

THE SABAN CENTER FOR MIDDLE EAST POLICY

LUNCHEON ADDRESS:

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P R O C E E D I N G S

MODERATOR: Welcome to the Saban Center for Middle East Policy here at the Brookings Institution. We are delighted to have you here this afternoon. And we are also delighted to have as our guest the relatively new Minister of Planning and International Cooperation of the Hashemite Kingdom of Jordan.

Suhair Al-Ali is no stranger to Washington, D.C. She did both her undergraduate and graduate work here in Washington, at Georgetown, and is also a graduate of another fine old American institution, Citibank, where she served for many, many years. Before taking her post as minister in the new government, she also served in a number of other positions in the king's government, including as a member of the king's Economic Council. She comes to Washington at a critical moment in U.S.-Jordanian relations. It is a critical moment both for Jordan and, I think, also for the cause of reform more broadly in the Middle East.

As most of those gathered around this table already know, Jordan has embarked for a number of years on a program of reform in the Middle East that is what many in the United States hope that other Arab nations will emulate. Jordan's success in that effort is critical to the United States both because of our strong ties to Jordan and the importance of a stable and prosperous Jordan to the United States, to the Middle East, to the stability of that region, but also because of the model that Jordan can and might serve for the rest of the region. And I am sure it's the case, Madam Minister, that the king never sat down with his new cabinet and said I want to embark on this project of reform, or I want to continue this program of reform because I think that Jordan can become a model for the rest of the region. I doubt that that was foremost in his mind when he embarked on this.

But nevertheless, I think it is the case, as you and I have been discussing, many in the region are looking to Jordan. They see what the Jordanians are doing. They know the courageous path

that the king has undertaken. And they're looking to see if it can work. And if it can work in Jordan, I think there is no question that others will be forced to pay attention to it and ask, well, if it can work in Jordan, why can't it work here? And of course if it fails in Jordan, then I think a great many of the opponents of reform in the Middle East will seize upon that and say, since it didn't work in Jordan, there's no hope that it can work here and so why should we even try.

And for that, we're deeply thankful to have Minister Al-Ali here with us to discuss the situation in Jordan, to explain to us what's going on, and also to explain what it is that Jordan is hoping to accomplish in its relationship with the United States and its reforms over the next few years.

The minister will make some brief remarks. They will all be on the record. I'll ask you to hold your questions, and afterwards I will take a list and we'll call from the list as we go around,

after the minister is finished delivering her remarks.

So, Madam Minister, the floor is yours.

MINISTER AL-ALI: Thank you very much, Ken, for this great and supportive introduction. Thank you all for your attendance. It's great to be here with all of you. And as Ken said, I'd just like to give a very brief background about the reforms that have been undertaken in Jordan over the past several years and just share with you some of the challenges that we are facing right now, and then open up the floor for questions and answers.

If we were to describe Jordan in three pivotal areas, in my view, I would say, number one, there's been a very strong political will to undertake reform. And I will speak about these in more detail once I go through the three of them. So the strong political will to undertake reform, both economic, and political, and social. And then the second pillar would be the recognition of the need for a stronger governance structure in the country.

And thirdly, the recognition of the need for a more inclusive political society.

If we just turn very quickly to the first pillar, which is the commitment and the political will to undertake reform. Jordan has gone through difficult times. I think if we go back to 1989, that was really the pits for Jordan; that was really the bottom. That's when foreign currency reserves were less than \$200 million at the time, there was significant instability on the macroeconomic front, both monetary and fiscal, and then Jordan embarked on an IMF program since that time in order to ensure the structural imbalances are addressed.

Things have moved fairly well since 1989, based on the IMF program. But I think the major acceleration to reform has been since His Majesty King Abdullah ascended to the throne in 1999. I think when he ascended to the throne he said there has been too much emphasis on the public sector, and it's important that we recognize that Jordan is a small country. We have a young population, a very large need for new job creation because of the

demographics of the country. And he clearly recognized that the private sector has to be the engine for growth in any economy, and definitely in Jordan. And how do we make the private sector the engine for growth? He said we need to listen to the private sector. We need to bring them in. This is no longer just a public-sector-driven economy.

And so what he started in 1999 was this public/private-sector partnership. And he institutionalized it through the formation of his Economic Consultative Council, where he brought in people from the private sector and the public sector. It was a 20-member council, 10 from each sector. And I was privileged to be on that committee at its inception and continued on that committee until very recently, when that committee eventually--because the reforms have been undertaken, the committee's no longer effective, because most of the stuff that we had suggested has been implemented already.

But the Economic Council essentially met with His Majesty, met alone--we brainstormed. We

brainstormed about where is Jordan today, where do we want it to be, and what are the impediments to achieve where we want to be. And we made a lot of recommendations. We thought out of the box. And we spoke to government. A lot of the recommendations, whether they were in the education field, in the health field, in investment, in infrastructure, in a number of areas, were implemented with the concurrence of government.

