, succeeded him but abdicated in 1952, because of ill health, in favor of his son, Hussein. Hussein formally ascended the throne in May 1953 and remains in power today.

Jordan is a constitutional monarchy, and the al-Hashem family has hereditary kingship. The present constitution, adopted in 1952, vests executive power in the King, who exercises his powers through his Council of Ministers. The legislative power is vested in the National Assembly which consists of two chambers: a Senate of 30 members appointed by the King and a House of Representatives of 60 members elected by direct popular vote. The maximum term of office of a representative is 4 years, although this may be extended for 1 or 2 years by royal decree. Although the King appoints, dismisses, or accepts the resignations of the Prime Minister and other ministers, they individually and collectively are responsible to the House of Representatives for the general policy of the Government.

All political parties were dissolved by Government order following disorders in the spring of 1957, and overt political party activity has not been permitted since. Candidates for parliamentary election have, however, been permitted to form ad hoc electoral blocs.

The King appoints the independent judiciary members. Courts are both civil and religious. The latter are divided into Muslim religious "Sharia" courts and councils of other religious communities in Jordan, each of which has jurisdiction over matters of its members' personal status.

Current political history

The June 1967 Arab-Israeli war left Jordan's military establishment in ruin, and Israel occupied the West Bank.

From 1968-70 was marked by sporadic fighting between Israel and Palestinian commandos (commonly referred to as fedayeen) operating from Jordan. The fedayeen, a radical socialist political group, were opposed to the constitutional monarchy of King Hussein and gradually exerted greater influence over economic and governmental activities in Jordan.

By mid-1970 the fedayeen roamed freely about Amman (the capital city) and the countryside, collecting taxes and confiscating personal property from citizens. The U.S. Embassy and several of its staff had cars confiscated. In June the fedayeen murdered the U.S. Assistant Defense attache at his home in Amman. The fedayeen activities were far more disruptive to the Jordan Government than to Israel.

In September 1970 King Hussein ordered his army to drive the fedayeen out of Amman. During the fighting that followed, Syrian tanks disguised as a Palestinian force invaded Jordan. After 5 tense days, the Syrian forces turned back. After 2 weeks of fighting in Amman, a somewhat shaky truce was declared between the Government and the fedayeen--largely through the intervention of President Nasser of Egypt. The Black September group of fedayeen took its name from the September battle in Amman.

In April 1971 King Hussein again ordered the fedayeen out of Amman and had the army expell them with a house-to-house, room-to-room search of the city. The fedayeen then moved into the surrounding countryside, where they continued to harass farmers and other workers. In July 1971 the King again directed the army against them and drove them completely out of Jordan. They later resumed their activities from bases in Lebanon and Syria.

ECONOMIC ENVIRONMENT

Jordan is a predominantly agricultural country with limited natural resources. About 50 percent of its 2.4 million people are rural, located primarily on small owner-operated farms. Large landowners and share tenancies are

limited--a unique structure in the Arab Middle East. Farming is characterized by low productivity and simple, often primitive methods. Jordan imports about one-quarter of its food.

In the 4 years before 1967, Jordan's growth in terms of national income averaged 8.8 percent per year. At the beginning of 1967, the U.S. Embassy felt that economic prospects were generally good and agriculture and phosphate exports and tourism were expected to increase in value.

The June 1967 war with Israel drastically changed these prospects. Israel presently occupies all of Jordan's West Bank territory, including Bethlehem and the Old City of Jerusalem. In losing the West Bank Jordan lost about one-third of its agricultural production, one-fifth of its light industrial production, and its major tourist attractions. Over 400,000 more refugees and displaced persons fled to the East Bank from the West Bank and the Gaza Strip, adding to those from the 1948 war. (See Ch. 3.)

Beginning 24 years ago, the areas on both sides of the Jordan River became one country and started becoming economically integrated and complementary. Industries have been built on a scale large enough to supply both banks of the Jordan, and trading firms and banks have operated on both sides. The East Bank supplied wheat to the West Bank, while fruit, vegetables, plastics, and vegetable oils flowed in the opposite direction. Since the 1967 cease-fire and, more recently, the demise of the fedayeen in Jordan, trade between the two banks has again flourished. Bridges have been opened to trade and tourist travel between Jordan and Israel. In December 1972 Israel approved giving West Bankers permanent passes to cross into East Jordan. During the summer of 1972, 100,000 Jordanians and 50,000 Arabs from other countries visited the West Bank; this was the largest number since the 1967 occupation.

The division of Jordan's banks has caused economic difficulties between Jordan and Israel. Jordan's heavily one-sided flow of goods from the West Bank to the East Bank has resulted in a corresponding flow of Jordan dinars to the West Bank; the net flow amounted to \$15.9 million in 1971.

The West Bank had a 1971 trade deficit of \$43.1 million with Israel, which resulted in a dinar flow to Israel. Many

West Bankers prefer to hold currency, causing an accumulation of dinars in the West Bank. . Over 22,000 residents of the West Bank have found jobs in Israel, and their earnings in Israeli pounds (amounting to an estimated equivalent of \$13 million in 1971) helped offset the trade deficit with Israel and sustained the excess amount of dinars in the West Bank. The amount of the excess is undetermined but is believed to be significant. Up to now the dinars have been held and no aggregate demand has been made on the East Bank economy.

Recent Israeli moves to further stimulate exports to the East Bank have, however, triggered economic countermeasures by Jordan. Jordan has met Israel's practice of paying West Bank farmers a 30-percent subsidy for exporting fruits and vegetables to the East Bank with a 12.5-percent import duty on all produce from the West Bank. When the bridges were opened and many visitors crossed from the East Bank to the West Bank, Jordan placed a limit of one 2-week visit each 2 years on East Bankers.

The Jordanian economy depends heavily on the volume of agricultural production, which varies from year to year. Weather conditions play an important role, particularly for grains, which depend almost entirely on rain. Grains, chiefly wheat and barley, are planted in about three-fourths of the crop area. Irrigated acreage has been increasing in recent years, resulting in increased yields and a more stable output of higher value crops, some of which are suitable for export. The Jordan Government, with U.S. assistance, has tried to increase its wheat production through improved practices and inputs.

Jordan does not produce metallic ores and has no known fuel resources, except for an inadequate wood supply. Copper and manganese deposits have been investigated for possible development. Kaolin deposits (a white clay from which porcelain is made) have been found recently, and a ceramics plant is in the study stage. The cross-country oil pipeline generates some income. A local petroleum refinery, using Saudi Arabian crude oil, supplies the country with sufficient gasoline and diesel oil, but a small quantity of aviation fuel is still imported. Expansion to meet expected increased demands and develop byproducts (petrochemicals and fertilizer base) for export is now in progress.

A cement factory produces for local needs and for some exports. A large number of smaller firms are active in the tobacco, furniture, clothing, structural iron, and chemical markets. The East Bank produces most of Jordan's industrial goods.

Jordan's major exports are phosphates and fresh fruits and vegetables. Phosphates--exported mostly to Europe, India, Japan, Turkey, and Lebanon--are Jordan's major foreign exchange earner. Most of the fruits and vegetables go to neighboring Arab countries.

Jordan imports a wide variety of agricultural and industrial base commodities, accounting for a large trade deficit.

The values in U.S. dollars of Jordan's exports and imports are summarized below.

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
	(millions)							
Exports	\$ 28	\$ 29	\$ 32	\$ 40	\$ 41	\$ 34	\$ 32	\$ 45
(Phosphates)	(7)	(9)	(10)	(12)	(10)	(6)	(6)	(9)
Imports	<u>157</u>	<u>191</u>	<u>154</u>	<u>161</u>	<u>190</u>	<u>184</u>	<u>214</u>	<u>274</u>
Trade deficit	<u>\$129</u>	<u>\$162</u>	<u>\$122</u>	<u>\$121</u>	<u>\$149</u>	<u>\$150</u>	<u>\$182</u>	<u>\$229</u>

DEPENDENCE ON FOREIGN ASSISTANCE

Jordan has never been economically self-sufficient. Before 1957, British grants for support of the Jordanian army (Arab legion) and interest-free loans for development projects made up more than half of the total amount of the foreign aid received.

The United Kingdom has continued to provide aid, but on a more modest scale, since 1967. The United States was the major donor from 1957 until the 1967 Arab-Israeli war. After the war Jordan's major donors were Kuwait, Saudi Arabia, and Libya, which together pledged an annual grant of \$105 million during the 1967 Arab Khartoum Summit meeting to support the rebuilding of the Jordanian military establishment. In

addition to its Khartoum grant, Saudi Arabia granted Jordan \$42 million in 1967. Abu Dhabi granted \$14 million, and other small Arab states and private agencies granted lesser sums.

In late 1970 Libya and Kuwait cut off their annual subsidies, which amounted to nearly \$64 million annually in 1968 and 1969, because King Hussein suppressed the fedayeen in Jordan. Saudi Arabia continued its annual subsidy of over \$41 million.

Since the fedayeen were forced out of the country in 1971, Jordan has enjoyed relative peace and its economy has begun to revive. From July 1971 to the present, the United States has again been the largest donor of economic and military assistance to Jordan.

RELATIONS WITH PRINCIPAL COUNTRIES

Israel

Jordan and Israel have had three wars since Jordan's independence in 1946, but conditions are better now than at any time since the 1967 war. King Hussein has publicly stated that he favors a peaceful settlement to Arab-Israeli differences, and he has raised proposals for possible negotiations. His immediate objective in such a settlement is to regain most of the West Bank and sovereignty over East Jerusalem.

Israel's longest border with any one neighbor is with Jordan. Conditions along the Jordan River cease-fire line are peaceful and relatively relaxed. Produce and other goods move between the West and East Banks, although economic strain exists, outlined on pages 10 and 11.

Syria

A U.S. military publication summarized Jordanian-Syrian relations as follows:

"Jordan has never, since its inception, shared a community of interest with Syria. [Jordan's] King Abdullah's original ambitions in 1921 included the absorption of mandated Syria into an enlarged

Hashemite Kingdom of Jordan. Syria's ambitions toward Jordan were similar, but involved eradication of the monarchy in favor of a Syrian-styled socialist government. The antipathy of the two political systems that ultimately developed, the one supported by a full-blown socialist ideology and the other by a staunchly anti-Communist policy, has rendered the common Arabic heritage of the two countries politically insignificant except as it applies to the question of Israel."

Relations between the two countries were strained from 1958 to 1968 with demonstrations in Syria against Hussein, Syrian calls for his overthrow, and border skirmishes. Syria withdrew diplomatic recognition of Jordan in May 1967 but restored it in June after the war with Israel. In 1968 relations were quiet as Syria trained and armed commando units operating out of Jordan against Israel.

Hussein's expulsion of the commandos from Jordan in 1970-71 again caused a sharp break between the two countries. Syria reacted initially in September 1970 with an abortive tank invasion of Jordan and finally settled on closing her borders and airspace to Jordan in July 1971.

