

# Prominent Jordanians see economic development as key to peace process

*The following interviews were conducted by Muriel Mirak-Weissbach in Amman, Jordan during the first week in July.*

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## Interview: Dr. Michel Marto

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### We must convince people that peace will work

*Dr. Marto is deputy governor of the Central Bank of Jordan.*

**EIR:** What are the most important aspects of the peace process, in your view, in improving relations?

**Dr. Marto:** We have to see how we can open up the economy. To make the peace process work, we have to overcome certain things, like the century of mistrust that has reigned. It has been almost a century since the 1917 Balfour Declaration. People have to be convinced that peace will work. It's the same as in Europe after the Second World War. In the 1960s, the Dutch were still anti-German, but now things are opening up and there is trade. You can't force people to buy products of trade, however. Many people in Europe would not buy a VW for a long time, because it was German. We have to give people freedom of choice.

We also have democratization in Jordan. The representatives of the people are elected with different ideas. So bills have to go through Parliament. We are going through all these changes, updating laws. People expect a brighter future, but it takes time. We need foreign aid, which is concessional. We need access to international capital markets at decent rates. There are funds deposited abroad; we can get people to invest these funds if there is peace. Since 1989, we have had a heavy foreign debt, but we are lessening the burden now. We have a 6% annual growth in Jordan, but that's not enough. In the 1980s, income actually went down. The \$1,500 per capita annual average income is less than the \$1,700-1,800 it was years ago. We need a growth rate of 8-10%.

**EIR:** What is your view of proposals for introducing casino gambling in the region, as part of the tourism push?

**Dr. Marto:** This is not the answer. Casinos never made progress. They may have made a few people very rich, but that has nothing to do with economic development. Nor can you turn a whole country into a financial center. It has been tried, in Bahrain, etc. There are always idiots running around with these ideas, but the more they talk, the less they know.

When you have development, you need infrastructure, raw materials, the people, inventiveness, and entrepreneurship—what people can do. Take the example of the Egyptian-Israeli peace treaty. Egypt has received billions of dollars annually, but what has happened economically? Look at the exports for an indicator. Today Egypt's exports are the same as Jordan's, though it is a much bigger economy and country. The entrepreneurship is not there. Maybe the influence of socialism has been the cause. In Jordan, the role of the private sector has always been very big. In the 1980s there was a large inflow of funds, infrastructure projects were there. The private sector saw itself only as traders or middlemen. Then after the mid-1980s, these people went back to investing and exporting.

We have to improve our reforms and let the private sector grow. There's an aversion to heavy borrowing in Jordan by the state; we would like to have only 50-60% of our GDP be represented by borrowing. It used to be at 200%, now it is at 100%. Let the private sector do it.

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## Interview: Dr. Mohammad Smadi

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### Our stress is on the economic side

*Dr. Smadi is secretary general of Jordan's Ministry of Industry and Trade.*

**EIR:** How do you define the importance of the Amman summit?

**Dr. Smadi:** In the peace process, our stress is on the economic side. There should be participation of 1,200 persons, including governments at the highest level, Presidents, prime



*The economic policy debate in the Middle East can be symbolized by the choice between casino gambling or basic infrastructure for water, transportation, and energy. (Shown: an irrigation pipe being laid in Israel). In mid-August, the Israeli press announced progress toward legalizing casinos, an initiative launched by Tourism Minister Uzi Baram. A casino in Eilat is to compete with one in Taba, and one proposed in Aqaba.*



ministers, ministers, but the majority will be from the private sector. We take a thematic approach along four main tracks or areas: infrastructure, industry and trade, finance, and investment. Workshops between now and the conference will discuss the main issues. For example, a workshop on water, then one on tourism, then on land transportation and airports, and one on the overall investment environment in the region—also on the industrial development of the region.

Jordan is both the host country and a participant. As a participant, it has prepared a list of projects. We will, together with the Davos World Economic Forum, ask countries to help name the private sector groups which should help. We want to make sure that the private sector groups are big enough to participate.

**EIR:** How would you characterize Japan's contribution?

**Dr. Smadi:** Japan is a core country in the peace process. The Crown Prince was in Japan for a "Jordanian Week," which was very successful. Japan has been supporting us since 1992; as we are pursuing a restructuring process, they want to support us not only for Jordan, but for the peace process.

**EIR:** There was an Iranian trade delegation here recently as well. What can you tell us about Jordan's trade with this very important country?