A lot of the stuff that we came up with was the need to open up, the need to liberalize, the need to integrate in the world economy. And as a result, Jordan acceded to the World Trade Organization, forged a number of free trade agreements and alliances--I mean most notably the U.S. Free Trade Agreement, there's an EU Free Trade Agreement, there are a number of free trade agreements with the Arab world, with Singapore--that have enabled Jordan to attract investments even though it's a small market. We all recognized that it's very difficult to attract private sector, any private sector, to invest in Jordan if you didn't

have the capacity. And the way to have the capacity is by making yourselves larger through enabling access to various markets. And so all of these free trade agreements managed to make Jordan a more attractive place to invest as far as size and as far as incentives.

One other agreement that was forged with the support of the U.S., of course, was the Qualifying Industrial Zones, where goods manufactured under the QIZ umbrella, where they also had Jordanian, U.S., and Israeli content, would have duty-free, quota-free entry into the U.S. market. So that enabled any investor in the QIZ to access the world's largest consumer market.

We also invested very heavily, as part of this liberalization and integration with the world economy, in the education process. If you want to attract investors, you need to have a labor force that is attractive for them, that is well-equipped. And so we invested very heavily in the education process, whether through ensuring that English is taught as a second language from the early schooling

years, recognizing that English is the business language of the world; and teaching, also, kids from very early school years computer skills and the ability to deal with the knowledge economy.

And so we invested in education over the past five years. Twelve percent of our GDP went into education. We invested very heavily in health. About 7 percent of GDP went to investment in health. None of these investments could have been made possible without the support of our friends and supporters from around the world, but importantly the U.S. I think the U.S. has been our strongest ally, our strongest supporter, and has enabled many of the reforms that have been undertaken.

As a result of all these reforms, as a result of all this opening up, Jordan has recorded significant achievements. These were recognized through the very strong macroeconomic trends and the macroeconomic results that have been achieved. I mean, just to cite a few: Our GDP grew at 7.7 percent last year. It grew at 7.7 the first quarter of this year. Inflation remained in check and has

been dropping to less than 3 percent. Our exports grew by over 30 percent last year, primarily driven by the QIZ. Foreign currency reserves moved from the mere \$200 million that I talked about in 1989 to close to \$5 billion last year, at close of last year and in fact this year, and that provides a cover of over eight months of imports. Our current account moved from a very heavy deficit into a surplus last year. Our budget deficit moved from very phenomenal numbers to less than 3 percent last year. And our literacy rates moved up to 90 percent. In addition, as a result of the significant investment in health, our life expectancy rates moved up. They're around 72 years for a female and about 70 for a male.

So, where has Jordan done well on reforms, and where has Jordan done differently than the region on reforms? I think there are two things. Clearly, political will differentiates Jordan, maybe, from others in the region. But if we were to talk areas and sectors, I would say education is something that really differentiates Jordan, our investment in education. We have over 55,000 new

entrants into the job market every year. And, you know, it sounds small, but this is a country that has a population of 5.3 million people, with over 70 percent of the population under the age of 30. So we are a very young population.

The second area where Jordan has operated differently than the rest of the region is on privatization. In recognition of the role of the private sector, the efficiencies that the private sector can bring to the table, Jordan has embarked on a very active privatization program, with over 50-some enterprises being privatized, whether wholly or partly, over the past several years, generating over \$1.2 billion in privatization proceeds.

This process continues, the privatization process. And right now this year, we're looking at additional privatization of the remaining shares of Jordan Telecom, Jordan's largest telecom operator; we're looking at privatization of the electricity generating company; and we're looking at privatization of Jordan phosphates mines.

All of this paints a great picture on the economic scene. However, we are facing significant challenges and continue to face significant challenges. I think despite all of the achievements that have been made, Jordan's unemployment rates continue to be high. It was 13.4 percent just in February. Our poverty rates are 14.2 percent. So these are high. And per capita income has increased, but continues to be moderate at \$2,100. The job creation is actually another challenge, you know, the ability to create 55,000 jobs for new entrants into the job market every single year.

Our challenges have become even more difficult this year with a significant rise in the price of oil. Jordan imports all of its oil needs. In the past, we used to get oil grants from Iraq, prior to the war, and then thereafter those were replaced by grants from Saudi Arabia and from the Gulf. Those have gone, as of May this year. So Jordan's budget, Jordan's economy has been really faced with a double whammy right now. We are faced with significantly rising oil prices and an oil

bill, and in a country where there have been large subsidies for the oil, and we are faced with a lack of oil grants.

In effect, our oil bill this year, taking into account the free oil that we got in the first four months of the year and assuming a price of oil of \$55 for the second half of the year, would be \$2.1 billion on an economy, a GDP of \$12 billion. On a budget, our budget is \$4 billion. So half of our government budget is actually going to fuel, to buying oil. And the related subsidy level had we not done anything--I'll speak about what we've done in this past month--but had we not done anything on fuel subsidies, of that \$2.1 billion, we had to subsidize to the public over \$800 million. So that's a significant drain on our budget.