Closure of the Syrian-Jordanian border further strained the Jordanian economy. Operating costs of its national airline, Alia (also known as the Royal Jordanian Airlines), increased as its planes flew around Syria and Israel. Closure of the border cut off important markets in Syria and Lebanon. Syria announced in December 1972 that it was opening the border and airspace again, to enable Jordan to participate fully in the continued war against Israel.

The early days of 1973 have been marked by fighting between Syria and Israel near the Golan Heights, which Israel has occupied since the 1967 war. Jordan has not participated in these battles.

Iraq

Because King Faisal of Iraq was also of the Hashemite family, Jordan enjoyed normal relations with Iraq until 1958, when a coup overthrew Faisal. Diplomatic ties were severed between the two countries until December 1960. Since then,

Iraq's government and leaders have been reshuffled several times and Jordan has maintained a guarded position. Iraq, like Syria, closed its borders and airspace to Jordan in July 1971 but lifted its blockade in October 1971. Relations presently are cool and occasionally strained.

Saudi Arabia

Before 1958, relations between Jordan and Saudi Arabia were somewhat cool because of the traditional rivalry between the Hashemites and the Saudis. Following the Iraqi coup of 1958, the ruling monarchs of both houses found it prudent to show solidarity against militant reform aimed at their respective dynasties. In August 1962 Jordan and Saudi Arabia announced their intention to collaborate in military, economic, and political activities. A joint defense council was established in November 1962, and customs duties between the two countries were eliminated. In August 1965, they reached an agreement demarcating their common border. Political initiatives elsewhere on the Arabian peninsula backed these moves. Jordan strengthened friendly ties with Kuwait and the Persian Gulf oil states of Abu Dhabi and Qatar and encouraged their leaders to resist Syrian and United Arab Republic policies.

Jordan traditionally has exported fruits, vegetables, and a few food items, primarily wheat and wheat products, to Saudi Arabia and has imported crude oil for its local needs from that country. As noted on page 12, Saudi Arabia pays a subsidy of over \$41 million a year to Jordan to help support its armed forces.

United Arab Republic (Egypt)

Relations between Jordan and the United Arab Republic have had many ups and downs since 1958. The socialist government of Egypt reacted much as Syria did to King Hussein's monarchy, although Egypt has outwardly appeared somewhat more moderate than Syria. Jordan's relations with Egypt have been marked by disputes, internal subversion in Jordan supported from Cairo, the assassination of Jordan's Prime Minister in Cairo in 1971, and various agreements and disagreements related to military positions toward Israel. Nevertheless, some recent efforts have been made to improve relations.

The United Kingdom

Jordan owes its creation and original support to the United Kingdom. Britain maintained control of finances and the military forces through a succession of treaties, culminating in a preferential treaty of 1948. This influence was terminated in 1957.

After an attempted coup in April 1957, King Hussein requested continued British aid. In August Britain agreed to make available an unclaimed balance of a loan arranged in 1955, amounting to the equivalent of about \$3 million.

When the Hashemite throne in Iraq was toppled by a coup in July 1958, King Hussein requested protective assistance from the United States and the United Kingdom under article 51 of the United Nations Charter. Britain immediately sent paratroops and in September 1958 extended Jordan another loan equivalent to \$2.8 million. When the situation returned to normal in November, the British forces withdrew.

United States

In April 1957 the United States declared that Jordan's independence and integrity were of vital interest to the United States. Following the declaration, the United States immediately granted Jordan \$10 million for economic development and maintenance of political stability. Military equipment valued at \$10 million and a promise of a \$10 million supplementary loan for budgetary support in July 1957 established the United States as Britain's heir in financial assistance to Jordan.

CHAPTER 3

CARE OF PALESTINIAN REFUGEES AND

DISPLACED PERSONS IN JORDAN

Jordan was inundated in 1948 and 1967 with refugees from Arab-Israeli wars. The 1948 war uprooted almost a million Palestinian Arabs and some half-million Jewish citizens of Arab countries. Israel was able to absorb the Jewish refugees, but the surrounding Arab countries were less successful in caring for the Palestinian refugees, most of whom had fled to Jordan.

The United Nations General Assembly established the United Nations Relief and Works Agency (UNRWA) in December 1949 to care for the Palestinian refugees. Besides providing food, clothing, and shelter, UNRWA developed a considerable range of technical services for the refugees' health, welfare, education, and training.

The following table shows the number of refugees UNRWA reported to be registered as of December 31, 1972, and those receiving food rations.

<u>Location</u>	<u>Total registered refugees (note a)</u>	<u>Receiving food rations (note b)</u>
Jordan:		
East Bank	558,000	302,000
West Bank	<u>281,000</u>	<u>129,000</u>
Total	839,000	431,000
Gaza Strip	327,000	197,000
Lebanon	186,000	102,000
Syria	<u>171,000</u>	<u>99,000</u>
Total	<u>1,523,000</u>	<u>829,000</u>

^aA large number of Palestinians who fled the war did not register as refugees. Generally, the rural classes (the majority), which could not find jobs and which were in real need, registered with UNRWA for assistance.

^bUNRWA limits the number of registered refugees eligible for basic food rations because of limited finances. These rations provide between 1,500 and 1,600 calories a person each day. Other refugees have the same international refugee status as 1948 war refugees, but, because of UNRWA budgetary restrictions and other reasons, most are eligible only for one or more of UNRWA's other refugee services. Some, because of their income level and other reasons, are ineligible for any service.

Source: UNRWA report.

As a result of the 1967 war, more Palestinians, both those who were and those who were not already in a refugee status from the 1948 war, migrated from the West Bank and the Gaza Strip. Those who fled Palestine because of the 1948 war are commonly called refugees; those who fled (principally the West Bank and the Gaza Strip, but also the East Bank) because of the 1967 war and who were not refugees from the 1948 war are called displaced persons.

IMPACT ON JORDAN

Although UNWRA assumed the major burden for the financial support of needy refugees, the Jordan Government assumed responsibility for the needy displaced persons. As of December 31, 1972, about 208,000 displaced persons were receiving rations from the Jordan Government. Because UNRWA provides rations to only about 300,000 refugees on the East Bank, the Government also provides rations for some of the remaining needy refugees--about 40,000 children.

The impact of both wars can be seen in the following table..

Distribution of Refugees and Displaced Persons
in Jordan Before and After the 1967 War

<u>Location</u>	<u>Refugees</u>	<u>Displaced persons</u>	<u>Total refugees and displaced persons</u>		<u>Total population</u>
			<u>Number</u>	<u>Percent of population</u>	
Before 1967 war:					
West Bank	390,000	-	390,000	42	930,000
East Bank	332,000	-	332,000	28	1,200,000
Total Jordan	722,000	-	722,000	34	2,130,000
As of 9-1-68:					
West Bank	245,000	-	245,000	38	650,000
East Bank	494,000	201,000	695,000	46	1,513,000
Total Jordan	739,000	201,000	940,000	43	2,163,000
As of 12-31-72:					
West Bank	281,000	-	281,000	41	b679,000
East Bank	558,000	a208,000	766,000	46	b1,669,000
Total Jordan	839,000	208,000	1,047,000	45	b2,348,000

^aReceiving rations from Jordan.

^bPopulation figures for 1971.

Source: U.S. Mission in Amman, Jordan, and UNRWA report.

In contrast to Jordan, the numbers of refugees in Syria and Lebanon comprise only about 3 percent and 6 percent, respectively, of the total population.

The composition of refugees and displaced persons on the East Bank as of September 1, 1968, and December 31, 1972, is shown in the following two tables, respectively.

East Bank Refugees and
Displaced Persons as of 9-1-68

<u>Source</u>	<u>Refugees</u>	<u>Displaced persons</u>	<u>Total</u>
In East Bank before 1967	332,000	-	332,000
From West Bank after 1967	145,000	135,000	280,000
From Gaza Strip after 1967	17,000	16,000	33,000
From East Bank (note a)	-	50,000	50,000
Total	<u>494,000</u>	<u>201,000</u>	<u>695,000</u>

^aEast Bankers who fled their homes in the areas of intensive fighting--principally the Jordan River Valley. Many stayed away during the period of fighting along the river between the fedayeen and Israel during 1968-70. By late 1972 these displaced persons had begun returning to the valley.

Source: U.S. Mission in Amman, Jordan.

East Bank Refugees and
Displaced Persons as of 12-31-72

<u>Source</u>	<u>Refugees</u>	<u>Displaced persons</u>	<u>Total</u>
In East Bank before 1967	319,000	-	319,000
From West Bank after 1967	205,000	187,000	392,000
From Gaza Strip after 1967	34,000	21,000	55,000
From East Bank	-	-	-
Total	<u>558,000</u>	^a <u>208,000</u>	<u>766,000</u>

^aReceiving rations from Jordan.

Source: UNRWA report.

The two previous tables show one of the basic problems facing both UNRWA and the Jordan Government--the continuous growth of the registered refugee population. Many factors contributed to the growth--a continuous trickle of people from the Israeli-occupied sectors (Gaza Strip and the West Bank), a high birth rate, and some unreported refugee deaths. (This happens particularly if the deceased had a ration card--the card is passed on to family or friends.)

Partial assimilation

Jordan has offered the Palestine refugees greater opportunities for assimilating into its political and economic life than currently are possible in Lebanon, Syria, or the Israeli-occupied areas. Jordan considers all refugees living in the Kingdom as Jordanian citizens, grants them the same political rights as other citizens, permits them to purchase or rent homes or farms outside the camps and to engage in businesses, and does not restrict their employment.

The greatly reduced numbers of refugees now living in refugee camps on the East Bank indicate this assimilation. Of the 558,000 now registered by UNRWA, only 220,000 live in camps (about one-half in pre-1967 camps and one-half in emergency camps established for those who fled to the East Bank after the 1967 war). Even among those still in camps, particularly in the old camps, many work full or part time in the neighboring economy.

In Lebanon, Syria, and the areas occupied by Israel, relatively few Palestine refugees have been granted citizenship or have been permitted to participate in the political life of these lands, to own property, to engage in business, or to work for the host governments.

UNRWA PROGRAM

Besides the basic food rations for 829,000 persons, UNRWA provides a variety of other services to the total 1,500,000 registered refugees. These services include shelter, elementary and secondary schools (245,000 students¹), some vocational training (3,600 trainees), hot meals for children, infant feeding, and health care. The total estimated expenditures of UNRWA for 1972 were:

<u>Type of assistance</u>	<u>Expenses (000 omitted)</u>	<u>Percent of total</u>
Relief (basic rations, shelter, meals, etc.)	\$20,800	40
Education	24,300	47
Health care	<u>7,000</u>	<u>13</u>
Total	<u>\$52,100</u>	<u>100</u>

As of July 1971 UNRWA had about 14,000 employees, of whom about one-half were teachers; the others were doctors and medical assistants and those administering camps, food distribution, headquarters operations, etc.

From May 1, 1950, through December 31, 1972, income to UNRWA has amounted to about \$839 million. (See app: II.) UNRWA estimates that its total income for 1972 would be about \$51 million, leaving it short of expenditures by about \$600,000 after deducting unpaid obligations of \$1.4 million to host governments for schooling and other services provided UNRWA registrants on a reimbursable basis.