**Dr. Smadi:** We have had trade agreements with Iran since the 1970s. We have 15 joint commissions with other countries

with whom we already had agreements. Now with the peace process, there is increasing interest in Jordan. I will be holding 10-13 more [commissions] before the end of August. Down the road, I hope the peace process will include other countries of the region, like Turkey, Iran, Iraq, and the Gulf states.

**EIR:** Iraq is, of course, particularly crucial, given its unique infrastructural and industrial capacity in the region.

**Dr. Smadi:** Trade with Iraq has been very low because of the sanctions. It is no secret that the Jordanian economy has been linked to the Iraqi economy for 10-15 years. I hope the sanctions will be lifted as soon as possible, because it affects us tremendously.

We're advocating more openness, not only for Jordan, but for the region. Internal Arab trade has been only 8% in past years. I hope it will spread, also with Egypt.

**EIR:** How do you view the debate on customs regulations and free trade?

**Dr. Smadi:** We need a more open trading system. We are talking about joining the WTO [World Trade Organization]. Also there's a possibility that this will be a Free Trade Area within 10-12 years, with fewer tariffs. As for the trade relations between Jordan and the PNA [Palestinian National Authority], the situation is specific and difficult because the agreements are subjected to restrictions, to agreements between Israel and the PLO in Paris. We hope the restrictions will be lifted as soon as possible.

## Jordan, Israel expand commercial ties

*Dr. Fanek is an economist, syndicated commentator, and a member of the Arab Thought Forum.*

**EIR:** How are relations developing on the bilateral plane between Israel and Jordan, as far as economic cooperation is concerned?

**Dr. Fanek:** In the negotiations for the Jordanian-Israeli commercial agreement, there was a difference of interpretation regarding the Free Trade Zones. Israel takes this to mean that there will be no restrictions, no customs in trade relations between the two countries overall. They would like to see such a free trade regime implemented within 3-12 years. Jordan, on the other hand, thinks the treaty talks about specific Free Trade Zones, i.e., limited geographical areas where factories might be located. We already have FTZs in Aqaba, in Zarqa, and with Syria, for instance. In a political meeting of the trade ministers in the last week of June, Jordan agreed to accept the Israeli interpretation, provided there is no timetable set. There are hopes that the agreement will be signed before the end of July. [It was—ed.]

Israel will give us a list of exempted goods, which can be exported to Israel and a list of goods to be taxed at 50%. European and American goods are already exempted, i.e., there is not a tax on their import into Israel. The most important thing is to get Israel to give us access to the West Bank market. We want to sell cement, iron bars, and fuel [from Iraq].

**EIR:** There has been discussion of setting up automobile manufacturing plants here. Would these be actual production units?

**Dr. Fanek:** There are several groups working on this, among them Citroën and Hyundai. It does not involve production facilities, but assembly plants. Right now, imported automobiles are subject to a tax of 200%; spare parts, of 60%. If cars assembled here were sold here, the government would lose this tax revenue.

**EIR:** What changes are being proposed in legislation, related to the commercial deals born of the peace process?

**Dr. Fanek:** The sales tax would be increased from 7% to 10%, but income and customs taxes would be reduced. Industries would pay 15% instead of 35% on profits plus 10% of

dividends, for a total of 19%. On banks' profits, the reduction would be from 50% currently to 30%, plus 10% on dividends. The tax on dividends is important because here, most profits are made abroad, and therefore are not subject to taxation. Other companies would pay 22.5% plus 10% on dividends, instead of the current 40%.

This will be a cost of 40 million Jordanian dinars to the treasury, or one-third its proceeds. If you factor in the reduction in customs revenue, the cost goes up to 80 million dinars. Here is where the increase in the sales tax will make a difference. There are currently three sales tax rates, 0%, 7%, and 20%. The 7% rate will be increased to 10%. Scholastic materials, paper, and books will be exempted.

**EIR:** What is the International Monetary Fund demanding that Jordan do?

**Dr. Fanek:** The IMF says the Central Bank should increase its reserves by \$150 million. The Bank of Jordan says it can do \$100 million. The IMF has predicted that the deficit will increase. It wants to hold the deficit at 4% of GDP, not 4.5%. The subsidies in the budget now account for 30 million dinars. If the consumption of rice and wheat increase, then the subsidies will go up to 100 million dinars. Therefore, we have to raise prices on these goods. They have been raised for barley, wheat, and water for irrigation.

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