In recognition of the need to continue to address the structural imbalances of the economy and clearly--and now very importantly--the fuel subsidy, the government embarked on what some people call a kamikaze, because we actually raised the price of fuel by a weighted average of 25 percent in July

this year. And actually, this new government, where I joined in April, went for a vote of confidence three days after we raised the price of fuel. So it was massacre. It was very difficult. But we did get the vote of confidence.

And in fact, we were very transparent when we went to parliament, when we spoke to people. We said that this is a country that needs to become self-reliant. We cannot continue to subsidize people. We have to--and we said in our address to the parliament, we said that this is a process where we phase out dependence on fuel subsidies over a three-year period, in 2005, 2006, 2007--which was even more of a kamikaze because we said, you know, this is not a one-time shot. We told people, there are more increases coming. And the reason why we did it is because it's important to bind this government and any successive governments on the need for structural reform. We cannot continue to rely on subsidizing people.

But recognizing that poverty levels are high, unemployment is high, we actually also

implemented a social safety net for the very poor, the very under-privileged, government employees, based on salary level. So we gave them a marginal increase in their salaries. Now, it's very marginal. It eats up some of the savings as a result of the gradual reduction of the fuel subsidies. But at least it helps people slowly bite the pain. I mean, it's very difficult, but we are trying to alleviate some of the difficulties that the poor are facing as a result of the higher price of oil.

In fact, as a result of the strain on our budget, we also said it's not just fuel subsidies that we need to address on the expenditure side. We also need to address our pension system and the pension expenditures. And we are working with the World Bank now on a reform of our pension scheme.

We also said that as government we need to walk the talk and be the role model. And so we said we are going to cut our expenses. There is a target that was put by the prime minister for every single minister, for every single ministry, where we would

have to cut our current non-salaried expenditures by 20 percent this year. And he is very firm in that. And it's--I've actually used this example in one of my earlier meetings today. I'm a product of corporate America. And if you all remember what Citigroup went through with expense controls, that's what we're going through in Jordan now.

I mean, anything and everything is being cut. We have to be very strict and very wise in spending money. And so, you know, a lot of the fancy cars are gone for government. The larger cars are all replaced by less fuel consumption vehicles. Travel expenses are being cut. Delegations are being cut. I mean, it's really very, very strict belt-tightening. And it's important that we demonstrate to people that it's not the government that's being the bad guy in raising the price of fuel, but we are taking actions ourselves.

So having said all of this, all of these challenges, despite all the actions that we are taking, those will not alleviate the challenges that we are facing. I think, you know, all of the

macroeconomic stability that we have achieved now rests at a crossroad. We need to create additional jobs. We need to reduce our poverty levels. We need to improve our employment opportunities. And we have a plan in place, and I'll talk about it in the governance pillar. But we cannot do it without enough funding. We're trying everything that we can from our own internal resources, but it's very important for us that our supporters, that our friends like the U.S. continue to support us at this very critical juncture, because we have been faced with extremely difficult circumstances right now. We are saying that over a three-year period we will very strongly face our dependence on grants.

The second pillar that I would like to talk about is really the recognition by Jordan of the need for a stronger governance structure and the need to have public buy-in and public consensus of any and all policies that the government implements, whether it's this government or any successive government.

In order to do this, His Majesty formed this committee early on this year, composed of a wide representation of public sector, private sector, civil society, political parties, women's groups, minority groups--the whole works. Everybody. And they were entrusted to bring in more people, widen the group, and look and study eight key pillars and devise a roadmap, if you wish, for political and economic reform for Jordan over the next 10 years; i.e, they looked at where we are today and they said this is where we would like to be in 10 years and this is what we need to get there; this is how we will get there.

And this cannot be just talk, because what these groups are looking at--and let me read some of the pillars that they're looking at. I mean, they're looking at investment environment, how do we streamline investment environment even more to make it a more attractive place; infrastructure; social welfare; education; labor; legislative reform; and financial reforms. And they said, you know, this cannot just be plain talk. All of these committees,

and their work will become public in September this year, once there is consensus by all of them. It will be an agenda based on consensus of civil society. It's no longer the government decides what it wants; it's civil society telling us this is what we need.

And so by September, they will also come-- for each of the pillars they will have benchmarks and key performance indicators, where they say, okay, unemployment today is X, we want it to be Y, this is how it will become year after year, and that's how governance will be measured. But there have to be some projects that are undertaken as part of each of the pillars.

So once this plan becomes public and is adopted by the public at large and by the government, then it's critical to fund it. And for me, this is why I say we're at a critical juncture, because this plan aims at addressing some of the imbalances that we're talking about, aims at improving the lives of Jordanians. But how can we do it if we don't have the resources to finance such

a plan? So that's why, you know, it's critical that we also try to get as much support from our friends around the world--and again I say importantly the U.S.--in order to help us further accelerate the pace of reform through this nationally derived agenda.