¹At locations where UNRWA does not have schools or where students advance beyond the UNRWA school structure, refugee students can attend government or private schools. About 65,000 attended such schools in the 1970-71 school year. Although UNRWA reimburses the government for some costs, lack of funds in 1972 prohibited such payments amounting to about \$759,000. A number of nonrefugee students in Jordan attend UNRWA schools where they are more conveniently located.

The contributions to UNRWA in calendar year 1972 came from the following sources.

<u>Contributor</u>	<u>Value of commodities</u>	<u>Cash and services</u>	<u>Total</u>	<u>Percent of total</u>
	(thousands)			
United States	\$ 8,900	\$14,800	\$23,700	46
United Kingdom	-	4,886	4,886	10
West Germany	148	3,282	3,430	7
Sweden	-	3,000	3,000	6
Canada	900	655	1,555	3
France	194	1,068	1,262	2
Arabs (17 countries)	82	2,246	2,328	5
Others (48 countries)	<u>2,400</u>	<u>3,743</u>	<u>6,143</u>	<u>12</u>
Total	12,624	33,680	46,304	91
Private contributions	54	1,056	1,110	2
UN agencies and private agencies	<u>1,448</u>	<u>1,671</u>	<u>3,119</u>	<u>6</u>
Total	<u>\$14,126</u>	<u>\$36,407</u>	50,533	
Miscellaneous income and exchange adjustment			<u>342</u>	<u>1</u>
Total			<u>\$50,875</u>	<u>100</u>

Source: December 31, 1972, UNRWA report estimates.

U.S. CONTRIBUTIONS TO UNRWA

Since 1958 UNRWA has valued U.S. regular annual contributions of wheat flour, vegetable oil, and cash at between \$22.2 million and \$24.7 million. The United States has also made special contributions, primarily for vocational training centers, amounting to \$1,450,000 and \$1,000,000 in calendar years 1971 and 1972, respectively. Total contributions to UNRWA in calendar year 1972 cost the United States \$34.7 million, of which the United States received only \$23.7 million credit from UNRWA.

In the early 1960s the United States and UNRWA agreed that part of the regular annual U.S. contribution could be made in farm commodities. This part of the U.S. contribution

would then be valued at the European market value of these commodities, which was determined to be \$8.9 million. / Year to year the quantity of commodities could change as the United States and UNRWA agreed upon different unit valuations, but the \$8.9 million valuation would not change. The United States also agreed to pay shipping costs. / *Insert*

Since that time the United States has contributed annually a relatively stable quantity of commodities valued at \$8.9 million according to the agreement plus about \$14 million in cash. Although UNRWA credits the United States as contributing \$8.9 million in commodities each year, the actual cost of these commodities to the U.S. Government through the Commodity Credit Corporation and their actual value in the U.S. export market is much greater. As demonstrated by the following schedule, the commodities contributed during the past 3 years have been estimated to cost the United States about \$20 million a year. Thus, UNRWA has credited U.S. contributions at at least \$11 million less each year than the actual cost to the United States.

The schedule also shows that the value of the contributed commodities in the U.S. export market ranges from \$8 million to \$10 million more each year than the value reflected in U.S. contributions reported by UNRWA.

<u>Commodity</u>	<u>Quantity (metric tons)</u>	<u>Commodity Credit Corporation value</u>	<u>Estimated U.S. market export value</u>	<u>Difference between Commodity Credit Corporation value plus freight and UNRWA credit of \$8.9 million</u>	<u>Difference between U.S. market export value plus freight and UNRWA credit of \$8.9 million</u>
Fiscal year 1971:					
Wheat flour	112,000	\$11,984,000	\$ 9,744,000		
Vegetable oil	4,170	1,522,050	1,367,760		
Freight		<u>6,500,000</u>	<u>6,500,000</u>		
Total		<u>\$20,006,050</u>	<u>\$17,611,760</u>	<u>\$11,106,050</u>	<u>\$8,711,760</u>
Fiscal year 1972:					
Wheat flour	98,250	\$11,593,500	\$ 8,744,250		
Vegetable oil	4,000	1,780,000	1,620,000		
Freight		<u>6,600,000</u>	<u>6,600,000</u>		
Total		<u>\$19,973,500</u>	<u>\$16,964,250</u>	<u>\$11,073,500</u>	<u>\$8,064,250</u>
Fiscal year 1973:					
Wheat flour	98,250	\$ 9,628,500	\$ 8,744,250		
Vegetable oil	4,000	1,832,000	1,620,000		
Freight		<u>8,500,000</u>	<u>8,500,000</u>		
Total		<u>\$19,960,500</u>	<u>\$18,864,250</u>	<u>\$11,060,500</u>	<u>\$9,964,250</u>

OBSERVATIONS

Overall, the refugees and displaced persons in Jordan have had a major negative impact on the Jordanian economy. Although UNRWA has assumed the major burden for the financial support of needy Palestinian refugees, Jordan has accepted responsibility for the needy displaced persons. Some migrants undoubtedly had technical and professional skills and contributed to Jordan's growth, but most did not.

We found no evidence that UNRWA's or the Jordan Government's role in the current assistance program is changing. This assistance will probably continue under the present format until a political settlement is reached in the Middle East. In one sense, the refugees symbolize the Arab states' continuing claim to Israel.

Insert
The actual costs to the United States for its participation in the UNRWA program has approximated \$20 million annually for commodities and transportation over the past 3 years. (Because the United States is receiving only \$8.9 million credit from UNRWA, its commodities and transportation contributions have amounted to about \$11 million more than reflected in UNRWA accounts during each of the past 3 years *1971-73.* /

CHAPTER 4

OBJECTIVES OF U.S. ASSISTANCE

The principal U.S. objective in Jordan stems from the United States' greater Middle East interests of:

- Maintaining good relations with all Middle East states and stimulating a peaceful settlement of the Arab-Israeli conflict.
- Neutralizing Soviet influence in the Middle East and preventing polarization of the area.
- Protecting oil sources in the Arabian Peninsula and the Persian Gulf.

PEACEFUL SETTLEMENT

In his report to the Congress of February 25, 1971, President Nixon characterized the Middle East situation as the most dangerous the United States faces and noted its potential "for drawing Soviet policy and our own into a collision that could prove uncontrollable." Department of State officials have said the dangers inherent in this situation have motivated the United States to seek a peaceful settlement of the conflicts between Israel and the Arab countries. The United States also remains committed to preserve Israel as a free nation.

Israel's longest border is shared with Jordan. Before 1970, Arab guerrillas staged warfare and raids upon Israel from Jordan. Since King Hussein routed the guerrillas from Jordan, the two countries have enjoyed a quiet border and have established practical trade and tourism arrangements. King Hussein has taken the initiative among Arab leaders in seeking a peaceful settlement of Arab-Israeli differences.

As President Nixon pointed out in the February 1971 Report to the Congress, if Jordan had succumbed to either internal subversion or external aggression in the fall of 1970, "the danger of another full-scale Middle East war would have been at hand." Jordan therefore contributes

significantly to the framework of Middle Eastern security and stability, a principal reason for U.S. support.

Jordan's geographic position is important for two reasons. First, it is a moderate buffer state that separates significant portions of Israeli and Saudi territory from radical Iraq and Syria. If one or both of these radical Arab states absorbed Jordan or if it became a radical state itself as the result of internal revolution, the security of Israel and the petroleum-rich peninsula regimes would be adversely affected. Second, as the country most susceptible to Israeli action across a lengthy common border and the most affected by the creation of Israel, Jordan has a claim to the backing of its Arab neighbors. Thus, Jordan is a natural staging area for Arab activity and is a source of strategic concern to the Israelis.

SOVIET INFLUENCE

Jordan has not accepted military assistance from the Soviet Union, although it has received several offers. Without U.S. support, King Hussein might be forced to either accept Soviet support with its accompanying influence or accede to demands of the radicals and abdicate his kingdom. The result would be the same: Jordan would probably be moved into the radical camp. The area would be polarized into Israel with U.S. support against a united Arab front with Soviet support. Little or no chance would remain for a peaceful settlement on other than Soviet terms.

With U.S. support Jordan can continue to provide (1) an influence for a peaceful settlement, (2) a physical wedge between the Soviet-backed radical Arab states of Syria to the north and Egypt to the south, and (3) a buffer of stability and physical space between Israel and the radicals and between Saudi Arabia and the radicals.

OIL INTERESTS

In fiscal year 1971 Persian Gulf sources either directly or indirectly met about 89 percent of total refined petroleum requirements for United States Forces in the Western Pacific and Southeast Asia. Over one-half of the total requirements is normally purchased from U.S.-owned companies. The largest single source is the U.S.-owned refineries at

Ras Tanura in Saudi Arabia and on the island of Bahrain. American oil companies earn well over half a billion dollars each year from operations in Saudi Arabia alone.

The United States obtains about 10 percent of its total oil needs from the Mediterranean and Near Eastern areas. This percentage is expected to grow to at least 25 percent by 1980. The Middle East (principally Saudi Arabia, Kuwait, and Iran) contains three-fourths of the free world's known oil reserves, and currently provides both Europe and Japan with 80 percent of their oil needs.

The Department of Defense has expressed concern over increasing Soviet influence in the Middle East and the possibility of the Soviet's gaining control of these important oil sources. Jordan's importance to U.S. oil interests in Saudi Arabia is indirect but significant. Jordan borders Saudi Arabia and both countries are ruled by monarchies. Each is pro-Western and unpopular with the more radical, socialist Arabs. The two countries have had a mutual defense agreement since 1962.

OBJECTIVES IN JORDAN

In accordance with the overall Middle East interests, the principal objective of U.S. assistance programs to Jordan is to maintain a stable, moderate, and independent Arab government in Jordan. The current government under King Hussein is politically moderate and has a progressive attitude toward the economic development of its own country and toward a peaceful settlement of its differences with Israel. King Hussein has indicated a number of times that a peaceful settlement would be in the best interests of all parties involved and has done more than any other Arab leader to encourage an honorable, just, and peaceful settlement of the Arab-Israeli conflict.

CHAPTER 5

U.S. ASSISTANCE PROGRAMS

The types and purposes of U.S. assistance programs in Jordan are:

- Budget support grants to insure economic and political stability and contribute to national security.
- Military assistance loans and grants to insure national security.
- Project assistance grants to accelerate Jordan's rate of economic development and gradually reduce its dependence on foreign economic assistance.
- Capital development loans for the same purpose as project assistance.
- Public Law 480 loans and grants to aid in meeting Jordan's food deficit and to contribute to economic development.
- Export-Import Bank loans to provide financing for capital investment in U.S. products.

U.S. bilateral assistance to Jordan began in 1951 with grants for technical assistance. A commodity import program was started in 1954; its lack of success and the termination of the Anglo-Jordanian treaty led to the start of untied budget support cash grants in 1957. Military assistance was also started that year.

U.S. assistance grew steadily until 1963 and remained high until the 1967 war, when the AID Mission was evacuated. The program was reduced sharply immediately following the war, was resumed in late 1967, and was curtailed again following the June-September 1970 battle with the fedayeen.

