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The Aqaba Special Economic Zone, Jordan: A Case Study of Governance

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1. INTRODUCTION

Following the passage of the Aqaba Special Economic Zone Law, No. 32 of the year 2000, the Aqaba Special Economic Zone (the ASEZ) began functioning in early 2001 and was formally established in May of the same year. Covering the Kingdom's sole seaport of Aqaba and its environs, including Wadi Rum, the zone is currently established on 375 sq kms of territory¹ in the south of Jordan. (See Figure 1 below) The ASEZ currently has an estimated population of about 90,000.²

A six-member Commission, headed by a Chief Commissioner, forms the board of the Aqaba Special Economic Zone Authority (the ASEZA). Appointed by the Cabinet and reporting to the Prime Minister³, the Commission has the task of running the ASEZ, and is vested with zoning, licensing, and other regulatory powers that distinguish it from the rest of Jordan. The ASEZ enjoys a special fiscal regime, which is much milder than that of the rest of Jordan:

- There are no custom's duties on imports into the Zone.
- There is no social services tax, or annual land and building taxes on improved property.
- A 5 percent tax rate is applied on all net business income (in contrast with a 35 percent rate for other parts of the country), except that from banking, insurance and land transport activities.
- A 7 percent sales tax is limited to the consumption of selected personal goods and hotel/restaurant services (as opposed to a 13 percent levy for other parts of the country).

The ASEZA's stated vision is to (1) make Aqaba a world-class business hub and leisure destination, enhancing the quality of life and prosperity of the regional community through sustainable development, and (2) to turn the city and its environs into a driving force for the economic growth of Jordan and the entire Middle East.⁴

The ASEZA's declared mission in translating this vision into reality is to:

- Improve the quality of life for all community members
- Create, regulate and sustain a globally competitive investor-friendly environment

- Optimize the efficient utilization of entrusted resources in harmony with a master plan to internationally recognized best practices; and
- Effect a transparent and accountable corporate structure, governance, and culture that synergize the activities of the organization.⁵

Though this case study of the ASEZ focuses on governance reform, the ASEZ is not exclusively or even mainly a governance-related initiative.⁶ Nevertheless, the project is a major one in the Jordanian context, and has important governance dimensions. This study will therefore stress, as relevant, the implications of the ASEZ vis-à-vis key dimensions of governance including structure of government, political accountability, private sector environment, civil society voice and participation, and public sector management.

In the final analysis, no matter how tenuous or unintentional the links between the ASEZ and governance issues may be, the project has a very high profile, has been tried over several years, and even has some history in its formal inception phase and before. For the researcher, the ASEZ is therefore worthy of study. Hopefully, the present examination of the ASEZ will lead to further work that will analyze the project more deeply and further promote fruitful interaction between researchers and policymakers to the benefit of society as a whole in Jordan and the rest of the MENA region.

2. BACKGROUND TO THE REFORM

2.1 Problems of Jordanian growth and development

With a large stock of foreign debt, high unemployment, and much of the population living below the poverty line, Jordan has for the last couple of decades struggled to achieve expansion of gross domestic product (GDP) greater than population growth. Some external factors over which Jordan had little control contributed to the slowdown, but many internal ones were also to blame. In any case, the Kingdom in the second half of the 1990s suffered from a weak economic performance as a series of wide-ranging structural reforms were implemented and GDP growth barely averaged 3 percent. As the same period witnessed more than 3 percent annual population growth, real per capita GDP stagnated.

The past few years have witnessed an increasing recognition of the need to move economic policy away from pre-occupation with macro-economic stabilization embodied in the successive structural adjustment programs, to an explicit growth orientation. To make the Jordanian economy move ahead substantially, a growth rate of 6 percent or higher is required to create new employment opportunities and absorb part of the unemployed.⁷ For this to happen, Jordan will need viable reform processes that are rooted in sustainable, effective institutions. At the same time, Jordan's efforts to globalize and undertake structural adjustment continue. However, initiatives in the context of globalization may not quickly or dramatically bring about necessary efficiencies. For example, privatization will not necessarily have the effect of rapidly raising productivity and output.

As economic reform policies in Jordan target the privatization of state enterprises, the important social dimension of globalization and its implications, particularly when it comes to the issue of unemployment, are beginning to be taken more seriously in Jordan. In general, the state will have to play a stronger role in helping to improve the situation in the labor market, while at the same time the government's role as an employer shrinks. The situation in the labor market remains problematic, with the most worrying feature the inability of the economy to develop fast enough to provide employment for young people.

Related to this problem of labor force restructuring is the issue of regional (sub-national) development. Trying to shift from the traditional pre-occupation with the metropolis of Greater Amman as a means of addressing some of the regional divides in Jordan has also become a national priority in the late 1990s. The Jordanian government has been busy for the last few years investing in the development of the south of the country, with the designation of the city of Aqaba and its environs as a special economic zone representing the spearhead for such efforts.

2.2 The position of Aqaba in the Jordanian and regional economies

As Jordan's only port, Aqaba enjoys a key position in the country's economy, and to some extent in adjoining areas outside the Kingdom. Tourism, transport and certain kinds of industry could be important for Aqaba, partly thanks to the city's location and the

natural endowments of its hinterland. However, the region remains an underdeveloped part of the country.⁸ The city of Aqaba and its hinterland also have the potential to attract a wide range of business. However, the current infrastructure is poor, and the facilities barely reach international standards. At the same time, Aqaba and Jordan's strategy to attract international investments is vulnerable to events in Palestine and Iraq.

Aqaba is potentially an important seaport and regional transport center. The oil price correction of 1973 and the various gulf wars illustrated its importance, as Jordan's transport network focused on developing Aqaba. During the Iran-Iraq War, Aqaba became an indispensable part of Iraq's supply line. By early 1981 Jordan had become the main supply route for war materiel and civilian goods destined to Iraq, and appeared to be holding up well under the strain of massive expansion. In addition to the Jordanian-Iraqi connection, Aqaba had also become a key transit point for war materiel going from Egypt to Iraq, and for Egyptian workers going to and from Jordan and Iraq.⁹ Jordan's restoration of relations with Egypt in September 1984 had provided the necessary political underpinnings to develop further the infrastructural requirements for increased Egyptian-Jordanian-Iraqi cooperation, in the short term to support the Iraqi war effort but in the longer term to increase regional economic cooperation and integration.

However, the Second Gulf War and the imposition of UN sanctions against Iraq, curtailed the utility of Aqaba as a regional seaport. Aqaba then faced stiff competition from Latakia, Beirut and Dubai. The port, which employed around 5,000 workers, was by the late 1990s underutilized, handling 12.5 million tons of goods each year, whereas its annual capacity is estimated at 30 million. (During its peak in the late 1980s, Aqaba was handling 21 million tons per annum.)