The second area where there has been focus under the governance structure is also the formation of an anti-corruption commission. And there's been talk here and there, whether in Jordan, outside the region, inside the region, about corruption and governments possibly not taking enough action to fight corruption. And there is a law now being discussed in parliament, as I'm sitting here, that forms an anti-corruption commission that has total independence from government. Its members will be recommended by the head of Senate, by the head of the House of Representatives, the head of the judicial, and these guys will have the independence and will have the empowerment and authority to go after anyone and everyone who could be involved in any corruption.

And the covered people, the people who are being--are all of us, everybody in public service, everybody in the Senate, in the lower house, anyone in any affiliated agency to government, any public official is there. And included in that corruption definition is *wasta*. And I'm sure most of you know what *wasta* is. And so, you know, the use of your own position to advance your interests or the interests of people around you, including nepotism, that's going to be--that's part of corruption. That's the definition of corruption in there. It's a very tough definition in there. And this is where again I think we set the example. Once this is in place, I think this is really a very important step that Jordan takes towards, you know, actually fighting corruption.

We cannot talk about governance without the talk about an independent judiciary, and I think there's a lot of focus on an independent judiciary, the rule of law. And again we have used the good funds and offices of various U.S. agencies to help us to restructure our judiciary system and to

streamline, to improve the education of the judges, the independency, et cetera.

The third pillar that I'd like to talk about is Jordan's recognition of the need for a more inclusive political system. And again, you know, there has been an initiative driven by His Majesty, again early on this year, on the need to create regional developmental councils in Jordan, maybe through splitting up the country in three regional areas. Only developmental. They are not governments; they are not local governments. They are local developmental councils where people get elected to this council. And what this council does is works with the local community and devises developmental initiatives, priorities for the specific region. And then these guys agree and then they feed into national parliament.

What happens now, as it happens maybe in many parliaments around the world, is that sometimes national parliaments get bogged down with local issues, local service issues. And it was important for us to say that a national parliament looks at

national issues and the local councils will come up with the developmental needs. And so it's a bottom-up process rather than a top-down process.

So again, this is another way of inclusion, of ensuring that the local communities take part in the decision making process and take ownership. It's no longer Government X or Y is mandating this on us; it's us who have made the recommendation to government to implement.

Accordingly, there's also going to be a new elections law. That's in the works because new elections are scheduled for 2007. There's going to be a new parties law, where parties are strengthened, and I think His Majesty has talked about it a number of times in the past, that we have so many parties that are--apart from one party that's very strong, the rest are all rather, you know, not as strong. And it's important that we consolidate into a smaller number of parties who are active and who eventually, you know, could assume power, alternate power, executive power. I mean, in this last parliamentary session, which is still

ongoing, a lot of the parliamentarians asked for a parliamentary government. So why not have an election law, a parties law that focuses on strengthening a small number of large parties that have the right skills, that are empowered, that have the right campaign, and then let the political process play its course?

The independence of media. We cannot talk about inclusion in governance without speaking about the role of media. I think in the past six months there has been a significant opening up of the local media, whether printed or TV or radio. There's been a large number of new radio stations being approved. There's a new publications law which provides the media with the right--what do you call it?-- coverage, i.e., the government can't go after them, and allows them enough space for them to write.

There's been a strong focus on the importance of the role of women also. And again, you know, we are working with the U.S. and others on a number of areas where we can look at legislations, adjust our own legislations to further empower

women, to make the legislations more in line with international standards. Also the legislations relating to children. It's absolutely important, critical, to ensure that 50 percent of our population are active--are active economically, are active socially through NGOs and others, and are active politically.

On the political front, there are four women in this cabinet of 26. There are six women in the lower house of parliament, who came about as a result of a quota system. And there are seven appointed women to the Senate, which is appointed by His Majesty. And the Senate has 55 members.

This is in brief. I just ran you very quickly through a lot of stuff. But I just wanted to give you a quick overview and allow for time for you to ask questions.

Thank you very much.

MODERATOR: Thank you very much, Madam Minister. Thank you for that terrific *tour d'horizon* of where Jordan is today and where His Majesty's government is planning on going.

If I could start off the questioning. There are any number of points about which I'd love to ask you questions, but there was one in particular that you raised that really sparked my imagination, and that was your point about the anti-corruption campaign, in particular about going after wasta.

[Laughter.]

MODERATOR: Which, as anyone who has spent time in the Middle East knows, that is an important mountain to climb, but it is also a very high one. And obviously, all kudos to His Majesty's government for trying to take that on. It is very important.

It is also one where I think you're right. If Jordan can do it, it will be a phenomenal model for the rest of the region. And just looking at the problems we're having in Iraq, I hope you guys succeed and do it really quickly so that we can explain it to the Iraqis.

But I've got to ask the question: How on earth are you going to tackle this issue?

MINISTER AL-ALI: As I said, this is a draft law being discussed currently in parliament. But I tell you, there is--again, we spoke about strong political will and strong political commitment, and I can tell you there is very strong political will at His Majesty's level, at the governance level, and at the parliament's level. In fact, during those discussions for the vote of confidence, they all slammed down at government-- "government," not this government--but they said, in the past other governments have spoken about fighting corruption and they haven't. So I find it very difficult for parliament not to pass this draft legislation because they in fact asked for it in the sessions over last week.