Total U.S. bilateral assistance to Jordan from fiscal year 1952 through fiscal year 1972 was \$887.2 million, distributed between programs as shown on the following table.

U.S. Assistance to Jordan

	U.S. fiscal years						
	1952						Total
	to 1967	1968	1969	1970	1971	1972	
(millions)							
Economic:							
Loans:							
AID	\$ 16.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ ^a 16.0
Export-Import Bank	1.6	-	0.2	8.3	-	-	10.1
Public Law 480, title I	5.4	1.8	1.3	-	1.2	1.7	11.4
Total	<u>23.0</u>	<u>1.8</u>	<u>1.5</u>	<u>8.3</u>	<u>1.2</u>	<u>1.7</u>	<u>37.5</u>
Grants:							
AID:							
Budget support	368.8	-	-	-	-	55.0	423.8
Project assistance	96.4	12.2	1.5	1.5	1.0	0.6	113.2
Public Law 480, title II	78.4	5.0	8.8	2.4	9.6	2.1	106.3
Other	1.3	-	-	-	^b 10.0	-	11.3
Total	<u>544.9</u>	<u>17.2</u>	<u>10.3</u>	<u>3.9</u>	<u>20.6</u>	<u>57.7</u>	<u>654.6</u>
Total	<u>567.9</u>	<u>19.0</u>	<u>11.8</u>	<u>12.2</u>	<u>21.8</u>	<u>59.4</u>	<u>692.1</u>
Military:							
Credit sales	15.0	-	14.0	-	30.0	10.0	69.0
Grants	52.5	0.4	0.2	0.2	28.9	38.0	120.2
Excess stock grants	4.2	-	-	-	0.4	1.3	5.9
Total	<u>71.7</u>	<u>0.4</u>	<u>14.2</u>	<u>0.2</u>	<u>59.3</u>	<u>49.3</u>	<u>195.1</u>
Total	<u>\$639.6</u>	<u>\$19.4</u>	<u>\$26.0</u>	<u>\$12.4</u>	<u>\$81.1</u>	<u>\$108.7</u>	<u>\$887.2</u>

^aTwo loans made in local currency amounting to \$3.7 million.

^bFunds for repairing Jordan's 1970 civil war damage; \$5 million provided from AID's Contingency Fund for emergency assistance.

MANAGEMENT OF U.S. PROGRAMS

Before the 1967 war U.S. assistance programs in Jordan were administered in-country by an AID Mission consisting of 70 Americans and 113 Jordanians. During the war all but five of the Mission staff were evacuated. In late 1967 the Mission in Jordan was restaffed and resumed management of the assistance programs, with up to 42 Americans and 95 Jordanians.

The Mission was completely evacuated during the 1970 fighting, and AID/Washington assumed responsibility for the program. At that point AID and State Department officials decided to maintain a reduced U.S. presence in Jordan, largely for security reasons.

Although the AID Bureau for Supporting Assistance in Washington has overall responsibility for managing assistance programs funded by the supporting assistance appropriation in all countries, its Jordan desk is responsible for AID activities in Jordan, however funded. Budget and program documents normally prepared by the Mission are now prepared by the desk officer on the basis of information and data provided by the Mission.

The Mission currently consists of 2 U.S. AID employees, a program officer, a Jordan Valley project advisor, and 14 Jordanians. The Embassy's principal economic and commercial officer also serves as the acting mission director. The Mission's principal function is to gather information for AID/Washington, to monitor ongoing development projects and to coordinate AID activities with the Jordan Government. Washington has retained primary program management. Experts from Washington visit Jordan periodically to provide technical supervision of projects.

The military assistance program is managed by the defense attache of the Embassy under the overall supervision of the Department of Defense, European Command. The defense attache has a staff of six officers and three enlisted men.

BUDGET SUPPORT GRANTS

U.S. economic assistance to Jordan is highlighted by cash grants for budget support from the supporting assistance appropriation. These grants, begun in 1957 after Britain stopped its budget support to Jordan, continued for 10 years.

The war with Israel in June 1967 abruptly terminated these U.S. grants. After the war, Saudi Arabia, Kuwait, and Libya agreed to provide Jordan with a total cash subsidy of \$105 million each year for the duration of the Arab-Israeli crisis. Abu Dhabi granted \$14 million and the Government of Qatar and private agencies in other Arab countries granted lesser sums. Saudi Arabia also granted Jordan \$42 million to buy arms. With this new assistance, Jordan did not need additional external funds, and the United States terminated its budget support payments.

Because of King Hussein's action against the fedayeen guerrillas in September 1970, Libya terminated its subsidy payments in that month. Kuwait suspended its payments in September, made one more monthly payment in December 1970, and then suspended payments again. Saudi Arabia has not missed a payment.

After losing about 62 percent of its Arab subsidy, at a time of heavy cash purchases of U.S. military equipment, Jordan again found itself in financial difficulty and appealed to the United States for immediate cash assistance at a meeting in Washington, D.C., on December 9, 1970. The United States urged Jordan to seek funds for its immediate needs from its own sources because it had a rather large reserve of foreign exchange. Department of State officials also suggested that Jordan request the International Monetary Fund to review and report on Jordan's financial problems to provide a basis for donor consideration of assistance requests. A Fund survey team visited Jordan early in January 1971.

The United States resumed budget support cash grants in July 1971, with a payment of \$15 million. Payments from the 1967 war through December 1972 totaled \$95 million.

In late 1970 and February 1971 the United States also granted Jordan a total of \$10 million (\$5 million from supporting assistance funds and \$5 million from contingency

funds) for relief and rehabilitation of damage from the fighting in September 1970. Three-fourths of the total was placed in a joint rehabilitation fund established in November 1970 to repair civil war damage. Jordan and the U.S. Embassy equally controlled disbursements from this fund.

Relation of U.S. budget support to Jordanian budget

As shown by the following table, U.S. budget support grants have averaged 28 percent of the total expenditures of the Jordanian budget since 1957-58, not including 1968-70.

<u>U.S. Budget Support Grants Compared With Jordan Government Expenditures</u>			
Jordanian fiscal year (note a)	Budget support	Jordanian expenditures	Grants as percent of expenditures
(millions)			
1957-58	\$ 25.0	\$ 66.8	37.4
1958-59	43.1	82.2	52.4
1959-60	40.4	86.0	47.0
1960-61	40.4	92.0	43.9
1961-62	39.5	92.4	42.7
1962-63	37.1	105.1	35.8
1963-64	35.0	110.2	31.3
1964-65	34.1	122.1	27.9
1965-66	32.0	131.6	24.3
1966	21.4	110.6	19.3
1967	<u>20.8</u>	<u>164.6</u>	12.6
Total, prewar	<u>368.8</u>	<u>1,163.6</u>	31.6
1968	-	(e)	(e)
1969	-	(e)	(e)
1970	-	(e)	(e)
1971	^b 30.0	228.3*	13.2
1972	^c 65.0	<u>292.2**</u>	22.2
Total, postwar	<u>95.0</u>	<u>520.5</u>	18.3
Total	^d <u>\$463.8</u>	<u>\$1,684.1</u>	27.9

^a April 1 through March 31 until 1966; January 1 through December 31 since that date.

^b \$15 million was paid in July and again in September 1971.

^c \$15 million was paid in January 1972; \$10 million each was paid in May, August, September, November, and December 1972.

^d Total differs from that on p. 29 because that table is through U.S. fiscal year 1972 and this table is through U.S. calendar year 1972.

^e Not applicable.

Source: U.S. Embassy, except those marked with * (Central Bank of Jordan 1971 Annual Report) and ** (Jordan's 1972 budget plan).

The following table shows Jordan's dependence on external assistance to bridge the gap between domestic government revenue and expenditures for military and civil purposes during the last 3 years.

Jordanian Expenditures and Revenues for 1970, 1971, and 1972 (note a)

	1970 actual (millions)	Percent of expen- ditures	1971 esti- mated (millions)	Percent of expen- ditures	1972 esti- mated (millions)	Percent of expen- ditures
REVENUES						
Domestic Revenues	\$ <u>84.7</u>	<u>37.5</u>	\$ <u>101.1</u>	<u>44.3</u>	\$ <u>112.0</u>	<u>38.4</u>
Other Revenues:						
Financial assistance (grant):						
Saudi Arabia	41.5	18.3	42.0	18.4	44.7	15.3
United States	-	-	47.5	20.8	60.0	20.5
Emirate of Abu Dhabi	-	-	6.3	2.8	-	-
Muscat and Oman Sultanate	-	-	2.0	0.9	-	-
Kuwait	32.5	14.4	-	-	-	-
Libya	18.6	8.2	-	-	-	-
Special drawing rights	-	-	5.2	2.3	-	-
Technical and other assistance	6.6	3.0	0.5	0.2	4.3	1.5
Foreign development loans	<u>8.2</u>	<u>3.6</u>	<u>14.7</u>	<u>6.4</u>	<u>37.5</u>	<u>12.8</u>
Total other revenues	<u>107.4</u>	<u>47.5</u>	<u>118.2</u>	<u>51.8</u>	<u>146.5</u>	<u>50.1</u>
Total revenues	192.1	85.0	219.3	96.1	258.5	88.5
Deficit (note b)	<u>33.9</u>	<u>15.0</u>	<u>9.0</u>	<u>3.9</u>	<u>33.7</u>	<u>11.5</u>
Total	\$ <u>226.0</u>	<u>100.0</u>	\$ <u>228.3</u>	<u>100.0</u>	\$ <u>292.2</u>	<u>100.0</u>
EXPENDITURES						
Armed Forces	\$ 92.6	41.0	\$ 94.6	41.4	\$ 109.9	37.6
All other	<u>133.4</u>	<u>59.0</u>	<u>133.7</u>	<u>58.6</u>	<u>182.3</u>	<u>62.4</u>
Total	\$ <u>226.0</u>	<u>100.0</u>	\$ <u>228.3</u>	<u>100.0</u>	\$ <u>292.2</u>	<u>100.0</u>

^aBased on data shown in Jordan's 1972 budget plan, as presented to the U.S. Embassy. That budget does not account for external military assistance, nor does this table show expenditures of military assistance funds.

^bA computed figure required to balance the revenues with expenditures.

Domestic revenue base

Only a small part of domestic revenues comes from taxes. The largest single source of revenues is customs duties, as shown in the following table.

Jordan Government Domestic Revenues

	1970 <u>actual</u>	1971 <u>estimated</u>	1972 <u>estimated</u>
	(millions)		
Customs duties	\$39.2	\$ 39.8	\$ 47.3
Taxes	11.3	13.5	18.7
Licenses	5.3	6.6	8.0
Fees	4.3	6.2	7.4
Post, telegraph, and telephone	2.8	3.2	3.9
Interest and profits	13.5	14.3	12.6
Miscellaneous	<u>8.3</u>	<u>17.5</u>	<u>14.1</u>
Total	<u>\$84.7</u>	<u>\$101.1</u>	<u>\$112.0</u>

Source: Jordan's 1972 budget plan.