The crunch seemed to come in 1998, when Syria offered facilities in using the Syrian ports for shipping Iraqi commodities. That caused Aqaba the loss of a great share of its regional trade, after being the gateway of Iraq to the world since the 1970s. Iraq by the late 1980s had changed the destination of its European and Western imports from Aqaba to alternative ports, foremost being the Syrian port of Tartous, as well as Dubai.¹⁰

Drastic measures were needed for the port to realize its potential, and the government began to realize that it needed to abandon ad hoc nibbling around the edges of Aqaba's problems for a radical solution. However, Aqaba did not have an edge over other regional facilities that would allow it to overcome a shift in the strategic balance against Jordan. Aqaba and almost all of the region's other seaports are mainly run by semi-autonomous public enterprises; they have separate budgets, and most of them are subject to supervision by various ministries. No serious consideration has been given by the private sector to involvement in Arab maritime transport infrastructure, Salalah (Oman), the region's first privately owned port, being a notable exception.

Interference by governments in administration, operation, investment and pricing, combined with public sector control over port activities, causes confusion in port planning and operation, thus raising the cost of services and rendering them uncompetitive with other ports in neighboring regions. Aqaba is no exception to this trend. In Aqaba, as almost everywhere else, surpluses from port operations go to the public treasury. Most ports in the region including Jordan's only seaport generally suffer from state control, though some in the United Arab Emirates (UAE) and a few other places have managed to reduce government intervention. Most MENA ports including Aqaba are intended to and actually serve as a source of government revenue and employment. Few port enterprises in the region pay much attention to trade facilitation through flexibility of tariffs and fees and diversification of services, ports in the UAE again being notable exceptions.

Ports in the MENA region, including Aqaba, also need to become more integrated into the overall transport chain, and not act as separate entities. Instead, the segmented nature of MENA transport networks necessitates the duplication of several handling operations and leads to higher costs. In fact, Aqaba, like most other ports in the MENA region, is characterized by delays exacerbated by lack of trained workers. The immediate consequences of the poor interface facilities are increased transport cost, poor security of consignments and above all additional requirements for large storage facilities at the ports, which add to expenses and investment requirements.¹¹ Another problem is that the transport network in Aqaba and most of the rest of the region do not yet utilize much modern information technology.

2.3 The role of Aqaba in previous Jordanian planning and development efforts

2.3.1 Before the 1994 peace treaty with Israel

Prior to 1948, Aqaba was simply a small rural settlement that played no role in Jordanian development. After 1948, Jordan's maritime transport passed through Beirut, while tourism and industry developed slowly. In 1966 the government of Jordan engaged international consultants Doxiadis Associates to prepare a development plan for the coastal stretch (4 kms deep) extending from the southern outskirts of Aqaba to the Saudi border, an area of less than 70 sq kms. In 1968, Doxiadis submitted a final report, which however had to be abandoned because it did not take into consideration the effect of the Israeli occupation of the West Bank on Jordan in general and the region of Aqaba in particular. This meant that Aqaba's development was slow; but with the oil boom of the 1970s, plus the border settlement with Saudi Arabia that extended Jordan's Red Sea shoreline to 27 kms¹², Aqaba acquired a new importance.

Jordan's first free zone was set up in Aqaba in 1973, when a small facility was established at the port to serve transit trade. More modest efforts at regional planning followed, until the creation of the Aqaba Regional Authority (ARA) in 1983.

The ARA was a financially independent institution, gaining its revenues mainly from land-sale and directly linked to the Prime Ministry. The ARA was responsible for socio-economic development in the region, and the formulation of strategic structure and some detailed plans, in addition to co-ordination functions with other public and private agencies. The primary objective of the ARA was to act as the planning, research and regulatory body to co-ordinate the other government agencies in Aqaba. However, its power was later extended, as the ARA was eventually responsible for all infrastructure work in Aqaba City.

In 1990, Aqaba was designated as a Governorate. As a result, a number of Government departments opened regional offices in Aqaba. The three most important were the ARA, the city Municipality, and the Aqaba Governorate.

The ARA remained the dominant player in the southernmost part of Jordan in the 1990s. According to Article 10 of ARA Law, the agency had legislative and administrative authority over both the municipality and the governorate. That caused a good deal of confusion and competition, even though some degree of co-operation and sharing of responsibilities also existed. The governor had, from a legal point of view, all government institutions and agencies in Aqaba under his mandate, but according to the ARA law, the governor was just a member of the Authority board, chaired by the president of the ARA.

Despite the broad development mandate of the ARA, it did not have direct control over other central government agencies operating in Aqaba. Those agencies instead reported on their activities, plans, and projects to their respective head offices in Amman. In most cases however, institutional governance bottlenecks did not result from administrative overlap but more so from lack of real decentralization. All public institutions remained closely monitored by the central government in Amman. A large number of essential aspects of the ARA's work, like budgetary matters, and sale of land or other changes in land lease, required approval from the Cabinet. As a result of some later decentralization measures, coordinating committees between the concerned bodies were institutionalized. However, the ARA, the Municipality, and the Governorate of Aqaba were de facto restricted to a monitoring and implementing role, rather than fully assuming planning functions.¹³

Studies after that started to look at efforts to make Aqaba a free zone with special economic regulations. One of these exercises was the study by Jordan's Royal Scientific Society (RSS) in 1994,¹⁴ which expressed reservations concerning turning the entire Aqaba region into a free zone. The RSS recommended instead that three separate free zones be set up around the city, covering an area of just over 60 sq kms, but this recommendation was not considered in the wake of the peace treaty signed between Jordan and Israel in late 1994.

2.3.2 The immediate post-peace era

The Jordanian peace treaty with Israel pushed Aqaba to become the focus of a joint initiative between the former foes. In particular, Aqaba was promoted as a hub for intra-

regional co-operation in the form of the Jordan Rift Valley (JRV) scheme, and the Taba-Eilat-Aqaba Macro (TEAM) zone.

2.3.3 The search for a new role for Aqaba after 1996

The big change in the Jordanian vision for Aqaba came in late 1997 when a Jordanian presentation to the Middle East and North Africa Economic Conference at Doha, Qatar, mentioned that the government was embarking on a comprehensive plan to transform the entire Aqaba region into a “world class”¹⁵ Freeport area, the first phase of which was expected to include an area of 34 sq kms, to be completed by mid-1999. Nearly \$3 billion were earmarked for the project.¹⁶

This phase was characterized by various new measures in support of Aqaba. For example, the Jordanian government reached an agreement with the European Investment Bank to borrow 30 million Ecus for modernizing the Aqaba Port through buying equipment and constructing two new tanker docks. At the same time, studies were launched by an Egyptian group to establish a major tourist investment project in Aqaba to include a cinema and theater, among other new leisure facilities, while Jordan’s then Minister of Tourism Aqel Biltaji revealed that his Ministry was preparing a plan to establish a series of marinas in the port city.¹⁷

In this atmosphere, King Hussein headed a joint meeting of the Jordanian Cabinet and the ARA in Aqaba in April 1998, and stressed the necessity of plans to improve the situation in the port in all aspects. In response, the Cabinet decided to entrust a study on converting the Aqaba region into a free trade zone to a consultant, who should finish the job in six months. A cabinet spokesman expressed hope that the region could be declared a free zone in early 1999.¹⁸ The ARA subsequently signed a contract with a consortium led by The Service Group (TSG) and made up of two other consulting firms specialized in free zones. The \$1.2 million agreement was financed by the World Bank and stipulated conducting a study to transform Aqaba into an economic zone under “special provisions”.

