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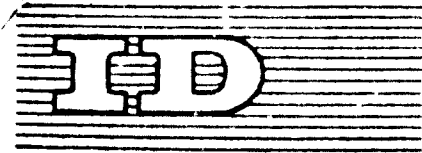
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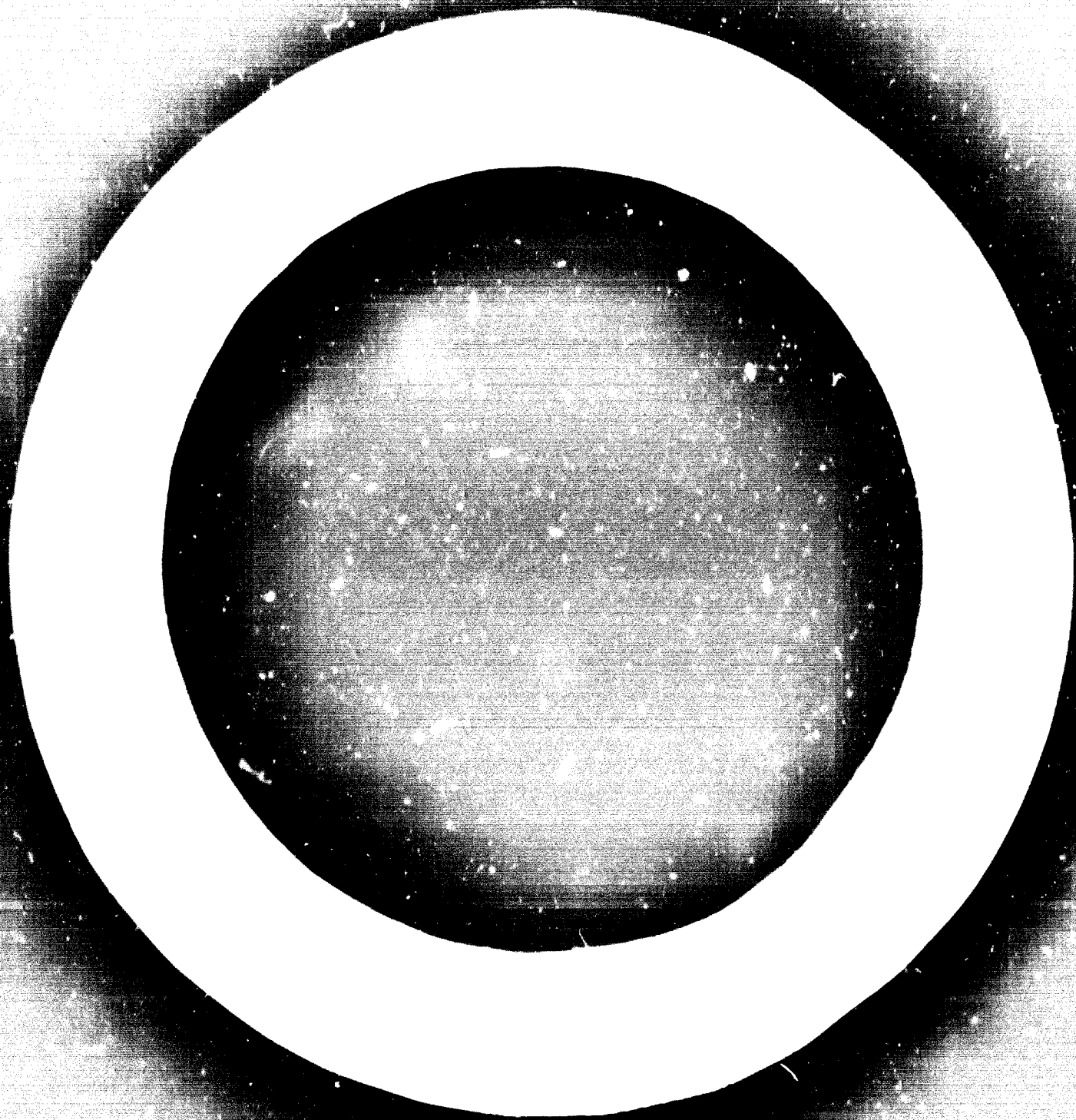
**PROMOTION OF INDUSTRIAL DEVELOPMENT
AND ENTREPRENEURSHIP IN JORDAN 1/**
1967-1968

by
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PROMOTION OF INDUSTRIAL DEVELOPMENT AND ENTERPRISE LEADERSHIP

IN JORDAN 1967-1968

1. In a paper prepared after the dislocation of June 1967^{1/}, we pointed out that the Hashemite Kingdom of Jordan had a rare opportunity to reorient its industrial development by adopting a strategy which would emphasize quality and direction of industrial production, and the preparation of an industrial base designed to back up such reoriented development. This would include investment in new high-quality human resources and new technology designed to enable the country to compete abroad. Jordan's economy should become "outward-looking"^{2/}, that is, it must place much greater reliance on exports than heretofore. This general industrial call to arms was followed by an explanation of the conceptual and technical details involved in such a reorientation, and a sketch of the components of a long-term industrial programme. The remainder of this paper first carries a brief restatement of the elements of an outward-looking strategy of industrial development, followed by an enumeration of the specific problems we at the JCID have encountered this past year. It ends with a list of ameliorative measures proposed, together with notes summarizing their implementation and/or effectiveness.