So whether *wasta* continues to be included or not is a different story, but I truly believe that the draft law will pass, should pass, based on everything I heard last week.

What is also important to say is the prime minister, since this government took office, has had a hiring freeze. So I tell you, every single

powerful individual in any sector of government trying to employ one of his or her relatives in the past four months has failed.

So when there is a political will, there is a way. If it gets implemented across the board, then it does.

MODERATOR: *Inshallah.*

The first question, David Pollock.

QUESTION: Thank you. It was very striking to me and encouraging in your important remarks that the issue of Islamic fundamentalism wasn't raised at all. How is it that Jordan has managed to address that issue, or avoid the problems that other countries in the region are facing in that respect? And in what way could Jordan's experience be, as the title of your talk suggests, a model for other countries, other Muslim societies in dealing with that issue?

MINISTER AL-ALI: Thank you for raising it. Let me start by first talking about the political parties. I think the only organized party is Islamic Action Front in Jordan. Having said that,

they are not fundamentalists. They are in fact a very reasonable group. I was involved in the discussions that we've had with the various blocs in parliament. I've had them visit me in my office individually or in groups. And I tell you, my impression of them is they are people who listen to logic, as I think every other person would.

So in Jordan, that party is not fundamentalist. They did vote against the government because they believe the government is not applying Islamic principles, which--I mean, this has been their line throughout and, you know, nobody expected them to vote for the government.

On the fundamentalists per se, as you know, His Majesty came out with the Amman Message in Ramadan last year. And essentially, the Amman Message reaches out to all the Muslims, to all the 1.2 billion Muslims around the world, to all the countries and communities around the world, saying that true Islam is not extremist. It is a religion of forgiveness, it is a religion of peace. And he

says that, you know, extremism, terrorism is clearly not Islam.

I think to build on that message, there was an important Islamic international conference that was held in Jordan early in July, I think about three weeks ago, that brought in key people from the eight schools of Islam. And they all concurred to the Amman Message. They all said, you know, we can all have our differences, but no one overrides the other and we all believe that Islam is a religion of peace, and we are against extremist actions and against terrorism.

So I think it was important, and that message is a very important message to relay across the world. It's very important that all sects of Islam have agreed to this. I attended part of that conference, and the attendance--there were a very large number of people, over 300 people from around the world, from the various Islamic countries. And it was important to see that consensus.

I think the message of true Islam is now being very strongly advocated by His Majesty, by

Jordan, and I know His Majesty plans trips, definitely to the U.S., to advocate that message. But it's important to say that anyone who deals with extremism, with terrorism, claiming that he or she-- [flip tape] --is clearly not. And I think that's a message that needs to go across. And fundamentalists and extremism happens in any and all societies and any and all religions. It's just very unfortunate that the people who have been conducting a lot of this stuff claim to be doing it in the name of Islam.

QUESTION: Madam Minister, thank you very much for a very thoughtful presentation. I think you laid out very clearly the accomplishments that Jordan has had, but also touched on the challenges.

I'd like to go back to the oil-subsidy issue. I think that it is--I commend you for reducing the subsidy. You don't have any choice in the matter. But I'm perplexed by, throughout your remarks you talk about the importance of the U.S. standing by, a very close ally and friend in the region. I happen to value Jordan's role in the

region a great deal. But I'm wondering why we can't get the Gulf and the other Arab states, who are experiencing an extraordinary windfall in oil profits, to help ease this transition for you. I don't think it's unreasonable, and I'm wondering if you can give us a sense of those discussions. And is the administration trying to work on Jordan's behalf with our friends in the region to try and help over the course of the next three years?

MINISTER AL-ALI: I think the Gulf states-- we have made them aware of exactly the challenges that we are facing. Let me say they are understanding and, hopefully, will look favorably at it. The U.S. administration has been supportive on that front.

QUESTION: Madam Minister, could you tell us how the Iraq war impacted Jordan's economy in terms of infusion of money that has come from Iraq and so on, on the one hand; on the other hand, how did it impact unemployment, or employment, considering that a great deal of skilled labor from Iraq has also come to Jordan? Thank you.

MINISTER AL-ALI: Thank you. I think Iraq was a double-edged sword. Obviously, when you're living in a region where there is turmoil, it by definition will have a negative impact on the investment climate. By definition. So political risk is higher, cost of borrowing is higher, and it will have an implication on foreign direct investment.

In the short term, obviously the turmoil in Iraq mean a flight of capital from Iraq into Jordan. And we have seen not just flight of capital, but also flight of people into Jordan. So, yes, you know, there are more Iraqis in Jordan. And when we look at unemployment figures, we're looking at just Jordanian. But of course, some of the Iraqis could be employed in Jordan and they would affect Jordanian unemployment.