The study aimed at laying down the implementation plan and the mechanism to set up a free zone. Other objectives included an evaluation of the Aqaba port in terms of location

and the commercial activity compared to other ports. Furthermore, the study evaluated the infrastructure, services and the mechanism for modernizing the general design in addition to evaluating the legal and institutional infrastructure for all government departments in Aqaba. ¹⁹ On the institutional level, TSG's (brief) analysis revealed that the ARA lacked real operational autonomy and that the relationship between the Aqaba Ports Corporation (APC) and the ARA was unclear and had been problematic.

The TSG report recommended instead:

1. That the Aqaba SEZ's President should report directly to the Prime Minister.
2. That the ASEZA president should be vested with significant powers and autonomy, including the Prime Minister's authority over economic planning, investment promotion, industrial estate management and marketing, privatization and private provision of public infrastructure, environment regulation and monitoring and licensing, permits and approvals. ²⁰.
3. To permanently designate the ASEZ Authority President as *ex officio* Aqaba Region Governor to ensure that the Governorate's policies are in harmony with ASEZ's development.
4. To create a strong ASEZA management team.
5. To dissolve the Aqaba Municipality.
6. To have the APC report directly to the ASEZA to ensure that its functions and operations are integrated with ASEZ's policies and directions.

Aqaba, it was hoped, would emulate the flexibility, efficiency and success that Jabal Ali enjoyed in the late 1990s. For that to happen, major changes would need to take place in the system under which Aqaba was run, and many of these would involve governance.

3. ANALYSIS AND DESCRIPTION OF THE ASEZ

The study was presented to Prime Minister Abdurra'ouf Rawabdeh's government, the first to be formed under King Abdullah II, who had succeeded his father and ascended the throne in February 1999.

In the first half of 1999, the new Cabinet decided major institutional changes for Aqaba. The president of the ARA was named Governor to avoid confusion among the authorities and to improve co-ordination between public bodies active in the city and its hinterland. Since the municipal elections of July 1999 were cancelled and the Aqaba municipality connected to the ARA, the President of ARA became the de facto appointed Mayor of Aqaba.²¹ However, more radical changes were in the offing for Aqaba as well as for the country as a whole.

3.1 The Establishment of the ECC

King Abdullah, inheriting a moribund peace process and generally unsatisfactory economic growth, took new measures to spur the country's development. Among these was his personal push to move towards a new system in Aqaba. However, the cabinet remained divided over the controversial TSG plan and froze the project. Several ministers said in private they were in favor of restricting the projected free zone to the industrial area located on the southern coast to host a Qualifying Industrial Zone (QIZ)²² similar to the ones operating in northern and central parts of Jordan.

The King then moved to sidestep the cabinet on this and other issues through several measures. These included, among other things, the creation of the Economic Consultative Council (ECC) in December 1999 to monitor the implementation of vital socio-economic, administrative and educational reforms. The 20-member ECC, whose sessions are attended by the Prime Minister and concerned ministers - even though none is a member – acts as an advisory body to the King and debates socio-economic development plans and projects presented to it before sending final recommendations to the government.

The ECC was noteworthy for two things: the young technocrats from the private sector who were among its members, some of whom would soon become ministers and key ambassadors, and the fact that a new body appointed by the king and personally supervised by him was charged with this massive task of national economic transformation, rather than the existing institutions of the state, such as parliament and the cabinet.

In fact, the ECC undertook the final stage of work on the ASEZ, with Member of Parliament and former minister Ali Aburragheb, heading a task force formed by King Abdullah from within the Council in February 2000 to develop an integrated plan for Aqaba. The recommendations on the ASEZ, part of an overall plan, were presented to the ECC by late April (2000).

The King gave ECC member Aburragheb six weeks to complete the plan. Aburragheb, a former trade minister who headed the Financial Committee of the Lower House of Parliament, and a group of ECC members and independent experts prepared a master plan built upon a dozen local and international studies on Aqaba. “We are trying to find a system with a legal and economic framework to administer the proposed plan for Aqaba that entails investment incentives that ensure fair competition,” Aburragheb said. The ECC entrusted the task force with laying down the legislative, executive and legal framework for the project, charting a set of rules and regulations.²³

The study envisaged an economic zone with tempting regulations to attract local and foreign investment under a comprehensive development scheme, he told the ECC. Aburragheb said Aqaba had all the incentives and prerequisites for a special economic zone. “The city enjoys advanced infrastructure, an international airport, a port, booming tourism and modern road grids,” Aburragheb noted. Aburragheb and his team had sought the views of various government departments and the private sector before they drafted the plan, which the King's endorsed in April 2000.²⁴

The project to turn Aqaba into a special economic zone was about completely transforming the city, including its administrative system and institutions. The plan promised to radically change the face of the city and the coast by, among other things, moving and restructuring the port. The target date for the opening of the ASEZ was January 2001, and Aburragheb attached an implementation plan to the project.

The administrative and institutional system of Aqaba as the ASEZ hinged on a commission formed of six members including the president who will be directly accountable to the King, and could be called for questioning by the government and Parliament. One point that emerged clearly from the plan was that the ARA would be abolished. The Cabinet would retain the power to approve the budget for Aqaba, and set

the regulations and by-laws for the sale of land (for housing, offices, and small hotels) and the leasing of land (for warehouses, factories and large hotels). The government will also get 75 percent of the ASEZ's revenues. “The government will not need to search into its pockets for this project, Aqaba will support itself, and the plan can be achieved with almost zero cost to the government,” Aburragheb said. “But we need the right people in the right place, and an upgraded bureaucracy”, he added.

Plans were also being drawn to move the port from its then present location and move the airport 15 kms north of its present location²⁵. The transport revolution in Aqaba would also include building a new road behind the mountains for trucks to relieve pressure on the coastal road that will be used solely for tourist transport as a “scenic road”. The railway would be extended to reach the port in the planned “heavy industrial area” and to handle all potash transport, possibly also from Israel, with a possibility of connecting the railroad to the Mediterranean in the more distant future.²⁶

As chairman of the Lower House Financial and Economic Affairs Committee and as head of a special task force entrusted by the King with drawing a comprehensive master plan for Aqaba, Aburragheb had reportedly risen in the King's eyes. Aburragheb has given the impression of being swift and efficient, by putting together a master plan in only six weeks - though heavily relying on international consultants and studies conducted in previous years.²⁷

Aburragheb was assigned by the monarch in May 2000 to implement the ASEZ in the face of Rawabdeh's opposition. “The policies pursued by Rawabdeh fall short of aspirations of Jordanians and lost him the confidence of their representatives in parliament,” MP Mahmoud al-Kharabsheh said. Kharabsheh was one of more than 50 deputies who sent a letter to the monarch in April 2000 deeply critical of Rawabdeh in the first widespread public sign of disaffection with the government. However, the move that sped Rawabdeh's loss of favor was his opposition to the ASEZ in a slap to the monarch's own pitch to attract foreign capital to Aqaba.²⁸ The ASEZ was seen clearly as a brainchild of the King.²⁹

King Abdullah accepted the resignation of Prime Minister Abdurra'ouf Rawabdeh's government in June 2000 and appointed Aburragheb to his post. In doing so, King

Abdullah has entrusted Aburragheb with implementing judicial, legislative, and educational reforms, accelerating privatization, on which the outgoing cabinet had minimal success.