Budget support and foreign exchange reserves

The following table compares U.S. budget support payments by year with Jordan's foreign exchange reserves at the end of the budget year. Despite its financial problems, Jordan has a relatively large balance of foreign exchange reserves.

Year (note a)	Budget support payments	Foreign exchange reserves
(millions)		
1961	\$ 39.5	\$ 51.2
1962	37.1	58.0
1963	35.0	62.7
1964	34.1	76.5
1965	32.0	139.8
1966	21.4	167.7
1967	20.8	244.1
1968	-	284.4
1969	-	262.5
1970	-	255.7
1971	30.0	253.2
1972	65.0	271.3

^a Budget support payments are for annual periods beginning April 1 for 1961 through 1965; 1966 is for 9 months; 1967, 1971, and 1972 are calendar year periods.

Sources: Budget support payments are from U.S. sources; foreign exchange reserves are yearend Central Bank of Jordan reserves from "International Financial Statistics."

Since the 1967 war Jordan has had large trade deficits on goods and services. Because capital inflows have not offset these deficits, reserves have declined. At the same time, Jordan is still holding a relatively large foreign exchange reserve balance accumulated in the 1960s, when its economy was growing strongly. Its reserves at the end of 1971, for example, represented about 14 months' requirements; at the end of 1972 they represented about 12 months' requirements.

Jordan's rationale for maintaining large balances in recent years has been that a rapid drawdown on its reserves would likely panic its economy and cause massive capital flight, private investment decline, and a general economic slump. Jordanian officials believe that a gradual drawdown over a longer time period would be less disruptive, and Jordan is now following this policy. International Monetary Fund studies have tended to support Jordan's position. U.S. Embassy officials believe the gradual drawdown now being

followed contributed to the strong position of the dinar in the world money markets.

Jordan's external debt

Historically, Jordan's external debt has been relatively small. At the end of 1967 the disbursed external public and publicly guaranteed debt (with a maturity of over 1 year) totaled the equivalent of about \$87 million, and by the end of 1971 it had risen to the equivalent of about \$139 million.

Jordan's ratio of debt service payments to exports has also risen over the past several years. An international financial institution in August 1972 showed that Jordan's debt service ratio gradually rose from 2.4 percent in 1967 to 7.5 percent in 1971 and projected this ratio to 11 percent in 1972 and 13 percent in 1974. These figures do not include the military debts.

Commodity import program

The United States previously tried to use a commodity import program in Jordan. In 1954 the Mission started a commodity import program to generate local currency to support development projects. The program ran for about 2 years but failed to produce more than \$4 million in local currency. The difficulties encountered and increased demands for support following termination of British assistance influenced the United States in mid-1957 to resort to a cash grant program to help Jordan meet its budget deficit.

In February 1961, in response to President Eisenhower's Bureau of the Budget directive of November 18, 1960, Jordan issued a Defense Order restricting imports of certain items to U.S. sources. The Defense Order was withdrawn in 1962.

In 1966 AID began tying the budget support grants to U.S. procurement under a special letter of credit procedure. Five special letters of credit agreements were issued from January 2 through September 23, 1967, totaling \$18.5 million, virtually all of which had been spent by early 1970. When budget support grants were resumed in 1971 they were again untied.

In recent years Jordan has imported more from the United States than from any country, although the United Kingdom took the lead in 1969 and 1970. The chart on the following page shows Jordan's imports for 1971.

Management of U.S. budget support program

Very few management controls limit the ultimate use of budget support funds, once authorized and appropriated by the Congress. The United States relies primarily on personal contact with and discussions between Jordanian officials and principal U.S. Embassy officials and on the grants' offsetting only a portion of Jordan's deficits. U.S. Embassy officials told us that they discuss Jordanian operations and finances with Jordanian officials nearly every week and send informational summaries to the appropriate Washington bureaus. They also obtain and transmit copies of the Jordanian annual budget plan and periodic cash-flow charts.

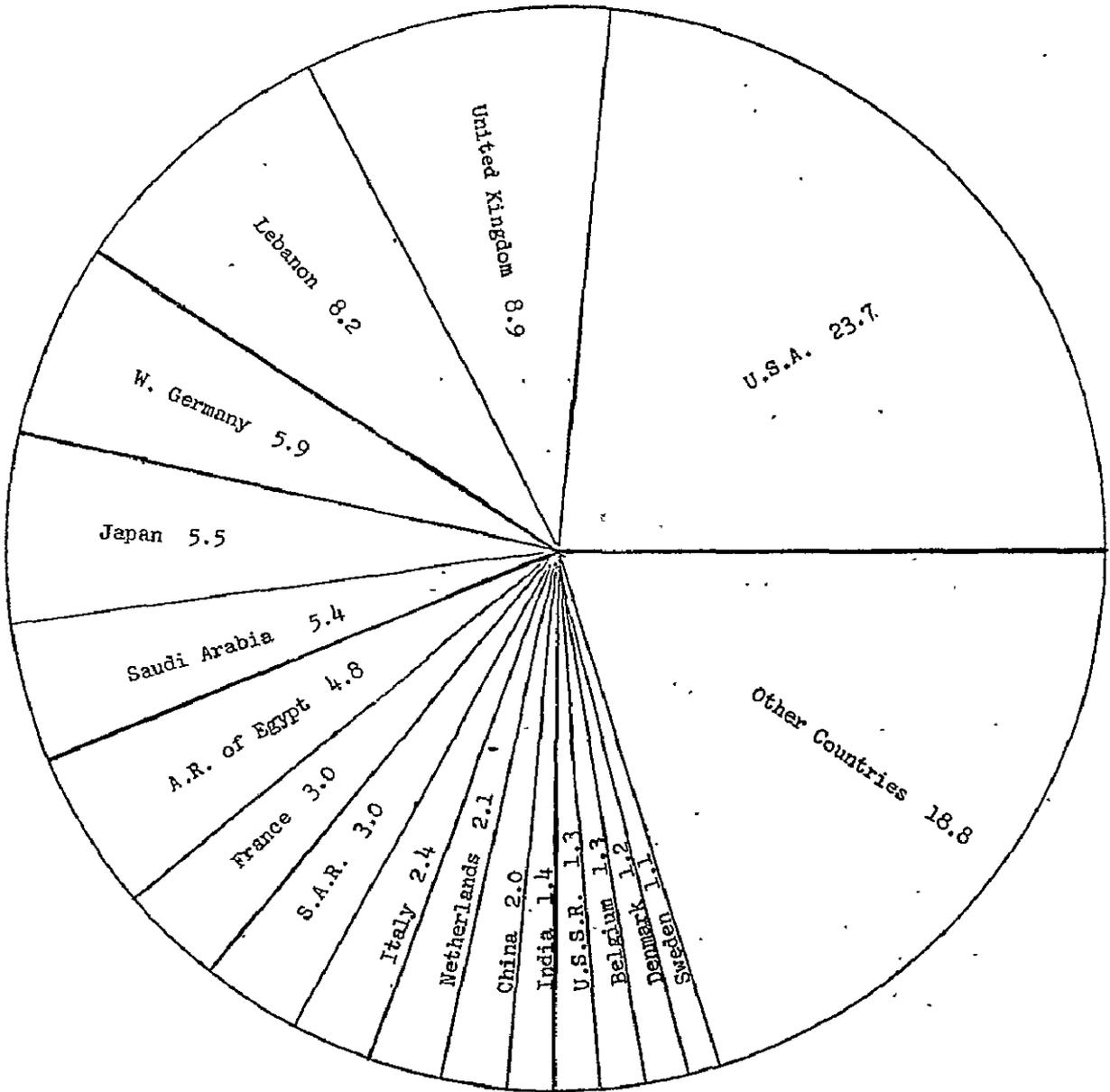
Formulating and preparing program and budget documentation for Department of State decisionmakers and for presentation to the Congress is done in Washington. The White House makes the final decision on level of funding and program approval on the basis of program documentation and a recommended funding level forwarded from the Department of State. The President has, on occasion, increased the approved funding level following personal representations from King Hussein.

The Department of State authorizes disbursements of the grant in approximately monthly installments during the first half of the U.S. fiscal year and less frequently during the last half of the year. The funds are disbursed to a Jordan Government account in a New York City bank. Once deposited, the funds are beyond U.S. control or accounting because they are intermingled with other Jordanian treasury accounts.

Although the United States places only one restriction on the use of budget support funds--prohibition on use for military purposes--no provision exists for checking compliance with the restriction.

Each agreement has a section on reports that states: "Grantee shall furnish AID with such information and reports relating to this grant and such inspection of records or

IMPORTS BY PRINCIPAL COUNTRIES, 1971
IN PERCENTAGES



Source: Jordan's Publication on 1971 External Trade Statistics

audit as AID may reasonably request." Department of State officials told us that they had never requested inspections or audits of Jordanian records and the only reports or information they had requested and received were the annual budget plan and periodic cash-flow statements.

Phaseout of U.S. budget support

In the mid-1960s AID officials and Jordanians were hopeful that Jordan would be economically independent by the early 1970s. In 1965 the first steps were taken toward a planned phaseout of the budget support payments, with a systematic program of annual reductions and a gradually increasing requirement that the funds be spent for U.S. goods and services.

Department of State officials told us recently that, although they remain hopeful Jordan can attain financial and economic independence even without the West Bank, Jordan is not yet ready to have budget support payments phased out.

MILITARY ASSISTANCE

The U.S. military assistance program to Jordan was established in June 1957 by presidential order. The current program objective is to help Jordan build and maintain an armed force strong enough to withstand both internal and external aggression. The Embassy's defense attache, with a staff of six officers and three enlisted men, manages military assistance.

U.S. arms shipments to Jordan were embargoed during the June 1967 war, although training grants at U.S. schools continued. The embargo was lifted in February 1968, and in March 1968 a new agreement was made to sell U.S. arms to Jordan on a cash basis. When Libya and Kuwait terminated their subsidy payments in late 1970, Jordan had ordered \$30 million of U.S. arms that it could not pay for. The Congress approved a special authorization of credit for the sale in fiscal year 1971, and the United States resumed military aid.

Total U.S. military assistance is shown in the following table.

<u>Fiscal</u> <u>year</u>	<u>Grants</u>	<u>Grants from</u> <u>excess stocks</u>	<u>Credit</u> <u>sales</u>	<u>Total</u>
	(millions)			
1958 to 1967	\$ 52.5	\$4.2	\$15	\$ 71.7
1968	0.4	-	-	0.4
1969	0.2	-	14	14.2
1970	0.2	-	-	0.2
1971	28.9	0.4	30	59.3
1972	<u>38.0</u>	<u>1.3</u>	<u>10</u>	<u>49.3</u>
Total	<u>\$120.2</u>	<u>\$5.9</u>	<u>\$69</u>	<u>\$195.1</u>

Further details on this program are readily available in the Department of Defense's congressional presentation documents.

CAPITAL DEVELOPMENT LOANS

The first AID capital development loans to Jordan were made in 1959. A total of eight loans through fiscal year 1972

have been made amounting to \$16 million, of which about \$10 million had been disbursed by June 30, 1972. The undisbursed balance was on the single active loan.