2. In spite of temporary disruption of Jordan by military occupation, the Government has been proceeding with the implementation of the Seven Year Plan for Economic Development 1964-1970. Although the East Bank retains most of the larger industries, the domestic market has shrunk and the loss of transit-trade and tourist revenues has put service industries into a difficult position. Development schemes of high labor content have proved to be largely palliatives and appear unlikely to make unskilled labor more productive. Therefore, a new departure in industrial development strongly recommends itself.

3. Traditional economic development registers progress in absolute magnitudes, such as growth figures of Gross National Product, and of per-capita production and incomes. An outward-looking industrial development strategy, on the other hand, pays more attention to the quality and the direction of industrial growth.

4. Jordan can, and to some extent has already made good some of the

^{1/} "New Industrial Policy for Jordan", Jordan Investment Newsletter, September 1967.

^{2/} See Donald B. Keasing, "Outward-looking Policies and Economic Development", Economic Journal June 1967, p. 303 - 320.

Note: I thank my colleague George M. Stalker, ILO Senior Adviser on Management Development, JCID, for his suggestions on this paper.

losses. But the problem of highest priority remains the reintegration and reorientation of existing industries into an outward-looking industrial complex.

5. As a first step in the way of tackling such reintegration and reorientation, a systematic survey of export probabilities should be undertaken. Export probabilities come first, identified by extensive foreign market research. Export possibilities follow, to be fed by products which Jordan can develop within the framework of a systematic new industrial expansion. To get such an export effort off the ground, Jordanian industry must undertake a sustained programme of market identification and export promotion. This effort will have to proceed at all levels and entail the closest co-operation between Government and private business.

6. The Government's effort in market research will be one of collecting and transmitting commercial intelligence on markets abroad, on needs and on accessibility, and also to pinpoint sources of existing and potential local and foreign competition in these markets. Much progress has already been made in this field, and the work of the Commercial Attaches at the Jordanian Embassies at Cairo and Kuwait has been outstanding.

7. In the area of export promotion, the Government's effort hopefully will take the shape of a carefully devised system of encouraging industries to start "looking outward" towards meeting competition in foreign markets. This includes selective incentives for increased performance in all sectors. The Government also would lead the country's participation in international trade fairs abroad.

8. Even on a small scale, the export of manufacture provides valuable industrial and commercial experience. In a country at Jordan's stage of development the selling of the same value of output abroad rather than at home, as Keessing and others have pointed out, exerts greater pressure for quality performance. Exports open the way to further exports through the accumulation of know-how both at home and abroad; and successful export performance contributes to successful competition at home. Technological improvement, or improvement in the quality of a country's performance is only acquired by competitive pressure: In a country such as Jordan, only foreign competition can generate the pressure it takes to set off this desirable chain of events.

9. The reorientation required to create this new trade potential, based not only on resource endowment but also on greater technological know-how and skills, includes three elements:

- a) continuous technological upgrading;
- b) cost reduction, initially through higher productivity but later on by a change in the overall price-structure;
- c) maintenance of standards plus quality control to create trust in Jordan's industrial performance.

10. The first and the third element can be provided by the individual business firm itself, aided by the Government through providing suitable incentives, and the appropriate institutional facilities. The second element involves selection of measures which enable the country's industries to tackle its two principal groups of prospective markets: the Arab countries, particularly those in close physical proximity; and Western markets, especially for high-grade consumer goods. This signifies by no means that trade with other countries should be neglected, or no efforts made to expand it. This second element may also be the most difficult to bring into being, particularly as regards a change in the price structure. It should probably be looked for as comprising, as super-imposed on, the end-results of the application of elements (a) and (c).

11. The major classes of recipients of Government support presumed to be forthcoming under these circumstances are two:

- a) "outward-looking" industries selected from those already existing in the country which help to strengthen the country's export potential. A conservative listing would include: cement, phosphate rock, chocolate and confectionery, ceramics and glass artware, printing, paper products, pharmaceuticals, cigarettes, beer, batteries, and woolen textiles.
- b) new industries whose suitability in the first instance will have been identified by appropriate pre-investment studies carried out by JCID and others. Among these are mineral-based industries such as phosphatic fertilizer and related chemicals, glass and building materials. This list can of course be enlarged by addition of agro-based industries, once tensions are relaxed once more.

12. The private sector under Government guidance can thus aspire to a bigger and a better industrial performance. And in the process of improving technological skills, the private sector will do well to keep in mind the upgrading of managerial skills, an indispensable adjunct to higher quality performance. Combining "industrial development" in the

narrow sense and the development of human resources, particularly in the basic managerial skills - costing, budgeting, and quality control - will be indispensable for achieving a far-ranging and energetic promotion of high-quality goods to be produced in Jordan. Another point to keep in mind is rationalization of industrial enterprises by amalgamating several relatively inefficient units into a few efficient ones.