MP Mohammed Abuhudeib described Aburragheb as “The architect of economic legislation. “While the previous government was seen as having had difficulty initiating some of King Abdullah's structural reforms, the outgoing government did not succeed in creating a bridge with parliament and society” added MP Bassam Haddadin. “We need a political, technocratic government that does not isolate economics from politics”. Many in Jordan were hoping that Aburragheb's appointment would better facilitate economic recovery through reforms, especially regarding free trade and privatization, based upon his past record.

A two-time minister of trade and industry (1991-3 and 1995) and Lower House member in two legislatures, Aburragheb had chaired for the past year the Lower House Financial and Economic Affairs Committee. Aburragheb also played a prominent role in King Abdullah's “shadow cabinet,” the ECC, which aimed to decentralize the economy. Moreover, he led a special task force charged by King Abdullah with devising a comprehensive master plan to convert Aqaba into a special economic zone. “There is now a clear mandate to push reforms through, particularly privatization,” an analyst for Standard and Poor stated at the time. Aburragheb had also expressed his desire to privatize the state airline Royal Jordanian, and expand QIZs. According to Aburragheb, his program would require years, not months, to be achieved, and that no one should expect an overnight revolution, but a gradual, systematic, restructuring process.³⁰

3.2 The Opposition to ASEZ Inside Parliament and Outside it

The Lower House of Parliament then endorsed a draft law on the establishment of the ASEZ (July 2000), not before laying down more explicit curbs on the sale of land in Aqaba. In any case, the move was not made with great enthusiasm by the legislature: on the day of the vote, the House Speaker was compelled to adjourn a morning session until the afternoon due to lack of quorum. The afternoon meeting also barely mustered a quorum. Several deputies had said they were concerned that creating a special zone would undermine Jordan's sovereignty over Aqaba. However, both King Abdullah and

Prime Minister Aburragheb assured lawmakers, on different occasions, that Aqaba would remain an indivisible part of Jordan. Deputy Mahmoud Kharabsheh - who is a member of the joint Legal Affairs, and Economic and Finance committees who recommended endorsing the draft - charged that the project would “jeopardize the safety of the country”.³¹ In a written statement presented to the House, Kharabsheh claimed that the ASEZ would become “a stage for Zionist and foreign investments, [which will be established] under different names”. He also warned that according to the law Israel will be able to buy land in Aqaba, and that Israel would dump its “environmental waste” in the area.³²

Later seeking to deny these and similar charges, the King in his first interview with local papers since he ascended the throne said he was optimistic that Jordan would start to reap the fruits of economic reform in 2001. He strongly defended plans for the ASEZ, and dismissed some popular fears that the scheme will turn Aqaba into a self-rule haven for money laundering, smugglers, and moral corruption. “As for those who are promoting that this step will cut Aqaba off from the homeland or will change its identity and culture, this is talk of the ignorant, as every inch of land, whether in Aqaba or else-where, is holy, and I will not allow anyone to tamper with it,” he said. “Those who are spreading these rumors should look at the experience of the Dubai Jabal Ali Free Zone Area” which has attracted massive foreign investment and promoted trade. (The Cabinet had approved the draft the ASEZ plan and passed a law that curbs the sale of land in Aqaba, which will depend on the “principle of reciprocity” - thus effectively ruling out Israel, which bans land sales to foreigners³³).

The government then moved to appoint a commission to manage the transformation of Aqaba into a special economic zone by early 2001. The ASEZA includes five main branches: “Administration and Finance”, “Customs and Revenues”, “Investment and Economic Development” as well as “Land, Infrastructure and Services” in addition to “Environmental Regulation and Enforcement”. Former Transport Minister Mohammad Kalaldah was named Chief Commissioner, heading a team of technocrats from the private and public sectors. The new commission's main task was to put in place the legislative and administrative structures to launch the zone.³⁴

However, this process did not go completely smoothly, and the government was seen as “jumping into the deep end” with the ASEZ.³⁵ After King Abdullah had given the ASEZ the go-ahead in April 2000, the speed of its implementation had aroused opposition in Jordan.

Opponents were concerned about a range of issues, including the possibility of heavy Israeli investment, moral issues (the possibility of the establishment of casinos, for example) and fears that Aqaba’s special status will undermine Jordanian sovereignty over a large area of the country. Imad Fakhoury, the ASEZ commissioner for investment, saw the zone in different terms. “We expect the ASEZ to make Aqaba a key engine for Jordan’s economic growth,” he said. Fakhoury added: “we want to see Aqaba deliver the full potential of its existing infrastructure and serve as a gateway to the global economy for investors. The combination of the ASEZ’s location, its incentives, its one-stop-shop approach for investors and the opportunities opened up by Jordan’s easy access to the world’s major markets, including both the US and the EU, should make it a great business, logistics and leisure destination”.³⁶

Nevertheless, alarm bells continued ringing in Jordan over the ambitious government plan for Aqaba into a duty-free special economic zone. Aqaba's proximity to Israel was fanning passions. Aqaba was seen as “very sensitive” as it shares borders with Israel and Saudi Arabia and is the country’s only port.

Several MPs expressed concern that custom-made legislation for the ASEZ will undermine sovereignty, consecrating “Aqaba's separation from the rest of Jordan”. Deputy Salameh Al Hiyari was blunter. “It is as if we will set up a state in a state”.

However, the then Deputy Prime Minister Muhammad Halaika strongly refuted suggestions that Aqaba will fall prey to such evils. “Jordan's sovereignty in Aqaba will not be undermined in any way. We are only trying to find an engine to create economic growth... attract foreign investment and create jobs to overcome unemployment and poverty,” Halaika said. Halaika is a former secretary general of the Trade Ministry and led Jordan into the WTO after tough negotiations, for which King Abdullah decorated him. Halaika added, “there won't be any investment without scrutiny or controls,” he said.

As 2001 began and the project moved too slowly, the King ordered the ASEZ Board of Commissioners to expedite the legislative groundwork for the ASEZ, a process then already weeks behind schedule. It was the first board meeting after the Cabinet officially endorsed the ASEZ as the legal successor to the ARA and the city's municipality. “We hope the ASEZ will bolster the national economy, cut unemployment rates and attract foreign investment,” the King told the commissioners. Prime Minister Aburragheb attributed the delay in launching the ASEZ on 1 January 2001, as initially scheduled, to hold-ups in Parliament. He pledged to finalize the zone's bylaws and regulations by January 25, on time for the official launching. The prime minister underscored the “need to develop the [southern] region and support the country at a faster pace to the best of our ability”.

Chief Commissioner Kalaldah re-assured the King that his team had drafted a full-fledged “master plan” for the transformation of the country's sole maritime outlet into a regional economic hub. By 25 January (2001), Kalaldah noted, the board would have finalized 17 bylaws and 17 regulations as well as 18 memoranda of understanding with various ministries.