Status of these eight loans is as follows:

<u>Type and name of loan</u>	<u>Date of agreement</u>	<u>Loan amount</u>	<u>Status</u>
(millions)			
REPAYABLE IN DOLLARS:			
Damina Junction--North Shouna Road	9-30-65	\$ 1.3	Completed
Bethlehem--Jerusalem Road	6-29-66	1.1	Completed
Telecommunications improvement	7-14-66	6.3	Active
Jerusalem airport improvement	1-17-67	<u>a1.1</u>	Terminated
		<u>9.8</u>	
REPAYABLE IN LOCAL CURRENCY W/MOV (note b):			
Transjordan Electric Power	6- 5-59	1.2	Completed
Jordan phosphate mines	10-26-59	<u>1.3</u>	Completed
		<u>2.5</u>	
REPAYABLE IN LOCAL CURRENCY W/O MOV (note c):			
Economic development	5- 9-66	0.6	Completed
Economic development	10-19-66	<u>3.1</u>	Completed
		<u>3.7</u>	
Total		<u>\$16.0</u>	

^aOriginal loan amount was \$1.8 million, of which only \$1.1 million was used. (See p. 43 for details.)

^bWith Maintenance of Value. Loan is stated in terms of U.S. dollars, but the borrower has the option to repay the loan in foreign currency. The borrower assumes the risk of exchange fluctuations or currency revaluation.

^cWithout Maintenance of Value. Loans are made in foreign currency. The United States assumes the foreign exchange risk during the life of the loan. Such loans are funded principally from local currency sales proceeds of surplus agricultural commodities under title I of Public Law 480 and section 402 of the Mutual Security Act, as amended.

The telecommunications system project, the only active project in fiscal year 1972, has had a troubled history. In 1959 the United States financed a feasibility study of the Jordan telecommunications system. The consultant hired for the study recommended a substantial expansion to meet future demands. Due to a shortage of funds, Jordan was unable to undertake the recommended expansion. In 1965 the original study was reviewed and updated by another AID consultant, and a loan application was prepared to finance the expected needs through 1970. A loan of \$6.3 million, signed in July 1966, included the financing for engineering and management services and the purchase and installation of exchange equipment, a microwave system, exchange cable and hardware, and telephones. A major condition precedent was that Jordan create a government organization responsible for telecommunications activities separate from the postal system which was then handling it.

Before a construction contract was let, the June 1967 war with Israel broke out. A revised project proposal, limited to the East Bank, was prepared by Jordan and accepted by AID in July 1968. A contract was awarded to a management advisory services consultant to assist in defining the appropriate telecommunications organization and in developing the legislative format enabling its creation.

New invitations to bid were sent out in 1969, but the resultant bids were not opened because conditions precedent to disbursement had not been met by the Jordanians and funds were therefore not available to cover the contract. Local opposition to U.S. involvement and internal security problems delayed passage of the necessary Jordanian legislation until May 1971. Immediately thereafter, new bids were evaluated and an award was made. The Jordanians signed two contracts, one for equipment for \$5,398,181 and one for supervisory engineering services for \$479,451.

The Jordanians signed another AID-financed contract with the management advisory services consultant to assist in establishing the new telecommunications corporation. The new corporation finally became operative in late 1972 but is still being organized. Meanwhile most of the AID-financed equipment has been received and installed.

An additional loan of \$10 million was made in February 1973.

Projects in West Bank
under Israeli occupation

Jordan is servicing two loans for projects on the West Bank and currently under Israeli occupation. These are the improvements to the Jerusalem Airport and the Bethlehem-Jerusalem road.

The Jerusalem Airport improvement project loan was for \$1.8 million, but only \$1.1 million was actually used. The balance was deobligated after the project was disrupted by the June 1967 war. The \$1.1 million was used (1) to pay the contractor for work completed, which was about 50 percent of the contract scope, (2) to purchase runway improvements, such as lights and markers, and (3) to pay the contractor's termination fees. The contractor also lost some of its construction equipment which was paid for by the Overseas Private Investment Corporation.

The Bethlehem-Jerusalem road project also was not completed before the 1967 war. The airport project has since been completed and is being used by the Israelis, but the road project has been abandoned.

TECHNICAL ASSISTANCE PROGRAM

The technical assistance program in Jordan reached a peak in the mid-1960s and had begun to phase down before the 1967 war. The program's principal objectives then were to (1) increase farm output, (2) promote water development, (3) promote tourism, (4) develop mineral exports and other small industries, (5) improve manpower productivity through better education and training, and (6) increase Government revenues and economy of operation. By early 1967 both AID and Jordanian economists were confident that Jordan's economy had almost reached satisfactory growth. They predicted that, by the early or mid-1970s, Jordan would no longer need budget support grants.

Jordan's prospects for sustained economic growth changed drastically with the loss of the West Bank in the 1967 war and the subsequent periodic fighting between Israel and the fedayeen and between Jordan and the fedayeen. These conditions also severely disrupted the U.S. technical assistance program. Most of the AID mission staff were evacuated when the war broke out. Projects were suspended for a short time, except for participant training in the United States, contractor-operated feasibility studies, and a wheat research project.

In late 1967 AID personnel began returning to the Mission and projects were resumed, some with modifications because of the loss of the West Bank. Full program management was restored to the Mission at that time, although AID/Washington monitored program status and activities closely so that, if necessary, Washington could again assume full program management without a break in continuity.

The economy and development projects, particularly those concerned with agriculture in the Jordan River Valley, were further disrupted by fedayeen activities and Israeli retaliations during 1968 and 1969 and by fighting between the fedayeen and the Jordan Army during 1970 and 1971.

The general trend in the level of technical assistance activities may be seen in the following table.

	1952 to	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	Total
Projects	(a)	18	19	17	10	11	8	4	7	3	-	-
New starts	(a)	3	1	2	-	1	-	3	-	-	-	-
Obligations (millions)		\$75.5	\$5.7	\$6	\$3.6	\$3.9	\$2	\$1.5	\$1.5	\$1	\$0.6	<u>\$101.3</u>
Staffing:												
Americans	(a)	72	71	64	70	42	33	23	1	2	-	-
Jordanians	(a)	131	121	121	113	95	79	59	16	14	-	-

^aNot available

Currently, the United States provides technical assistance to wheat research and production, vegetable research and production, agricultural economics and planning, and development administration training. The fiscal year 72 U.S. program also finances contracts for 10 feasibility studies. Fiscal year 1972 obligations were \$550,000.

Mission officials told us that, because the farmers are moving back into the Jordan River Valley, the Mission plans to continue concentrating on agricultural irrigation and production development to increase the East Bank's exports of fruits and vegetables and thereby decrease Jordan's dependence on external assistance. In this regard the United States is helping to build the East Ghor irrigation canal pictured on pages 46 and 47.

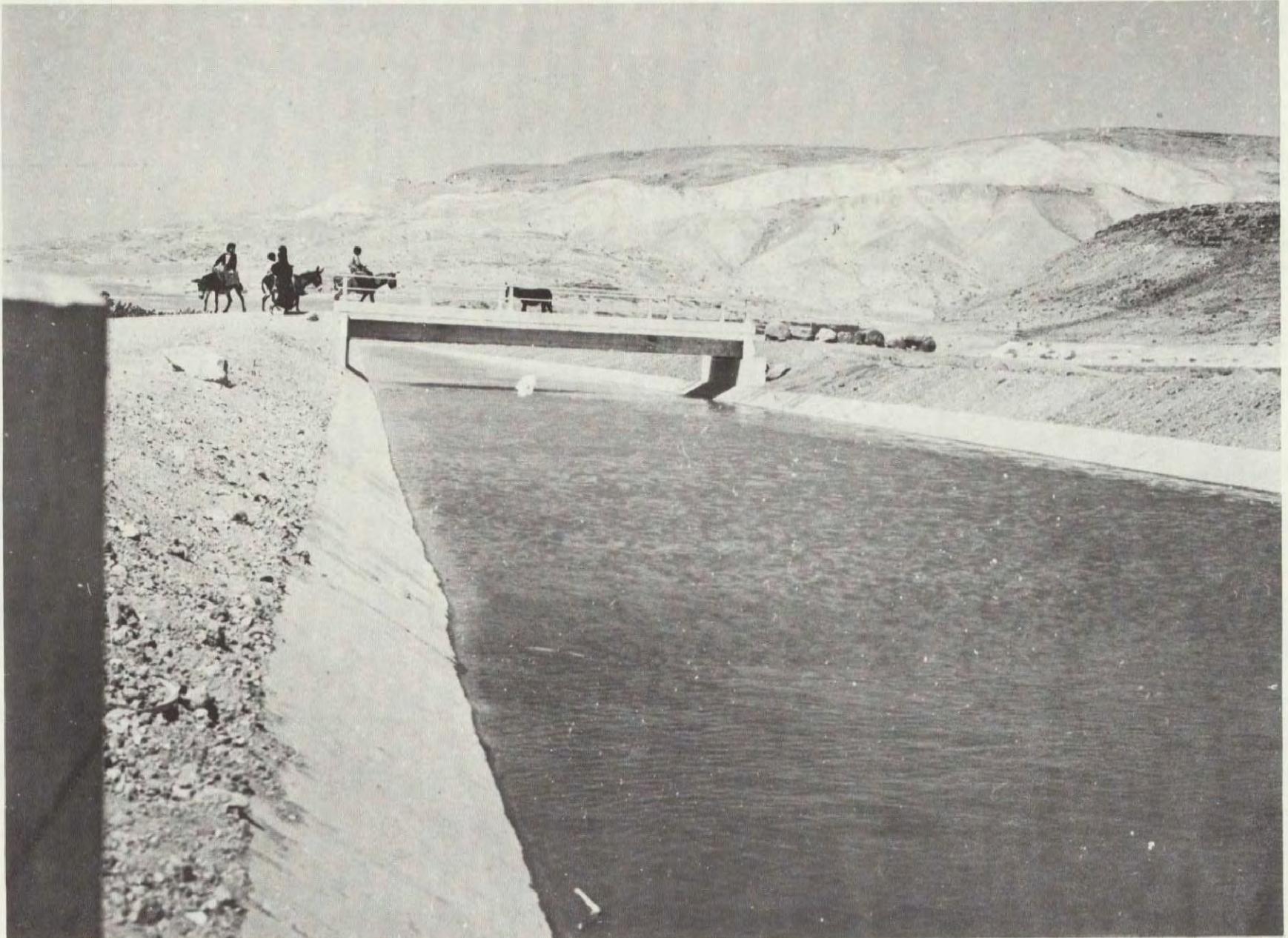
OTHER U.S. PROGRAMS

The United States has three other programs in Jordan related to broader U.S. economic assistance programs: the United States Information Service (USIS), activities carried out by the commercial section of the Embassy, and the Public Law 480 program.