13. Before we proceed to the detailed programme that we tentatively put forward last year, I should like to touch on some of the problems faced by companies recently established in the framework of Jordan's attempt at industrialization which have been most severely hit by the 1967 events. These companies suffer from two deficiencies:

- a) No expert managerial personnel or system;
- b) no established policy with regard to management training.

As a result these companies could barely retain the most limited flexibility of operations. Their difficulties were exacerbated by the fact that they are the only ones in a new industry. Examples are cement, petroleum, phosphate mining, iron steel, tanning and paper. JCID's management development staff, in addition to building up basic skills, has concentrated on two main areas, costing and marketing. In this we have been helping enterprise to take outward-looking action and take advantage of export opportunities. We have already met with success in this work. The chocolate company now divides one third of its capacity to fulfill orders from Saudi Arabia, Kuwait and Iraq. But we have found it difficult to persuade companies to build up exports when they have severe problems with the government, or when they fail to accept the full complexity of the situation in which Jordan finds itself.

14. These twin difficulties, problems with Government and non-acceptance of the present situation, tend to make the companies seek either one or several of the following "ways out":

- a) further protection of the domestic market;
- b) government participation in the company;
- c) extension of short-term financing already received, without any visible means for clearing that short-term debt.

Not surprisingly these companies are beginning to feel an increasing need for overall assistance in management fields, as opposed to "problem-

oriented" consultancies. Assistance to management thus calls for considerable enlargement. But even if this were possible there still will remain severe limits to the effectiveness of such assistance because of the overriding economic difficulties affecting the larger industries. Attempts at short-term solutions inside the companies are therefore not enough to bring about the required reorientation. On the other hand, any required long term solutions take so long that one sometimes tends to talk about them mainly in order to round out the picture, as it were.

15. In order to end on a more optimistic note, however, I should like to review briefly the programme we sketched out last year and indicate the progress made since then. The steps of the programme were:

- a) a full-scale industrial survey to determine what industrial capacity actually exists in the country. (The Department of Statistics has carried out the survey this spring and results should be available very soon).
- b) a closer examination of existing industries for possibilities of accelerated diversification and technological upgrading, always with the idea of capturing new foreign markets in mind. For existing facilities the Government should encourage better utilization of installed capacity, and provide incentives for having these enterprises take steps eventually leading to the termination of non-rationalized operations. (The Government is actively looking into the possibility of thinning out the number of enterprises in, e.g. brewing and printing).
- c) expansion of existing industries in line with the outward looking policy of establishing new ones and orientation towards industrial development. New industry would come into being only for new products supported by extensive export research markets. (Studies have been made or are being planned and conducted by JCID, on ceramics, glass products, and building materials, as well as phosphate fertilizer and phosphoric chemicals).
- d) strengthening export potential of existing "outward-looking" and new industries by suitable measures of support. This would include, among other types of assistance, provision of export credits, and export credits, and export credit insurance; fiscal incentives such as duty-free admission of machinery and materials, rebates of internal and external duties and retention

quotas of percentage of export proceeds; and help in commercial advertising and participation in trade fairs abroad. (Many administrative difficulties are being met and remain to be solved, but efforts continue).

- e. gradual reduction of restrictive controls on performance of "outward-looking" industries, liberalization of imports of raw materials and provision of ample credit facilities; time limits and arrangement for the tapering-off of import restrictions on competing products; and utilization of all facilities provided in the "Jordanian Law for Encouragement of Investment".
- f. programming of external market research under Government guidance to know (a) what information is needed; (b) how to obtain the needed information and (c) to disseminate the information to industrialists and their organizations (This area is being helped greatly by the commercial intelligence reporting of Jordanian Commercial Attaches covering several Arab countries).
- g. detailed investigation of the feasibility of setting up an industrial estate located in a "free zone" and devoted primarily to the production of high-quality goods for export. The Zerka-Amman area is a leading candidate for the establishment of such a district, because of anticipated external economies resulting from the availability of basic services. Since no heavy industrial production is contemplated, distance from a seaport would be no immediate disadvantage; however, the rapid implementation of the proposed Aqaba Free Port remains as urgent as ever.
- h. establishment of a National Standard Institute, and provision of machinery for export quality control. (JCID is making steady progress in this area in close co-operation with the Arab Standards Organization).
- i. implementation and encouragement of concomittant development of higher skills at the managerial, technical and shop levels. (JCID, through its Management Development Institute, has established training courses and consultancies all enjoying considerable success).
- j. introduction of suitable legislation under which a levy is imposed on companies amounting to a certain percentage of annual earnings. The levy would be collected in a special fund, and the funds are made to companies for purposes of training of personnel at all levels. (Implementation of this proposal has not yet been initiated).

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