Part of the services provided by those government arms will be made the responsibility of the new ruling body, as it will operate independently, except for “foreign and defense affairs”. Likewise, Kalaldah added, the authorities would have crystallized by then “the strategic plan and the operating budget” for the ASEZ. Only the building code for the targeted area would take some more time before it is prepared.

Ultimately the Board of Commissioners would operate as a regulator of the ASEZ, and a private sector shareholding company would be assigned as a “developer” to invest in infrastructure and promote the ASEZ worldwide. With an expected capital of \$100-\$200 million, the “developer” would be a consortium of foreign and local investors including the government.

The planning and inception efforts received foreign backing. By 2001, the government has secured a three-year technical assistance program worth \$15 million from the US Agency for International Development (USAID) and another for 10 million euros from the EU³⁷. However, though such financial support may have made ASEZA's emergence

smoother, eyebrows were raised in some quarters about other spending aspects of the Authority.

A petition signed by at least 40 Lower House deputies in early 2001 was presented to the House Speaker, protesting what they called “unjust” appointments in the ASEZ, Deputy Ziyad Shweikh said. Shweikh, an MP from Aqaba who initiated the motion, said he found the recent appointments in the zone to be “unjust” because the employees' assigned salaries “were very high” and that favoritism played heavily in their being hired. “It is clear that those employees are sons of officials and former ministers,” Shweikh charged. According to Article 13 of the ASEZ law, none of the council members, or their spouses or sons, should have any “interest,” of any kind in the ASEZA, nor should they have any “commercial ties” with companies or investors in the ASEZ.

However, the ASEZ Board of Commissioners Chairman Mohammad Kalaldah retorted that the board adopted a “very transparent and systematic recruitment process. The jobs were filled by employees of the defunct ARA and the Free Zone Corporation as is stipulated by the ASEZ law”. He said a special company screened the applicants' CVs and when they were submitted for review to the board of commissioners, the names of the candidates selected by the firm did not appear on the CVs “just to avoid such allegations”. “We want to set an example of governance for the whole country and we were extremely careful in that [matter].” The ASEZ board chairman countered that “only eight employees” namely heads of departments got very high salaries. He said the ASEZ had to offer such salaries to attract applicants with high qualifications. He added that all the employees, estimated at 170, were given a one-year contract and undergo “a trial” period of three months in which to prove their capabilities.

Shweikh also charged that Aqaba residents were excluded from the appointments. Kalaldah responded to the charge, saying that at least 20 percent of the 150 persons appointed in the ASEZ customs department were Aqaba residents. He also added that the commission has established a recruitment office where the commission is collecting and working on the CVs of young university graduates from Aqaba to create a database that would eventually put investors in contact with job candidates to match the investors' requirements with the qualifications of the young job seekers.

Shweikh also said “the government could have seconded [more] experienced employees from other institutions like the Ministry of Public Works or the Greater Amman Municipality... the ASEZ appointed people who have little experience that could affect the work in such a vital project,” he said. Again Kalaldah countered that the employees were “extremely experienced” and have undergone special training and passed efficiency tests. “Our minimum prerequisite was that all be university graduates,” he said.

Spending by the ASEZA was also an issue for Shweikh and others as signatories to the petition charged that the ASEZ commission leased a building to house the ASEZ board of commissioners at an annual cost of JD 100,000. “They could [easily] use the building of the ARA which can be renovated and would allow for additional floors,” Shweikh noted. The board chairman confirmed that the building was rented at JD 100,000 but added that the building space was 12,300 sqms. “We absorbed three organizations and we had to rent a building that would house all the employees. We were under pressure to launch the ASEZ by the start of this year and we wanted to avoid building a new building,” he said.³⁸

Critics of the ASEZ’s economic aspects were also in evidence from outside the public sector. A discussion of issues related to the ASEZ was initiated by, among others, the Arab Bank’s then newly founded think tank, the Arab Bank Center for Scientific Research. Its director, economist Taher Kanaan, ex-minister of planning in the Jordanian government, took a somewhat questioning view of the new scheme, publishing articles to that effect in Arabic and English.³⁹ However, public skepticism expressed concerning the ASEZ seemingly failed to make a significant impact.

On the other hand, behind the scenes it seems that some pressure was being exerted on the ASEZ task force to limit the tax cuts within the Zone for fear of diversion of investment from other parts of Jordan to the ASEZ. The Amman Chamber of Industry was forthright in this respect.⁴⁰

In any case, as the ASEZ moved to its formal launch, the scheme’s autonomous administration and independent tax structure was seen by many others as having the possibility to turn the city and its environs into a boom area. Unlike earlier plans for

Aqaba, the ASEZ methodology goes beyond the city to cover the region and everything in it, including transport.

The constellation of stakeholders that proposed the reform was a powerful one headed by the King, though those who opposed it were also of some influence. The interplay of these forces affected the design of the reform, but its adoption in the form more or less foreseen by the King was a foregone conclusion in a system like Jordan's

In other words, the reform was top-down, initiated by a government genuinely wishing to address a long-term development problem crisis by reform. In the process, the government was not really reacting to pressures from various quarters. Civil society and others in Jordan (the private sector and the media) played almost no role in resisting the reform. What little resistance that occurred came from members of parliament. Nevertheless the legitimacy of the reformers and the political and institutional processes by which they pushed reform was not in question.

4. THE ASEZ MANAGEMENT AND IMPLEMENTATION

King Abdullah formally launched the ASEZ on 17 May 2001, in the presence of hundreds of high profile Arab and international investors, representatives of aid agencies, consultants, diplomats and Jordanian entrepreneurs; more than 400 enterprises had already registered to operate in the zone since its “soft” opening a few months earlier.

4.1 First Incident of Society Participation

Telecoms and information technology companies asked for more decisive liberalization measures to ensure the success of the ASEZ at a “town meeting” there under the chairmanship of King Abdullah. Liberalization measures to be requested by the private sector included the request Jordan Telecom rescind its exclusivity rights on fixed telephony services in the ASEZ's boundaries. “Major multinationals could then be free to start call centers in Aqaba, as the cost of international calls from there would decrease significantly”. The meeting was “held behind strictly closed doors” and included some 50 people such as the then Chief of the Economic Unit at the Royal Court Basim

Awadallah, some Cabinet members, the commissioners of the ASEZA, representatives from Jordan's telecoms and IT companies, and regional and international investors.

That this closed, 'elitist' gathering was hardly a town meeting in the tradition of liberal democracies was a point missed by the organizers. Otherwise, the meeting, which came one day after the official launch by King Abdullah of the ASEZ, was an innovative governance measure by Jordanian standards, bringing together as it did representatives of the public and private sectors to discuss how to improve the investment climate in Aqaba.

A few weeks after the launch, new ministers entered the government of Aburragheb, who fine-tuned his one-year-old government with a long-awaited shuffle that involved various posts, notably releasing Tourism Minister Aqel Biltaji from his post. Biltaji was widely tipped to take the helm of the ASEZA after Chief Commissioner Mohammad Kalaldah had resigned a few days before.⁴¹ The King accepted the resignation of the head of the Kingdom's flagship economic scheme as it moved ahead with plans to select a 'strategic developer' for the ASEZ.