USIS

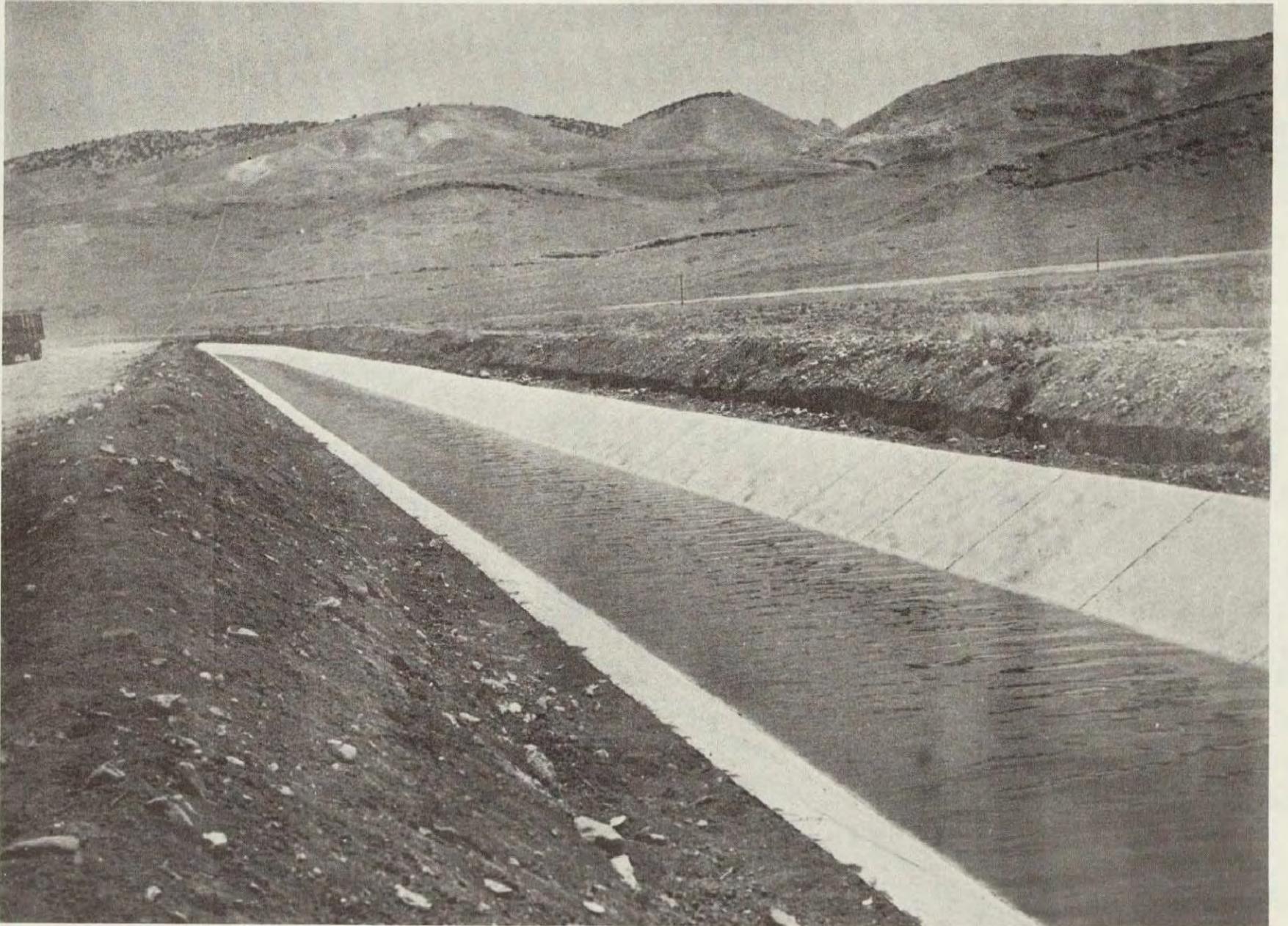
The USIS in Jordan has three primary objectives:

- To provide the background that will help make U.S. foreign policy, especially concerning the Middle East, better known and understood and, to the extent possible, accepted as valid.



East Ghor Canal in the Jordan River Valley

Courtesy of AID



East Ghor Canal in the Jordan River Valley

Courtesy of AID

- To help portray and demonstrate why it is in the interests of Jordan and, in a larger sense, the Arab world to maintain close contact and mutually acceptable relations with the United States.
- To broaden and reinforce the favorable opinions many Jordanians have of U.S. society and technology, irrespective of their views on U.S. Middle East policy.

In 1967 the USIS Mission in Jordan had a staff of 4 Americans and 25 Jordanians and the largest and best equipped of the foreign cultural centers in Amman. Following the 1967 war, anti-American tensions and activities forced a steady decline in USIS activities. In April 1970 arsonists destroyed the cultural house and library. Since then the largest and best-equipped cultural center in Amman has been that of Great Britain. West Germany, France, and the Soviet Union also have important centers. When the current USIS director arrived in September 1970, the only effective USIS program in Jordan was news gathering for the Voice of America broadcasts.

The current staff, consisting of one American director and 12 Jordanians, operates from offices in the U.S. Embassy. The budget for fiscal year 1973 is \$146,000, of which \$119,000 is for general operating expenses, such as salaries, and \$27,000 for media support, including films, books, and supplies.

Present USIS programs and activities are:

- Distributing such publications as foreign policy statements, speeches, pamphlets, and USIS magazines.
- Operating educational and exchange programs.
- Sponsoring special programs, such as seminars, workshops, and exhibits of various types.
- Reporting for the Voice of America.
- Providing technical assistance to Jordanian libraries through the services of the USIS librarian.

- Disseminating information on America through films, press, radio and television placement, and book translations.
- Maintaining basic reference works for use by Jordanians. Most of the reference works were destroyed in the 1970 fire.
- Counseling students.

Perhaps the most visible of these programs, other than the distribution of books, films, etc., are the exchange programs. These produce person-to-person contacts between Jordanians and Americans and, presumably, have a ripple effect as the Jordanians talk to their friends.

Since June 1971 the following exchange grants have been awarded.

<u>Type of grant</u>	<u>Number</u>
Jordanians to the United States under the International Visitors Program	18
Fulbright Scholarships--U.S.lecturers (These are actually stipends to U.S. professors to lecture and teach at the University of Jordan. The University selects the subjects, USIS approves, and the Department of State selects the professors. The subjects selected have been mathematics, English, and American literature.)	4
Department of State scholarships (A committee of the USIS Director, a representative of the American Friends of the Middle East--a private organization--and three prominent Jordanians decided these scholarships would all go to the University of Jordan faculty members. The recipients are selected by the University, subject to USIS approval. All recipients to date already hold master's degrees and are seeking doctorates. The scholarships are paid by the Department of State but administered by the American Friends of the Middle East.)	9
Council of International Programs (The council, a private organization, pays the scholarships, but the State Department pays the travel costs.)	3
Eisenhower fellowships (These are privately funded but administered by USIS.)	1
American Field Service (This is privately funded.)	24
American Center of Oriental Research (This is privately funded for Americans to do research in Jordan.)	4
Total	<u>63</u>

The commercial program

The commercial section of the Embassy is manned by an American commercial officer and a Jordanian staff officer, whose objective is to encourage and stimulate the sale of U.S. goods and services in Jordan. The commercial officer believes excellent opportunities exist in Jordan for American businesses. He informed us that Jordanian businessmen prefer trading with the United States because (1) the prices of U.S. goods in Jordan are now more competitive with the prices of European goods, (2) the Jordanians seem to appreciate the U.S. economic assistance, and (3) they are now more interested in American goods:

The activities and programs of the small commercial section consist of:

- Establishing personal contact with as many Jordanian businessmen as possible to encourage them to "think U.S."
- Giving prominent Jordanian businessmen "Leader Grants" (expense-paid visits to the United States to familiarize the Jordanians with U.S. products and methods).
- Sending a commercial newsletter published by the United States Regional Trade Center in Beirut, Lebanon, to about 400 Jordanian businessmen and Government officials.
- Maintaining a well-stocked commercial library in the Embassy for use by Jordanians.
- Checking trade leads and inquiries from both United States and Jordanian businessmen.

The commercial officer said that until very recently most of the trade initiatives had originated with the Jordanians. American investment interest has blossomed in recent months. For example, a hotel chain is building new hotels in Amman and Aqaba, fast food firms are doing feasibility studies, a firm has proposed a sugar refinery, and several automobile companies have made offers to establish automobile assembly plants.

Public Law 480 program

Under title I of Public Law 480, Jordan has (through fiscal year 1972) purchased agricultural products (mostly wheat and wheat derivatives) worth \$11.4 million. No purchases were made before fiscal year 1966. None were planned for fiscal year 1973 because of increased crop yields in Jordan, but a drought in the winter of 1972-73 resulted in requests for 100,000 tons of wheat under titles I and II and 30,000 tons of corn under title II.

From fiscal year 1951 through fiscal year 1972, the United States has donated to Jordan, under title II, food commodities worth \$106.3 million--\$76.1 million primarily through the World Food Program, and \$30.2 million through U.S. voluntary relief agencies.

Fiscal Year 1973 Title II Program

<u>Voluntary agencies and United Nations organizations</u>	<u>Recipients</u>	<u>Type of program</u>	<u>Value of U.S. input in Commodity Credit Corporation dollars</u>
Cooperative for American Relief Everywhere (CARE)	46,000	Child feeding	\$400,000
Catholic Relief Services	10,000	Social welfare	40,000
Lutheran World Relief	12,600	Food for work and social welfare	30,000
United Nations Children's Fund	14,000	Child health	60,000
UNRWA	<u>118,900</u>	Child feeding	<u>300,000</u>
Total	<u>201,500</u>		<u>\$830,000</u>

AID has requested the United Nations organizations and voluntary agencies to include phaseout plans for social welfare programs in their fiscal year 1974 projections.

OBSERVATIONS

U.S. programs

U.S. programs have been instrumental in maintaining a moderate government in Jordan and in keeping the cease-fire intact along the Isreal-Jordan border. In recent months King Hussein has stated a willingness to negotiate a peaceful settlement with Isreal. In a January 1973 interview with the news media he expressed confidence that the Jordan Government would continue in its present course even if he were to "disappear from the scene."

Because of the country's complex needs, it cannot be said that any one U.S. program has been responsible for this achievement. Rather, it seems that the total package has contributed to the political and economic stability and the physical security that has been necessary for King Hussein to stay in power and to build the present government.

Jordan and Israel have enjoyed peaceful relations since the expulsion of the fedayeen from Jordan in 1971. U.S. assistance to Jordan contributed to this period of calm and helped provide time in which the diplomats and negotiators could work toward a peaceful settlement. Time was bought, but it is not reasonable to expect that the status quo can be maintained forever.

Barring further conflicts and with or without a settlement with Isreal, Jordan's immediate and long-range need is economic development. To insure the survival of the present moderate government, the economy must be developed to provide for an improved life for its citizens. Independence from foreign budget support can come eventually only through developing Jordan's productive capabilities and/or reducing military expenditures. We believe, therefore, economic development programs should be emphasized more in the U.S. assistance package.

The principal U.S. Mission officials in Jordan agreed in February 1973 with our observation. They stated that economic development assistance was now being increased but that such aid must be an additive, rather than a substitute, for budget support and military aid, at least until Jordan's economy approaches viability or until its military requirements subside.