The capital that has flown into Jordan has been in real estate and in portfolio investment. So that's not something that you build an economy on. This is not a high-value-added investment. And we all know how quickly portfolio investment moves out

if there is a shock or there is a stress event. That's why it is important for us in Jordan to build a very strong economy, address the imbalances, so that we are as much as possible shock-proof. I'm not sure that any country can be that, but what I'm saying is try to address as many of the imbalances as we can so that we are nearer on that spectrum.

I think where Jordan has played a key role regarding Iraq has been as a hub for various companies doing business in Iraq. And so we have hosted a number of events, exhibitions for doing business in Iraq. We've just hosted the Donors Conference 10 days ago, a week ago, at the Dead Sea, for Iraq. But importantly also, we host a lot of the offices, the regional offices of companies that are doing business in Iraq, and the U.N. agencies, and the World Bank.

So we--you know, the stability and security of Iraq is very important to us because that means the stability and security of the region. And so Jordan will do everything possible to enable that and to help in the overall efforts towards that.

QUESTION: Can you talk a little bit more about these development councils you mentioned that you would be setting up maybe in the provinces, and whether they'll have any financial independence? Where will they get their money? Because we know that these councils are only effective if they have the money. So could you talk a bit more about it, how you envisage them and their role vis-à-vis the central government and parliament and so on?

MINISTER AL-ALI: I think it's pretty premature to now talk about the specifics because it's still in the works and, you know, the recommendations will be out by the end of the year. But the general vision is really the need to include the local communities. It's not going to be inflationary; i.e., you know, we're not going to inflate our budget by providing additional money to these regional developmental councils. So whatever happens, it's going to be part of the overall government budget. How it gets allocated to the various regions is something that's really now up in the air, and whatever I tell you will probably not

be accurate right now because the committee that's working on it is still working on it.

But, I mean, the idea of these is to ensure inclusion, is to ensure that people at the grassroots levels elect their local representatives in the regional councils. And these local representatives work with the local communities and come up with developmental plans.

So that's really the general gist of it. I'm afraid I don't have any more to say.

QUESTION: Madam Minister, I'd like to ask about one specific project, and that is a project I think would be beneficial both to Jordan and Israel, and that is the Red-Dead Canal, which is supposed to replenish the Dead Sea and produce electricity and create a center of tourism. A few years ago, there was quite a bit of talk about the project. I haven't heard much about it recently. Is the project on track?

MINISTER AL-ALI: After many years of grueling discussions--

[Laughter.]

MINISTER AL-ALI: --between the Israelis, Palestinians, and the Jordanians, there is finally agreement on the need to proceed with a feasibility study for the Red-Dead. And in fact, that agreement was signed in April this year at the Dead Sea conference, the World Economic Forum conference at the Dead Sea. And so, with the help of the World Bank, who has been entrusted to put together a trust fund for about \$15 million to support a feasibility study for the Red-Dead, that feasibility study will actually take two years. The World Bank has held a conference in Paris, two weeks ago, for the various donors to gear up financial support for the feasibility study so that they can go ahead with the RFPs and expressions of interest and whatever to get consultants to work on it.

But that feasibility study will take two years. I think there's been two different lines of argument. Some say, you know, this is a great project that will get all the benefits that you just described, and others are saying, no, it's not feasible. So it's very important that we move ahead

with this feasibility study from a reputable consultant that works under the umbrella of the World Bank, with the consensus of all three parties, that comes up with a final analysis: Is this worth doing or is this not worth doing?

But, yes, it is something that, inshallah, is on track. We hope that the World Bank will succeed with the donors to raise the necessary fifteen, fifteen and a half million dollars, I think, by the fourth quarter of this year, and then hopefully we can have a consultant to do the feasibility study sometime by the spring of next year.

QUESTION: Madam Minister, when you were speaking about electoral laws and political party laws, you said some tantalizing things about possible redistribution of political power. You mentioned the aspirations of some in parliament to move toward parliamentary government. I think you mentioned the possibility of those in opposition today, you know, wielding executive power tomorrow. Could you expand on that a bit more with regard to

just how far you believe His Majesty would be prepared to go in that kind of political evolution, perhaps toward a European-style parliamentary system? And also, what does that imply for the king's own future political role?

MINISTER AL-ALI: What I just described was--I was just being very transparent in the type of discussions that have just happened in parliament. And I think when you are talking about democracy, it is important that you listen to everyone. And this was a clear objective of a lot of the parliamentarians, to have an elected government. That's not, obviously, going to happen overnight. There's a lot of steps that need to be taken--if it ever happens. I mean, I don't know. I'm not in a position to comment one way or the other. I'm just reacting to something that I heard two or three days ago.

So there are a lot of steps that need to be taken. I think a new elections law, a new parties law, an awareness campaign, an education campaign to those who are electing the various officials. It's

important that, you know, elections happen based on campaigns rather than, you know, necessarily tribal affiliations. So there is an education process that needs to take place.

I'd like to leave it at that.