4.2 NGO Activities

The NGO scene in Aqaba was traditionally weak in drawing adherents and consequently in its human, capital and institutional resource bases. Most NGOs had budgets that did not exceed a few thousand JDs annually and those organizations were dependent on a limited number of volunteers. The integration of NGOs in public development programs – despite the official mandate of ARA to co-ordinate with them – remained low before the ASEZ was set up. There were few cases of collaboration between NGOs and local public authorities, however such attempts remain ad hoc and participatory initiatives come to a standstill with the completion of the projects life cycle. NGO activities in Aqaba previously concentrated on social service provision, such as running kindergartens, nurseries and orphanages, providing care for people with special needs as well as on vocational training and financial assistance.⁴²

Under the ASEZ, the previous situation may now be changing. One example is in developing the socio-economic role of women. To that end, the Aqaba Business and

Professional Women Association (BPWA) received a grant from USAID through the Aqaba Technical Assistance Support Program (ATASP). Through a Small Grants Program, the \$86,000 donation aims at enhancing programs designed to increase women's representation and participation in society and the different economic sectors in the ASEZ.

The ASEZA Chief Commissioner Biltaji noted that the grant was essential for opening opportunities for women of Aqaba, especially in tourism. The grant will help the BPWA, a nonprofit voluntary organization operating since 1991, to launch and develop a comprehensive training unit to provide coaching services and enhance the skills of Aqaba women, in a bid to supply the ASEZ tourism with skilled labor.

Given the importance of tourism as one of the major areas of developmental concern and attention, specialized training programs will be tailored to build the capacity of women. The courses will focus on English language proficiency; competence in customer services, hospitality and catering; and advancing communication skills and creative thinking. BPWA President Layali Nashashibi indicated that improving the status of women in society and encouraging them to take the lead in socio-economic development as well as assume leadership and decision-making positions are among the main objectives of the association.

The association will also start an Internet café for women only, to encourage them to benefit from information technology to widen horizons and enhance their knowledge base. The BPWA, the ASEZ's first and only business women association, is also laying out an Arabic website and preparing advertising material to spread awareness and publicize the association's activities. BPWA current membership stands at 35 working women from different professional backgrounds. Since its inception 12 years ago, the BPWA has operated without a physical location or a long-term strategic plan. However, after the ASEZ was set up in 2000, members of the BPWA mobilized their efforts to strengthen the association's operations with the goal of empowering women in different aspects of life, particularly in the economic realm given the diverse opportunities that are now available at the ASEZ.⁴³

4.3. Administrative and Institutional Issues

According to the ASEZ Law, the ASEZA will become the legal heir of both the ARA and the Aqaba Municipality,⁴⁴ and therefore, all the employees in the two bodies will automatically be transferred to work at the ASEZ authority. The Authority will have an independent budget, which will have to be endorsed by the council of ministers. Any budget surplus will be transferred to the national treasury.⁴⁵ To benefit from the financial incentives, companies should register at the ASEZA, in which case they do not have to register with the Companies Comptroller at the Ministry of Trade and Industry.

The ASEZA tasks are to include developing the area for investments, increasing job opportunities and giving priority to Jordanians, and preventing monopoly of economic activities. To achieve those objectives, the authority would have command over a wide range of affairs including financial regulations in the region, labor issues, health inspection, environmental protection, and project licensing as well as municipal affairs.

Under the new system, the ASEZA is invested with authority over legal and administrative affairs as well as promoting the ASEZ both at home and abroad. The ASEZA also shares power with some service ministries in Amman. For example, the ASEZA is responsible for the provision of healthcare, in accordance with a memorandum of understanding (MoU) signed with the Ministry of Health (MoH).

The MoU stipulates that the ASEZA is responsible for granting permits to medical and health-related enterprises. It is also responsible for monitoring and evaluating hospitals, pharmacies, food establishments, potable water and mineral water factories and laboratories. In other words, the ASEZA is responsible for upholding national health and safety standards throughout the Zone, and this applies to new investment projects - the maintenance of recognized standards is intended to attract investors.

The MoH, on the other hand, remains entirely responsible for licensing medical practitioners in the ASEZ. Services such as vaccinations, combating diseases, health awareness and other issues pertaining to health centers remain under the jurisdiction of the ministry. The acceptance, rejection or withholding of imported food consignments also comes under the purview of the MoH.

4.4 Customs Reform in ASEZ

Yet another example of good governance is the three-year experience of the ASEZ Customs Department - a unit that is totally autonomous from the National Customs body.⁴⁶ This change was not without struggle though, as discussed for example in the section on smuggling above. It is interesting to note that while both the National and the ASEZ Customs departments have undergone massive reengineering in recent years, the contrast between the two could hardly be greater. If anything, proponents of the customs reform in the ASEZ think it sets an example for the National Customs Department to follow; others play down this line of thinking as exaggerated. In any case, if one were to contrast the way in which reform is being implemented in the two departments a striking feature would be King Abdullah's personal involvement in championing administrative reforms in the ASEZ Customs Directorate.

For example, the king in mid-2002 paid two surprise visits in less than a week to the Customs Department in Aqaba to check on measures taken to facilitate and ease Customs procedures. The King directed Customs officials in charge of the food control unit "to take rapid and practical steps to facilitate tests on imported food samples and ease procedures for businesspersons and investors". The King also chaired a meeting during the second of the above-mentioned visits on ways to ease Customs procedures, during which the then Director of the Economic and Development Department at the Royal Court Khaled el Wazani presented a plan to streamline Customs procedures.

This aggressive approach to Aqaba's Customs in particular contrasts with the more gradual and relaxed strategy adopted for reform of Customs in other parts of the country. A few figures make this point clear: the Customs Directorate in Aqaba from the start of 2001 to end-August 2003 thwarted close to 2,400 smuggling attempts, and during the same period about 13,600 Customs violations were filed with fines amounting to around JD 2 million. It is interesting to compare this figure with that for the rest of the country (from which the ASEZ Customs Department is now a separate entity) in 2001, which has a total of 1,340 apprehended smuggling cases. Clearly, the existence of the ASEZ – including its attempts to follow best practices of good governance - has introduced a new element into the customs system in Jordan.

5. LESSONS & CONCLUSIONS

Has ASEZ eased governance or made it more difficult? The answer so far is unclear. For example, in a recent complication, the question of the delineation of the authority of the Governor on the one hand and that of ASEZA on the other has resurfaced. The newly appointed Governor has made several statements in the past few weeks (late 2003-early 2004) suggesting that his role may once again be important in the region's governance. His authority had at first appeared to be confined to the rump left after the ASEZ was detached from the old governorate.⁴⁷ However, at least recent remarks by the Governor seemed to suggest otherwise. On one occasion, the Governor is quoted as calling on residents of a neighborhood in Aqaba and the ASEZA to work out a solution to overcome obstacles related to the area's organizational plan.⁴⁸ On another, he is reported to have attended a meeting organized by the Land Transport Association to discuss solutions to the congestion problem at the port of Aqaba.⁴⁹

Another recent complication arose when the Lower House of Parliament endorsed in early February a proposal to phase out section 8 of Article 18 of the ASEZ Law on the grounds that the governor of Aqaba should have rights equal to those enjoyed by his fellow governors in other parts of the country.