Staff levels

The United States apparently has a rather low profile considering the volume of U.S. assistance and Jordan's importance to major United States Middle East policy objectives. Principal U.S. Mission officials in Jordan said that the low profile, an outgrowth of the 1970 evacuation, was initially adopted for the staff's personal safety. Low staffing levels have been retained for both security and economy. The U.S. Ambassador to Jordan is convinced that an effective program can be administered without a large American staff and that this results in substantial manpower savings.

We did not analyze programs or staff effectiveness in depth, but it appears that the current staff level is adequate for the program being administered (largely cash grant assistance). If economic development assistance is increased, however, a larger technical staff may be required.

CHAPTER 6

OTHER ASSISTANCE TO JORDAN

Jordan has also received substantial economic assistance from the United Kingdom, the Federal Republic of Germany, Saudi Arabia, the Khartoum subsidy contributors (Saudi Arabia, Kuwait, and Libya), Denmark, the United Nations Development Program, the International Development Association of the World Bank Group, and various private organizations. The table on page 57 shows assistance provided by the major donors from 1964 through 1971. We reported the Khartoum subsidies and other direct Arab assistance in chapters 2 and 3. Our comments on other assistance to Jordan follow.

UNITED KINGDOM

The United Kingdom was the principal economic and military donor before the Anglo-Jordanian Treaty was terminated in 1957. It continued to give Jordan budget support grants on a much reduced scale through 1967. The United Kingdom continues to provide technical assistance and capital loans for development projects. Its capital development loans are on very soft terms--no interest is charged and loans are repayable over 25 years from the date of each allocation with an 8-year grace period on each allocation repayment. The United Kingdom has normally financed up to 50 percent of the local costs of its projects and of the foreign exchange costs.

FEDERAL REPUBLIC OF GERMANY

Most of Germany's assistance is for a railroad project from Hittiyyeh in Southern Jordan near the phosphate mines, to the port of Aqaba. The project involves constructing 116 kilometers of rail line, providing new rolling stock, and strengthening an existing rail line. The project is being financed principally from German loans totaling about \$41.6 million,¹ which will cover most of the local costs as well as the foreign exchange costs. The terms are soft--2-1/2-percent interest and 30-year repayment. Germany also granted Jordan a loan of \$5.8 million¹ in 1971 for furniture

¹At an exchange rate of 3.20 deutsche marks to \$1.00.

and equipment for the new King Hussein Military Hospital and has undertaken assorted smaller projects.

Germany has begun assisting Jordan on a large scale in recent years and has urged Jordan to improve its planning and ranking of development priorities.

DENMARK

Denmark's assistance has been two capital loans for economic development. A \$1.5 million loan was for constructing slaughterhouses, and a \$3 million loan was for use at the discretion of the Jordan Government. Both loans were interest free and repayable over 25 years.

UNITED NATIONS DEVELOPMENT PROGRAM

This program has 65 technical experts and administrators in Jordan and is heavily involved in technical assistance projects. From 1953 through 1971, the equivalent of \$18 million has been spent under this program for Jordan's economic development. A 5-year program level of \$15 million from 1972 through 1976 has been proposed, primarily to continue current projects.

INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Development Association is the only World Bank Group organization that has provided assistance to Jordan. As of June 30, 1972, it had six active development loans in various stages of disbursement, as shown in the following table. The association also has two other loan requests under consideration, one of which is for a \$7.5 million municipal water and sewage project for Amman; the other is for a \$8.5 million steam power generator plant at Zarqa. The latter project is to be matched by a loan from the Kuwait Fund for Arab Economic Development.

(See below.)

APPENDIX I

BILATERAL AND MULTILATERAL ECONOMIC ASSISTANCE

RECEIVED BY JORDAN 1964 THROUGH 1971 (note a)

	1964	1965	1966	1967	1968	1969	1970	1971
	(millions)							
BILATERAL:								
United States:								
Supporting assistance grants	\$34.0	\$33.0	\$32.0	\$ 32.0	\$ 10.2	\$ -	\$ -	\$ 5.0
Technical assistance grants	5.7	6.0	3.6	3.9	2.0	1.5	1.5	1.0
Contingency fund grant	-	-	-	-	-	-	-	5.0
Development loans	-	1.6	7.9	1.8	-	-	-	-
Public Law 480 title I loans	-	-	0.6	4.8	1.8	1.3	-	1.2
Public Law 480 title II grants	9.8	2.2	1.5	3.0	5.0	8.8	2.4	9.6
Export-Import Bank loans	-	-	-	-	-	0.2	8.3	-
	<u>49.5</u>	<u>42.8</u>	<u>45.6</u>	<u>45.5</u>	<u>19.0</u>	<u>11.8</u>	<u>12.2</u>	<u>21.8</u>
United Kingdom:								
Budget support grants	4.2	3.9	3.6	2.7	-	-	-	-
Technical assistance grants	-	-	-	1.4	-	-	-	-
Development loans	2.0	2.0	2.2	0.5	2.3	3.5	0.7	5.0
	<u>6.2</u>	<u>5.9</u>	<u>5.8</u>	<u>4.6</u>	<u>2.3</u>	<u>3.5</u>	<u>0.7</u>	<u>5.0</u>
Khartoum contributors:								
Budget support grants	-	-	-	27.5	105.3	105.1	92.6	50.3
Saudi Arabia:								
Emergency grant aid	-	-	-	59.2	0.7	-	-	-
Kuwait Fund for Arab Economic Development:								
Development loans	15.6	2.4	2.8	6.0	4.7	5.8	2.2	1.7
West Germany:								
Technical assistance grants	0.2	0.1	0.1	0.2	-	-	-	-
Development loans	0.5	0.6	0.4	1.4	4.2	0.7	0.4	1.5
	<u>0.7</u>	<u>0.7</u>	<u>0.5</u>	<u>1.6</u>	<u>4.2</u>	<u>0.7</u>	<u>0.4</u>	<u>1.5</u>
Denmark:								
Development loans	-	-	-	-	0.1	0.3	0.6	0.6
Total bilateral	<u>72.0</u>	<u>51.8</u>	<u>54.7</u>	<u>144.4</u>	<u>136.3</u>	<u>127.2</u>	<u>108.7</u>	<u>80.9</u>
MULTILATERAL:								
United Nations Development Program:								
Technical assistance and pre-investment survey grants	0.3	1.6	0.8	3.5	1.3	2.1	2.4	0.8
International Development Association:								
Development loans	5.5	-	-	3.0	-	-	-	6.0
Arab League:								
Technical assistance grants	-	1.3	1.6	2.7	-	-	5.8	-
Total multilateral	<u>5.8</u>	<u>2.9</u>	<u>2.4</u>	<u>9.2</u>	<u>1.3</u>	<u>2.1</u>	<u>8.2</u>	<u>6.8</u>
GRAND TOTAL	<u>\$77.8</u>	<u>\$54.7</u>	<u>\$57.1</u>	<u>\$153.6</u>	<u>\$137.6</u>	<u>\$129.3</u>	<u>\$116.9</u>	<u>\$87.7</u>

^a This schedule generally shows assistance in the year it was actually reported as received by Jordan, except for the United States and the International Development Association whose amounts are shown in the years they made obligations.

APPENDIX II

INCOME TO UNITED NATIONS RELIEF AND WORKS AGENCY

MAY 1, 1950, THROUGH DECEMBER 31, 1972 (note a)

<u>Contributor</u>	<u>1950-69</u>	<u>1970</u>	<u>1971</u>	<u>1972</u> (note b)	<u>Total</u> 1950-72	<u>Percent</u> of total
	(thousands)					
United States	\$455,618	\$22,750	\$22,981	\$23,700	\$525,049	62.7
United Kingdom	109,524	4,692	4,512	4,886	123,614	14.7
Canada	24,327	1,262	1,330	1,555	28,474	3.4
Arab countries:	18,356	1,205	1,651	2,328	^c 23,540	2.8
Iraq	(402)	(100)	(125)	(104)	(731)	
Jordan	(2,183)	(179)	(195)	(304)	(2,861)	
Kuwait	(1,923)	(220)	(400)	(400)	(2,943)	
Lebanon	(830)	(52)	(51)	(67)	(1,000)	
Libya	(464)	(100)	(250)	(600)	(1,414)	
Morocco	(249)	(40)	(76)	(49)	(414)	
Saudi Arabia	(3,404)	(298)	(297)	(347)	(4,346)	
Syrian Arab Republic	(1,707)	(92)	(88)	(95)	(1,982)	
Tunisia	(35)	(5)	(5)	(6)	(51)	
United Arab Emirates	(-)	(-)	(-)	(200)	(200)	
Bahrain	(24)	(-)	(10)	(10)	(44)	
Dubai	(-)	(-)	(20)	(20)	(40)	
Oman	(-)	(-)	(10)	(10)	(20)	
Yemen	(-)	(-)	(-)	(1)	(1)	
Qatar	(105)	(12)	(32)	(32)	(181)	
Sudan	(154)	(1)	(3)	(6)	(164)	
Gaza Authorities	(1,400)	(106)	(89)	(77)	(1,672)	
Egypt (note c)	(5,476)	(-)	(-)	(-)	(5,476)	
West Germany	9,610	3,161	3,476	3,430	19,677	2.3
France	15,522	1,383	1,445	1,262	19,612	2.3
Sweden	11,090	2,193	2,450	3,000	18,733	2.2
Denmark	2,757	643	715	914	5,029	.6
Australia	4,150	202	213	214	4,779	.6
Israel	2,475	594	454	463	3,986	.5
Other countries	15,485	2,869	4,456	4,552	27,362	3.3
Total, governments	668,914	40,954	43,683	46,304	799,855	95.4
Private contributions	12,168	994	969	1,110	15,241	1.8
United Nations agencies and other public agencies	4,517	520	2,068	3,119	10,224	1.2
Miscellaneous income and exchange adjustments	11,458	604	954	342	13,358	1.6
Total	<u>\$697,057</u>	<u>\$43,072</u>	<u>\$47,674</u>	<u>\$50,875</u>	<u>\$838,678</u>	<u>100.0</u>

^aFigures through 1971 are based upon the agency's audited financial statements, modified to show for each year the governments' contributions applicable to that year, regardless of when payment was actually made.

^bEstimated.

^cEgypt has made no contributions since 1967. Its contributions before 1968 account for about one-fourth of the total Arab countries' contributions for 1950-70.

PRINCIPAL OFFICIALS CURRENTLY RESPONSIBLE
FOR THE ACTIVITIES DISCUSSED IN THIS REPORT

<u>DEPARTMENT OF STATE</u>	<u>Appointed</u>
Secretary of State: William P. Rogers	Jan. 1969
Ambassador to Jordan: L. Dean Brown	Sept. 1970
Principal Economic and Commercial Officer in Jordan: William D. Wolle (note a)	July 1970

AGENCY FOR INTERNATIONAL DEVELOPMENT

Administrator: John A. Hannah	March 1969
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^aBecause of the small size of the AID Mission in Jordan, the principal economic and commercial officer in the U.S. Embassy acts as the director of the AID program.

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