QUESTION: David Hamod with the National U.S.-Arab Chamber of Commerce. Your Excellency, welcome back to Washington.

MINISTER AL-ALI: Thank you.

QUESTION: You talked about the free trade agreements and the QIZs and the substantial impact that they've had on the Jordanian economy. In a way, Jordan has had kind of a nice head start and some of the other countries in the region are now assigning FTAs of their own--Morocco, Bahrain, Oman, the Emirates, and others waiting in the wings. Jordan has always looked beyond its borders and beyond the region for markets, but at a certain level, do you hear footsteps coming up behind?

MINISTER AL-ALI: It's normal to have competition. The idea is to be able to beat the competition.

Yes, of course. I mean, of course, there are footsteps behind. But the idea is to create, you know, niche markets, niche products in order to be able to maintain the existing investments that you have and attract additional ones. And there's always a benefit to being the firstcomer. I think we've learned a lot from the QIZ initiative, and we are working very actively on the free trade agreement in order to ensure additional investors take advantage of that access.

What's happened with the QIZ, it was only fabric-related industries that have set up. And with the multi-fiber agreement coming on stream--you know, has come--obviously part of that advantage has gone.

So it's important, whether it's the QIZ or the FTA, that companies, investors, think out of the box. And we have teams in Jordan, whether it's the Jordan Investment Board, the Ministry of Industry and Trade, who would work with these investors to help them, you know, come with ideas regarding investment in those areas. And it does not

necessarily need to just be in textiles and fabrics, which has been the case so far in the QIZs. I think services is a very important area; pharmaceuticals and others are important areas.

And, you know, if I may ask Maher--where is Maher? Maher is our expert at the Embassy of Jordan here in Washington. He's the guy who's championing the FTA and the QIZ in the U.S. market. And it's important that we are able to attract more U.S. investment to Jordan.

QUESTION: I'm Mohammad [inaudible] from Center for Defense Information.

You mentioned your government's effort to improve women's rights in Jordan. However, it looks like the Jordanian people are resisting this effort. In the last election, no single woman was able to be elected from within like about 60 candidates, and the [inaudible] are all appointed by the King of Jordan. What is your government doing on the ground to change this reality?

MINISTER AL-ALI: In recognition of the fact that, you know, sometimes the culture, the

education plays a very important role as to whether women come into the political life or not. This is why the king has--through a commission, actually, that I was part of, we recommended a quota system. I tell you, personally I'm against a quota system. But if we were looking at the facts on the ground, the reality, and the culture, it would have been very difficult for a woman to make it to parliament through just the election process. So, yes, there was election, but we said, you know, it's the best-- whoever gets the most votes, and there are six seats guaranteed under the quota system.

The way things change is two things: From the grassroots level, it's the education. And we are working very actively on changing the curricula, the role of women in the curricula. It's important that there are role models for women in the public sphere. And I think that's happening through women in senate or in parliament. The women parliamentarians are generally doing a good job. And then, you know, there are women in government.

So it will happen through--you know, like they say, reality TV, you see it happening in front of you. And so the way women are operating in the country, they are being more role models for others, but importantly they're changing the way men are viewing the role of women. That's just how things are happening in reality.

Secondly, the education and the upbringing and the awareness. There are so many initiatives aimed at increasing the awareness level of school children, of university men and women towards the role of women and the need for women to be active not just on the political sphere but, importantly, on the economic sphere, and to change this misperception that--and I would like to thank the World Bank here because they just did a gender assessment of women in Jordan and, you know, the fallacy that some people think, that if more women are working then that's taking up jobs from the men. And the World Bank came out with a gender report that said, really, when women work, the pie is

growing, there's more jobs being created, there are more opportunities being created.

So we're working at all levels, but it takes time. But you've got to start somewhere, and I think Jordan, again, has put itself on very good grounds.

QUESTION: Minister al-Ali, thank you very much for this well-informed presentation. Not many people in the country here know how much advancement the government of Jordan championed in the last few years on economic levels. And as you are well aware, we have a very large USAID mission in Jordan, and I want to thank the government of Jordan for working very closely together with us in many good development projects in your country, as you aware.

But my question is actually two. What is the percentage loss of the export-import between you and Lebanon after the Syrians closed the Lebanese-Syrian border? Many trucks, I know, I understand that they go to Jordan and so on. And secondly, whatever happened with the Syrian-Jordanian border

and the land that Syria claims is theirs? Any comment on this?

MINISTER AL-ALI: I'm afraid on the first one, I don't have the details so I can't answer you. On the second one, I think there's an agreement with Syria regarding the land and things are working on the right track there. So I think, you know, there are no issues.

Let me take this opportunity again to thank USAID for all its support.

QUESTION: Madam Minister, I wanted to ask a question that will arguably look like an observation posing as a question, but I really mean it as a question. And it's about, as I listened to you walk through this presentation that was quite masterful, I had the sense of drinking water out of a fire hose. A lot. So it's a question about the relationship between working capital, political will, and management capacity. And what I'm really after is to get a sense of whether you and your colleagues in the government question whether there is enough working capital--I mean that in all the

resources--financial capital, human capital, political capital, et cetera--to really pull off this enormously ambitious agenda.