According to Section 8 of Article 18 of the ASEZ Law “The Governor's powers in the Governorate of Aqaba pursuant to the legislation in force if the minister of interior, upon the approval of the Council of Ministers, does not appoint a Governor for such, whereby in the event of his appointment, a memorandum of understanding shall be prepared between the minister and the Chief of the Board of Commissioners, which shall be approved by the Council of Ministers. The Governor shall when performing his functions in accordance with the enacted legislation, take this memorandum of understanding into consideration. In the event a dispute arises between the two parties when implementing the memorandum, the matter shall be referred to the Prime Minister for resolution”.

The proposal was submitted by former Prime Minister Abdurra'ouf Rawabdeh's, a staunch opponent of the whole ASEZ project. This opposition by one of the more influential members of the Lower House at least shows a certain openness in Jordan to considering diverse views on such an important matter as ASEZ. On the other hand, the

apparent resurrection of the old governorate system for Aqaba in parallel with ASEZ is a worrying sign of possible confusion regarding the whole process of transforming Aqaba into a special economic zone.

Potential weaknesses in ASEZ governance have also emerged at the management level in ASEZA:

The Management Team: The team has seen several changes. The president was changed twice, first early in the life of the project and then again in March 2004. Nader Dahabi, a former Transport minister who had also headed Royal Jordanian Airlines in the past became Chief Commissioner of the Aqaba Special Economic Zone Authority on 2 March 2004. Dahabi replaces Aqel Biltaji who was forced to leave office after a short bout of illness. The general consensus is that the ASEZA will now focus on transport, with Dahabi seen by many as having the background to deal with some of the port's problems (see section below for more details).

Changes have also occurred at the commissioners' level. The investment commissioner left and returned after spending time in the Royal Court. On his return he effectively demoted his colleague, the infrastructure commissioner who also acted as deputy president. In late 2003, both the finance commissioner and the customs commissioners left. This leaves the environmental commissioner as the only one to have kept his responsibilities unchanged since ASEZA's inception. These changes may have acted against building a coherent management team with clear individual responsibility and accountability.

The Position of the President: There is no doubt that the incumbent ASEZ president is a high profile figure that enjoys the confidence of the Chief Executive. However, insofar as he de jure reports to the Prime Minister there may be a problem. Confusion then might arise if in any disagreement with the Prime Minister the Chief Commissioner appeals to the King, thereby short circuiting the chain of command.

The Aqaba Port: The port is clearly at the heart of the Aqaba region, and therefore whatever else it may accomplish, the ASEZA must tackle issues related to its problems. As of mid-2003, the port has clearly once again been in crisis. Congestion at the port of

Aqaba is now the biggest problem Jordanian policymakers need to address. Ever since the beginning of July 2003, the APC has been handling the highest volume of containers in its history; much of this volume resulting from the shipment of humanitarian aid to Iraq. This has meant that ships bound to Aqaba have had to queue much longer than usual to discharge their cargo. As a result of these delays, QIZ manufacturers – who remain heavily reliant on imports of raw materials – had no choice but to look for alternative ports in the region, often more expensive than Aqaba. The congestion also prompted international shipping firms to either suspend any dealings they have with the port of Aqaba or simply impose extra charges on containers destined to / or coming from Jordan's only seaport.

ASEZA's response came from the newly appointed deputy Chief Commissioner Imad Fakhoury who presented his plans to immediately restructure and privatize the management of the container port (with the infrastructure remaining in the hands of the state). Fakhoury described the step as “strategically very important to Jordan, its economy and its in-transit trade”.⁵⁰

However, this process has so far not gone smoothly and the measure has been postponed, indicating possible complications in solving the port's problems. One such complication is the need to start making people redundant. Other things being equal, it could be no more than a year before unemployment becomes an issue in the ASEZ. This in turn could exacerbate social problems, from which Aqaba's generally stable and conservative society has suffered less than other parts of the Kingdom.⁵¹

The King personally intervened in this process and demanded that a plan be implemented within 3-months to solve the container port problem. Calling for intensified efforts to tackle the congestion problem, the Monarch said port staff should receive more training to boost their efficiency.⁵² The head of state's personal intervention is not rare in Jordan, but it usually comes as a sign of crisis and the need to find urgent solutions. The process re-emphasizes that individuals in Jordan often carry more political weight than institutions. In any case, it remains to be seen what ASEZA's direct role will be in solving the port's problems.

The main drivers of the governance reform explicit or implicit in the ASEZ, the nature of the demand for it, who championed reform, and how the momentum was created, all point to a **top-down approach** to improved governance; that may after all be the most appropriate approach given Jordan's present phase of development.

However, this is clearly not to say that the ASEZ project was a result of state policy. If anything the project is certainly donor driven, spearheaded by the United States Agency for International Development (USAID). Nonetheless, the ASEZ is championed by the King, and in a system like Jordan's, such a championship appears as "policy."

In any case, the processes by which the ASEZ governance initiative was implemented have proven to be reasonably smooth and successful, despite the complications inherent in transferring authority among institutions that are overseen through nascent, timid democratic practices. Success or failure, and lessons that can be learned from it, are probably still too early to be determined.

Balancing competing interests is important for the success of the ASEZ. These interests comprise human development, regional development, economic growth, environment and the national interest. It is a very tall order. Without doubt, Aqaba has considerable potential; and it could serve as an engine for the rest of the country. Hence, the ASEZA is under tremendous pressure to realize its mandate. There is little room for disappointment, as the government's expectations are high, and the King has invested his own personal prestige in the project.

The partial answer to any governance difficulties that the ASEZ may have experienced or would experience is to co-opt two important groups into the process: the private sector and the people of Aqaba. Of course, these two may overlap. However, for the time being, both are taking a back seat to public sector and external players who, though they are working hard for the promotion and success of the ASEZ⁵³, may be turning the whole project into a traditional Jordanian partnership between the higher echelons of the government and foreign actors.

To allay some of these concerns, it would be interesting to redefine the posts of the ASEZA Commissioners to bring in, formally or otherwise, one person from Aqaba. He (or

for that matter she) could play a valuable part in making the development of the ASEZ more attuned to local sensibilities; at worst, such a step would defuse some of the arguments that anti-the ASEZ forces have deployed in the past few years.

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ENDNOTES

¹ According to Article 4 of the ASEZ Law, “The perimeters of the Zone shall be determined by a decision of the Cabinet upon the recommendation of the [ASEZA] Board. The Cabinet may amend these perimeters according to the business requirements of the [ASEZ] Authority and the exigencies of public interest”. For our purposes, it is important to note that, though these perimeters have been fixed since the project was launched, they were the subject of some previous debate and may now also possibly be subject to change.

² The population of the ASEZ is not known with great precision: Despite its autonomy from the central government of Jordan in several important respects, the ASEZ, after almost four years of activity, still has no dedicated statistical department. The ASEZA has partly filled this gap by emphasizing computerization in gathering and processing information, and transparency in its release and availability. The Aqaba Technical Assistance Support Project, which is funded by USAID, has also attempted to fill this gap, working for example on a Business Census for the ASEZ.