And the other sort of component of that question is whether in your conversations you have asked yourselves whether you have perhaps created an agenda that is a little too steep, that needs scaling down. That's really what the question is intended to get after.

MINISTER AL-ALI: I think that's a good question, or an observation. I think, on political will, it's very strongly there. On management, it's also there. On working capital, clearly financial resources are not there. If you look at--the next aspect would be the political buy-in, the consensus of people, and I think that's something we need to work on and are working on much more actively.

Let me just personalize this a little bit. I walked into government four months ago, never dealt with parliament. And clearly, for me and for some of the other colleagues of mine who came from the private sector, there was opposition. There was

opposition because they called us the economic team that's reform-oriented, that's Western educated, that's coming in from the moon, you know, and we don't know the realities on the ground, et cetera. Not that that's true. I've worked on every single commission that has been launched in the country, just like my colleagues, and we all know the realities on the ground. But that's the perception.

What I have found out over the past four months is if you reach out to parliament--I've met with every single parliamentarian who's requested an appointment. And I've not met with them for five minutes, it wasn't a courtesy call. I've met with them for half an hour, one hour, an hour and a half--it depends--for as long as they wanted to talk sensible stuff. And when you walk them through some of the things and be honest and transparent, I think people come through. I think when you explain to people the logic, people eventually come through.

And so what I'm saying is the road is not easy, and I'd be fooling myself and others to say it's easy. It's not easy. But you cannot undertake

reform without the necessary buy-in, and you need to have parliament, the public at large, everyone. You need to have buy-in, and that doesn't come overnight. So there's a lot of work that needs to be done at all levels. Are we there? No, we are not there. Why are we facing opposition? Because I think that buy-in is not there at all levels yet. That's what we need to work on.

So I see that's an area that we need to work on. Clearly, you know, financial resources are not there, at least not to the extent that we want.

The third thing that you mentioned regarding are we setting the bar too high, are we over-reaching, is this too ambitious, I think, again, it's too soon to say anything because the national agenda is not out. But eventually, when it's out, I think we would need to prioritize based on the constraints. I mean, we're not living--we didn't come from the moon, we understand the realities on the ground. But it is critical that we prioritize and choose key pillars that we need to focus on and make achievements. It is important for

the government, for the country, to demonstrate that it has made a progress for its people, that it's improved the lives of people in one way or another.

So, yes, I mean, given the constraints we probably can't work on all of the eight pillars at the same time--because of financial resources, but also because of the buy-in and the other resources that are required. But we must start. Actually, I shouldn't say "start," because we've already started. We must continue. We must accelerate, but be more focused in what we do.

QUESTION: Madam Minister, it's a real pleasure to have heard you today. I don't think His Majesty could have a better representative speaking in the United States, at least, about this subject, and I hope you get to much wider audiences. I've always been a great admirer of Jordan and I'm delighted to hear the positive program you're launching.

I have two questions sort of related. With respect to buy-in, you didn't really mention the buy-in problem with respect to the traditional

Jordanian private sector, which has been historically very, very wary of foreign investment and competition and the rest. Where are you on that kind of buy-in?

But secondly, you never mentioned, really, the Palestinian dimension of the economic issues, and I wonder if you could say a word about where things stand right now in the Jordanian-West Bank economic relationship, both in terms of trade and capital flows.

MINISTER AL-ALI: First of all, thank you, sir, for your very kind remarks. I really appreciate it.

On the Jordanian private sector, this is part of the inclusion that I was talking about. All members of the very influential Jordanian private sector are part of these committees. They are formulating the agenda. They are part of these committees formulating that agenda. So their voices are being heard. They cannot say they're being excluded. And clearly, when they're sitting in these committees, you know, they have weight. So

whatever comes out will, hopefully, be a very inclusive document work plan to go with.

On the West Bank, I'm not sure what flows can go out of the West Bank. I think they're in a very, very difficult situation. But Jordan's position--and regarding the trade flows, obviously, the West Bank is a captive market to the Israelis and there's very little trade that's happening between Jordan and the West Bank. And that's something that I think would be good to open up for the benefit of the Palestinian consumer and also for the benefit of Jordan and Israel. I think that would help in having yet more grounds for common interests and shared interests in the prosperity of the West Bank. Obviously, Jordan will do everything possible to support the West Bank and the Palestinians in the context of all the international agreements and the peace process. But really, not much is happening with trade and investment with the West Bank.

MODERATOR: I'm afraid that I'm told that the minister has already stayed too long and must

leave. Before we thank her, let me ask that everyone stay seated so that she and her people can walk out quickly and get to their car and to the next meeting. But please do join me in thanking Minister al-Ali for a tremendous perform. We only wish you the best of luck both today and in the future.

MINISTER AL-ALI: Thank you very much.

[Applause.]

[END OF TAPED RECORDING.]

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