Aqaba’s original inhabitants were Bedouin tribes, yet over the years the city has witnessed an influx of migrants from surrounding governorates and other regions, as well as Palestinian refugees and returnees after the Gulf war. The current population of Aqaba is about 90,000, up from 70,000 at the launch of ASEZ due to: high natural increase of close to 3 percent, migration from other parts of Jordan to profit from new opportunities in Aqaba, and an inflow of foreign workers, mainly Egyptian. A rough estimate of the share of these three groups in the increase that has taken place over the past three years would be 10 percent 45 percent and 45 percent, respectively (2,000/9,000/9,000).

³ Provided that such appointments shall be endorsed by a Royal Decree

⁴ Statement of Chief Commissioner of the ASEZA Aqel Biltaji before the United States House of Representatives International Relations Committee, 24 VII 2002

⁵ Ibid

⁶ The basis of the ASEZ as it exists today was in the study by US consultants TSG. In that 55-page study the word “governance” is only mentioned twice, as opposed to, for example, the words “investment” or “employment” which were mentioned dozens of times. This suggest that better governance, though desirable, was a not a primary goal of this project. In fact, the report deals with governance in a rather general fashion in a few paragraphs.

⁷ The World Bank - Social and Economic Development Sector Unit Middle East and North Africa Region, Report No. 24425-JO “Jordan Development Policy Review: A Reforming State in a Volatile Region” November, 2002 pp.16-17

⁸ For example, the rate of illiteracy in the Aqaba governorate is 24 percent – almost two and a half times the national average (as cited in Tarawneh, K “Local government reforms in public sector reforms process” a presentation made at the “Conference on Intergovernmental Fiscal Reforms in the EU Member and Applicant Countries” in Ankara, Turkey, 6-8 October, 2003.

⁹ Brand, L “Jordan's Inter-Arab Relations: The Political Economy of Alliance Making”

¹⁰ “Iraq replaces Aqaba with Syrian, Dubai ports for its imports” www.arabicnews.com 13 X 1998

¹¹ "Sector Report on Transportation", Export & Finance Bank - RESEARCH & STUDIES Investment Banking Unit, February 2002

¹² In December 1975, King Khalid made a three-day visit to Jordan ostensibly to win support from Jordan and its then close ally Syria, for Egypt's Sinai disengagement agreement with Israel. Any sympathy gained, however, appears to have been purchased, as only days after the visit, the Kingdom promised to contribute \$215 million to help implement Jordan's \$2.3 billion 1976-1980 Development Plan. The aid, to be provided in instalments over several years, was in addition to regular Saudi budgetary support payments, estimated in 1975 at \$36 million. To help further with development, Saudi Arabia agreed to cede to Jordan a 14-mile strip along the Red Sea coast to allow for the expansion of the port of Aqaba. Iraq had promised to help finance the expansion project, hoping to import up to 300,000 tons of transit goods per year through the port. Source: Brand, L “Jordan's Inter-Arab Relations: The Political Economy of Alliance Making”

¹³ Majdalani, R “Municipal Governance and Expanded NGOs Role in Selected Countries in the Middle East” paper presented at the 3rd Mediterranean Development Forum, Workshop on “Institutional Reforms and Sustainable Development” Cairo, 2000

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¹⁸ “King: Aqaba projects should serve higher national interests” The Jordan Times, 18 IV 1998

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²⁰ Ibid

²¹ Majdalani op cit

²² These are special industrial zones that give Jordanian exports manufactured within the preferential treatment in the US market, provided they meet certain conditions, including having a certain percentage of Israeli value added. For details see Kardoosh, M “Qualifying Industrial Zones and the Quest for Sustainable Development: A Jordanian Perspective” Jordan Centre for Policy Analysis (JCPA), forthcoming.

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²⁴ “King endorses master plan to turn Aqaba into a Special Economic Zone” The Jordan Times, 21-22 IV 2000

²⁵ See also below details of the Peace Airport project with Israel

²⁶ Special Economic Zone project to change face of Aqaba, coast” The Jordan Times, 8 VI 2000

²⁷ “Aburragheb tipped to form new government next week” The Jordan Times, 15 VI 2000

²⁸ Al-Khalidi, S “Jordan King seen appointing new PM to push reforms” *Reuters*, 17 VI 2000

²⁹ “Where did Rawabdeh go wrong?” The Jordan Times, 20 VI 2000

³⁰ Burdette, J “Jordan's New Cabinet is Economy-Minded” *US-Arab Tradeline*, 23 VI 2000

³¹ It is not unusual in Jordanian political life for such seemingly contradictory positions to be taken by the same person.

³² “Lower House approves the ASEZ draft law” The Jordan Times, 26 VII 2000

³³ “King pledges to pursue modernization, democratization drives” The Jordan Times, IX 2000

³⁴ “Jordan appoints body to manage the ASEZ” *Reuters*, 26 IX 2000

³⁵ “Aqaba SEZ” in the *International Herald Tribune*, 30 XI 2000

³⁶ Ibid

³⁷ “King urges expediting legislative groundwork for Special Economic Zone” The Jordan Times, 4 I 2001

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³⁹ Kanaan, T “the ASEZ: an Economic Review,” *Arab Bank Review*, vol. 2, no. 2, October 2000.

⁴⁰ “The Aqaba Special Economic Zone (ASEZ)” in the Jordan: Country Report, Atlas Investment Group, April 2001 pp 31-34

⁴¹ “Cabinet reshuffled; Parliament dissolved” *Jordan Times*, 17 VI 2001

⁴² Majdalani, op cit

⁴³ “USAID grant aims at enhancing skills and participation of women in Aqaba” *JT*, 17 VII 2003

⁴⁴ However, the Governorate of Aqaba has resurfaced as a development institution, to care for the socio-economic needs of poor villages outside the ASEZ (for details see Al-Ra’ i14 XII 2003)

⁴⁵ Article 20- section C of the ASEZ Law (No. 32 of the year 2000)

⁴⁶ For more details see the case study by Riad al Khouri “Governance Case Study of Jordanian Customs” Governance Knowledge Sharing Program (GKSP), The Lebanese Centre for Policy Studies and the World Bank February 2004

⁴⁷ See endnote number 34

⁴⁸ “Aqaba governor seeks solution for land issue” in the *Jordan Times* 14 I 2004

⁴⁹ “Truckers end strike in Aqaba” in the *Jordan Times* 9-10 I 2004

⁵⁰ “ASEZA floats tender for managing, developing Aqaba's containers port” in the *Jordan Times* 28 XII 2003

⁵¹ For a more sceptical view of ASEZA’s plans to privatize the management of the container port see the statements made by Mahmoud Khatib, president of the Jordanian Ports and Clearance Workers Association in the *Jordan Times* “ASEZA floats tender for managing, developing Aqaba's containers port” 28 XII 2003

⁵² “King calls for plan in 3 months to tackle Aqaba congestion” in the *Jordan Times* 16-17 I 2004

⁵³ The US administration alone allocated \$348 million in assistance to Jordan in 2004, part of which is earmarked to support projects in the ASEZ.